

ENTERGY CORP /DE/  
Form 8-K  
July 17, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date earliest event reported) July 17, 2012

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, LA 70113 Telephone (504) 576-4000	72-1229752

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

The information in this Current Report on Form 8-K, including the exhibits, is being furnished, not filed, under Item 2.02.

On July 17, 2012, Entergy Corporation issued a public announcement, which is attached as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Release, dated July 17, 2012, issued by Entergy Corporation
99.2	Statement on Uses and Usefulness of Non-GAAP Information

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Entergy Corporation

By: /s/ Alyson M. Mount  
Alyson M. Mount  
Senior Vice President and  
Chief Accounting Officer

Dated: July 17, 2012

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ONT SIZE="1"> 337,450

Mr. Corti

0 5,000 337,450

Mr. Klemann

5,000 8,000 539,920

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(a) Market Value is determined by reference to the per-share closing price on December 31, 2003 (\$67.49).

(5) The amounts in this column include the following: (i) Company matching contributions to the Employees Savings and Stock Ownership Plan Ms. Jung, \$9,000; Mrs. Kropf, \$9,000; Mr. Toth, \$6,536; Mr. Corti, \$6,602; and Mr. Klemann, \$9,000; (ii) Company matching contributions to the Deferred Compensation Plan Ms. Jung, \$45,119; Mrs. Kropf, \$23,873; Mr. Toth, \$13,800; Mr. Corti, \$15,534; and Mr. Klemann, \$5,784; (iii) a one-time sign-on payment in 2001 to Mr. Klemann of \$100,000; and (iv) overseas allowances for Mr. Toth pertaining to his expatriate assignment of \$117,610 for 2003 and \$458,494 for 2002.

**Option Grants**

This table presents information regarding options that may be exercised to purchase shares of the Company's Common Stock.

**Option Grants in Fiscal 2003**

Name	Individual Grants		Exercise Price	Expiration Date	Grant Present Value
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year			
(#) (1)	(2)	(\$/Sh)	Date	(3)	
Ms. Jung	250,000	10.1%	52.80	3/13/13	5,392,500
Mrs. Kropf	120,000	4.9%	52.80	3/13/13	2,588,400
Mr. Toth	34,886	1.4%	52.80	3/13/13	752,491
	2,487	0.1%	49.67	1/30/13	51,829
Mr. Corti	50,000	2.0%	52.80	3/13/13	1,078,500
Mr. Klemann	32,513	1.3%	52.80	3/13/13	701,305
	3,165	0.1%	49.67	1/30/13	65,959

(1) The indicated options have a term of 10 years and were granted pursuant to the Company's Year 2000 Stock Incentive Plan. The options granted 3/13/03 expire on 3/13/13 and vest in equal one-third portions over three years. The options granted 1/30/03 expire on 1/30/13 and

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vest at the end of one year.

- (2) Based on 2,465,534 options granted in fiscal 2003.
- (3) To calculate the value of option grants in 2003, the Company used a valuation of 40% of the average of the high and low prices of the Company's common stock on the date on which management recommended the proposed grants to the Compensation Committee of the Board of Directors. In 2003, this valuation equaled \$21.57 per share for the 3/13/03 grants and \$20.84 per share for the 1/30/03 grants. In establishing this valuation, the Company worked with a consultant and reviewed historic Black-Scholes valuations of options on the Company's stock, measuring volatility and the other variables in the Black-Scholes model over multi-year periods, and concluded that a valuation of 40% was appropriate. The Company's use of this valuation methodology should not be construed as an endorsement of its accuracy at valuing options. In the future, the Company may change its method for determining the valuation of its options. All stock option valuation models and methodologies require a prediction about the future movement of the stock price. The real value of options in this table depends on the actual performance of the Company's stock during the applicable period and on the date of exercise.

**Option Exercises and Values**

This table presents information regarding options exercised for shares of the Company's Common Stock during fiscal 2003 and the value of unexercised options held at December 31, 2003.

**Aggregated Option Exercises in Fiscal 2003****and 2003 Fiscal Year-End Option Values**

Name	Shares Acquired on Exercise (#)	Value Realized (\$) <sup>(1)</sup>	Number of Securities		Value of Unexercised	
			Underlying Unexercised		In-the-Money Options	
			Options at FY-End (#)		at FY-End (\$) <sup>(2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ms. Jung	0	0	610,943	497,670	16,438,866	8,147,720
Mrs. Kropf	46,728	1,518,592	234,981	240,502	6,193,170	3,952,481
Mr. Toth	11,432	366,309	76,722	74,098	2,048,274	1,196,255
Mr. Corti	35,312	1,342,769	107,210	97,003	2,886,445	1,564,601
Mr. Klemann	0	0	35,394	70,014	783,081	1,164,831

(1) Value Realized is calculated as follows: (Per Share Closing Sale Price on Date of Exercise - Per Share Exercise Price) x Number of Shares for which the Option was exercised.

(2) Value of Unexercised, In-the-Money Options at 12/31/03 is calculated as follows: (Per Share Closing Sale Price on 12/31/03 - Per Share Exercise Price) x Number of Shares Subject to Unexercised Options. The per-share closing price on 12/31/03 was \$67.49.

**RETIREMENT, DEATH AND SEVERANCE BENEFITS**

Four of the named executive officers accrue retirement benefits under a Supplemental Executive Retirement Plan (the Supplemental Plan) which is described below, namely Ms. Jung, Ms. Kropf, Mr. Toth and Mr. Corti. Benefits under the Supplemental Plan are based on the average of a participant's three highest years of compensation during the ten years of service prior to retirement and the number of years of creditable service. Such compensation includes base salary and annual incentive bonuses. Benefits payable under the Supplemental Plan are reduced by benefits payable to the participant under the Company's Regular Retirement Program (the Retirement Plan). The following table shows the estimated annual retirement benefits for a life annuity under the Supplemental Plan (including benefits payable by the Retirement Plan but excluding Social Security benefits) for participants retiring at age 65 whose average three-year compensation and years of service at retirement would be in the classification shown. If retirement occurs prior to age 65 but after the executive's age and years of service total at least 85, the executive would be entitled to the benefit described in the table commencing upon retirement (rather than waiting until age 65 for the benefit to start).

**Estimated Annual Retirement Allowances at Age 65**

Average of Three Highest Years Annual Compensation In Last Ten Years	Years of Creditable Service					
	10	15	20	25	30	35
	\$ 500,000	100,000	150,000	200,000	250,000	275,000
600,000	120,000	180,000	240,000	300,000	330,000	360,000
700,000	140,000	210,000	280,000	350,000	385,000	420,000
800,000	160,000	240,000	320,000	400,000	440,000	480,000
900,000	180,000	270,000	360,000	450,000	495,000	540,000
1,000,000	200,000	300,000	400,000	500,000	550,000	600,000
1,100,000	220,000	330,000	440,000	550,000	605,000	660,000
1,200,000	240,000	360,000	480,000	600,000	660,000	720,000
1,300,000	260,000	390,000	520,000	650,000	715,000	780,000
1,400,000	280,000	420,000	560,000	700,000	770,000	840,000
1,500,000	300,000	450,000	600,000	750,000	825,000	900,000
1,600,000	320,000	480,000	640,000	800,000	880,000	960,000
1,700,000	340,000	510,000	680,000	850,000	935,000	1,020,000
1,800,000	360,000	540,000	720,000	900,000	990,000	1,080,000
1,900,000	380,000	570,000	760,000	950,000	1,045,000	1,140,000
2,000,000	400,000	600,000	800,000	1,000,000	1,100,000	1,200,000
2,100,000	420,000	630,000	840,000	1,050,000	1,155,000	1,260,000
2,200,000	440,000	660,000	880,000	1,100,000	1,210,000	1,320,000
2,300,000	460,000	690,000	920,000	1,150,000	1,265,000	1,380,000
2,400,000	480,000	720,000	960,000	1,200,000	1,320,000	1,440,000
2,500,000	500,000	750,000	1,000,000	1,250,000	1,375,000	1,500,000

As of December 31, 2003, Ms. Jung had an average three-year compensation of \$2,264,420 and 10 years of creditable service; Mrs. Kropf had an average three-year compensation of \$1,335,420 and 33 years of creditable service; Mr. Toth had an average three-year compensation of \$696,828 and 25 years of creditable service; and Mr. Corti had an average three-year compensation of \$828,254 and 27 years of creditable service. Mr. Klemann is not covered by the Supplemental Plan; instead Mr. Klemann accrues cash balance retirement benefits, which will not vest until 2006. As of December 31, 2003, the value of Mr. Klemann's cash balance account was \$138,556, which equated to an annual annuity, payable at age 65 for his lifetime, of \$21,484.



**CONTRACTS WITH EXECUTIVES**

The Company has employment contracts ( Employment Contracts ) with four of the named executive officers, namely Ms. Jung, Mrs. Kropf, Mr. Corti and Mr. Klemann.

The Employment Contracts provide that if the executive s employment is terminated without cause, the executive generally shall receive a payment equal to the sum of: (i) the present value of the executive s base salary for a period equal to two years (Mrs. Kropf and Messrs. Corti and Klemann) or three years (Ms. Jung); (ii) continuation of benefits for two years (Mrs. Kropf and Messrs. Corti and Klemann) or three years (Ms. Jung); and (iii) a bonus payment in an amount equal to the executive s target annual bonus for the year of termination plus a pro-rated portion of such bonus if such termination occurs after August 1 in any year.

The Employment Contracts also provide that upon the executive s actual or constructive termination of employment in connection with the occurrence of certain change of control or potential change of control events (as defined in the Employment Contracts), the executive will receive payment of an amount equal to the sum of: (a) three years salary and bonus, (b) the present value of three years insurance and fringe benefits, and (c) the cash-out value of all then-outstanding stock options, restricted shares and restricted stock units. Assuming an actual or potential change of control had occurred on January 1, 2004, with termination of the executives immediately thereafter, Ms. Jung would have received \$8,437,500; Mrs. Kropf would have received \$4,500,000; Mr. Corti would have received \$2,775,000; and Mr. Klemann would have received \$2,269,500; plus the amounts referred to in (b) and (c) above.

The Employment Contracts also provide for reimbursement by the Company of any excise taxes incurred under Section 4999 of the Internal Revenue Code by reason of a change of control, and of any income and excise taxes incurred in connection with such reimbursement.

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**AUDIT COMMITTEE REPORT**

The Company has a separately designated standing Audit Committee established in accordance with the Securities Exchange Act of 1934. The Audit Committee is composed of four directors whom the Board of Directors has determined meet the independence and financial literacy and expertise standards of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission and the Company's Corporate Governance Guidelines. The Board has also determined that Lawrence A. Weinbach, the Committee's Chair, is qualified to be the Audit Committee Financial Expert, under the rules of the Securities and Exchange Commission. The Audit Committee has a written charter that has been approved by the Board of Directors and is attached as Appendix A to this Proxy Statement and is available on the Company's website ([www.avoninvestor.com](http://www.avoninvestor.com)).

The basic function of the Audit Committee is oversight. The Company's management is responsible for preparing the Company's financial statements and its outside independent accountants are responsible for auditing those financial statements. Management, including its finance and internal audit staffs, is responsible for the fair presentation of the information set forth in such financial statements in conformity with generally accepted accounting principles, and for maintaining an effective internal control structure. The independent accountants' responsibility is to provide their opinion, based on their audit, as to whether the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with generally accepted accounting principles and to design and perform their audit to provide reasonable assurance that the Company's financial statements are free of material misstatements and omissions. It is not the duty of the Audit Committee, or of any of its members, to conduct separate auditing or accounting reviews or provide independent assurance of the Company's compliance with applicable laws and regulations.

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements with management and the independent accountants. The Committee has also discussed with the independent accountants and with management the matters required to be discussed by the rules of the New York Stock Exchange, the Securities and Exchange Commission and the Charter of the Audit Committee (including Statement on Auditing Standards No. 61, Communication with Audit Committees) relating, for example, to the conduct of the audit and the quality of the Company's accounting principles and the estimates underlying the financial statements.

The Committee also has received the letter from the independent accountants required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees (which relates to the accountants' independence from the Company and its related entities), has considered whether the provision of non-audit services by the independent accountants to the Company is compatible with maintaining the accountants' independence and has discussed with the accountants the accountants' independence, including any relationships that may impact their objectivity and independence.

In 2003, the Company amended its previous policy regarding the provision by the Company's independent accountants of audit and non-audit services and the corresponding fees, and the procedures for approval of such services and fees, to: (i) strictly disallow any service that would be a prohibited service; (ii) allow audit, audit-related and tax services only if the particular type of service is on the list of types of services that have been pre-approved by the Audit Committee, specific procedures are followed to ensure appropriate management assessment of such service, the proposed fee is within the overall limit set by the Audit Committee for that category of service, and the Audit Committee is informed on a timely basis of each such service; and (iii) allow other services not within any of the foregoing categories only if each such service and the corresponding fee is approved in advance by the Audit Committee or by one or more members of the Audit Committee.

Based upon the review and discussions described in this report, the members of the 2004 Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission.

Members of the 2003 Audit Committee

Lawrence A. Weinbach, Chair

Brenda C. Barnes

W. Don Cornwell

Fred Hassan

## **PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS**

Unless otherwise directed by the Shareholders, proxies will be voted for ratification of the appointment by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP, Certified Public Accountants, as independent accountants for the year 2004.

PricewaterhouseCoopers LLP began auditing the accounts of the Company in 1989. If the appointment of PricewaterhouseCoopers LLP is not ratified by the Shareholders, the Audit Committee will reconsider its appointment. A member of the firm will be present at the Annual Meeting to answer appropriate questions and to make a statement if he or she desires.

In 2003, the Company amended its previous policy regarding the provision by the Company's independent accountants of audit and non-audit services and the corresponding fees, and the procedures for approval of such services and fees, to: (i) strictly disallow any service that would be a prohibited service; (ii) allow audit, audit-related and tax services only if the particular type of service is on the list of types of services that have been pre-approved by the Audit Committee, specific procedures are followed to ensure appropriate management assessment of such service, the proposed fee is within the overall limit set by the Audit Committee for that category of service, and the Audit Committee is informed on a timely basis of each such service; and (iii) allow other services not within any of the foregoing categories only if each such service and the corresponding fee is approved in advance by the Audit Committee or by one or more members of the Audit Committee.

### **Audit Fees**

The aggregate fees, including out-of-pocket expenses, for audit services rendered by PricewaterhouseCoopers LLP, including but not limited to the audit of the Company's annual financial statements for the fiscal years ended December 31, 2003 and December 31, 2002, and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for those fiscal years, comfort letters, and services to assist in the preparation for the internal control review required by Section 404 of the Sarbanes-Oxley Act of 2002 were approximately \$4.9 million and \$4.1 million, respectively.

### **Audit-Related Fees**

The aggregate fees, including out-of-pocket expenses, for audit-related services rendered by PricewaterhouseCoopers LLP during the fiscal years 2003 and 2002 were approximately \$.4 million and \$.09 million, respectively. The audit-related services provided by PricewaterhouseCoopers LLP during those years included such services as accounting due diligence and audits of international pension plans and domestic employee benefit plans.

### **Tax Fees**

The aggregate fees, including out-of-pocket expenses, for tax services rendered by PricewaterhouseCoopers LLP during the fiscal years 2003 and 2002 were approximately \$1.5 million and \$1.4 million, respectively. The tax services provided by PricewaterhouseCoopers during those years included such services as expatriate tax services, tax advice regarding possible transactions and projects, domestic and international tax planning and tax compliance.

### **All Other Fees**

The aggregate fees, including out-of-pocket expenses, for other services, not included in any of the foregoing categories, rendered by PricewaterhouseCoopers LLP during the fiscal years 2003 and 2002 were approximately \$.02 million and \$.04 million, respectively. These other services provided by PricewaterhouseCoopers during 2003 and 2002 included such services as certifications and other reviews of information required by local regulations outside the United States, official transmission of financial information to government authorities outside the United States, and a subscription to on-line accounting reference material.

**Your Board of Directors recommends that you vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for the year 2004.**

**PROPOSAL 3 AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION TO INCREASE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

The Board of Directors proposes and recommends the approval of an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from the 800,000,000 shares, par value \$.25 per share, presently authorized to 1,500,000,000 shares. Accordingly, the Board of Directors proposes to amend the first paragraph of Article III of the Company's Restated Certificate of Incorporation to read in its entirety as follows:

ARTICLE III: The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 1,525,000,000 shares, divided into two classes consisting of 1,500,000,000 shares of Common Stock, par value \$.25 per share (the Common Stock), and 25,000,000 shares of Preferred Stock, par value \$1.00 per share (the Preferred Stock).

No change is proposed to the number of authorized shares of Preferred Stock. If the proposed amendment is adopted, the Company intends to file a Certificate of Amendment to the Restated Certificate of Incorporation on or about May 7, 2004.

The Board of Directors has approved a two-for-one stock split in the form of a stock dividend of one share of Common Stock for each share of Common Stock issued and outstanding or held in the Company's treasury, contingent on the shareholders' approval of the proposed increase in the number of authorized shares of our Common Stock. We are proposing the increase in the number of authorized shares of our Common Stock because we do not have a sufficient quantity of shares of Common Stock available for issuance (calculated as the number of authorized shares minus the total number of shares that are issued and outstanding, held in treasury or reserved for issuance) to be able to effect the two-for-one stock split and still have an adequate amount of shares available for issuance for other possible needs of the Company. If the shareholders do not approve the proposed increase in the number of authorized shares of our Common Stock, the proposed stock split will not occur. If the shareholders do approve the increase in the number of authorized shares of our Common Stock, the stock split will occur shortly after the Annual Meeting of Shareholders, following the record date for the stock split of May 17, 2004.

The additional shares of our Common Stock for which authorization is sought would have the same par value and the same voting rights and rights to dividends and other distributions and will be identical in all respects to the shares of our Common Stock now authorized. The proposed amendment would not change the terms of our Common Stock nor would it affect the rights of the holders of currently issued and outstanding shares of our Common Stock. The current holders of our Common Stock do not have any preemptive rights and, accordingly, would not have any preferential rights to purchase any of the additional shares of Common Stock when those shares are issued. If this proposal is approved, the additional shares of our Common Stock may be issued from time to time upon authorization of our Board of Directors, without further approval by our shareholders, unless otherwise required by applicable law, and for the consideration that our Board of Directors may determine is appropriate and as may be permitted by applicable law. The authorization of the additional shares of our Common Stock sought by this proposal would not have any immediately dilutive effect on the proportionate voting power or other rights of our existing shareholders. To the extent that the additional authorized shares of our Common Stock are issued in the future, however, they may decrease the existing shareholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to the existing shareholders.

The Board of Directors believes that the increase in the number of authorized shares of our Common Stock is desirable to provide the Company with the flexibility to act promptly in the future with respect to corporate opportunities as they arise, without the delay and expense associated with holding a special meeting of shareholders, to the extent permitted by applicable law, to obtain shareholder approval each time such an opportunity arises that would require the issuance of shares of our Common Stock. The additional shares of Common Stock proposed to be authorized for issuance will be available for the stock split that has been approved by the Board of Directors and, in the discretion of the Board of Directors, for any possible future stock splits or



stock dividends, financing activities including issuance of convertible debt and sales of equity securities to raise capital, acquisitions or asset purchases, strategic relationships with corporate partners, stock incentives for our employees and directors, and other corporate purposes. Other than the two-for-one stock split that has been approved by the Board of Directors, no specific event is now contemplated that would result in the issuance of shares, nor does the Company have any plans, arrangements or understandings with respect to the issuance of the additional authorized shares of our Common Stock.

As of December 31, 2003, of the 800,000,000 shares of Common Stock presently authorized, a total of 235,298,430 shares were issued and outstanding, 125,828,622 shares were held in the Company's treasury, and 17,984,426 shares were reserved for issuance for stock incentives under existing employee and director benefit plans.

The affirmative vote of holders of a majority of the outstanding shares of Common Stock authorized to vote on this proposal is required for adoption of the proposed amendment to the Restated Certificate of Incorporation. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

The Board of Directors believes that the decision to split the stock shows the confidence of the Company's management and of its Board of Directors in the long-term prospects of the Company. The Board also believes that the stock split, which is dependent on the shareholders' approval of the increase in the number of authorized shares of our Common Stock, would contribute to a broadening of the shareholder base and improve market liquidity for the Company's Common Stock. For the reasons described above, the Board of Directors believes that the proposed increase in the number of authorized shares of our Common Stock and the stock split are in the best interest of the Company and its shareholders.

**Your Board of Directors recommends that you vote FOR Proposal 3**

**PROPOSAL 4 RESOLUTION FOR ELIMINATION OF CLASSIFIED BOARD**

The Company is informed that Walden Asset Management, whose address and share ownership will be furnished promptly upon receipt of any oral or written request therefor, together with other shareholder co-proponents, whose names, addresses and share ownership will be furnished promptly upon receipt of any oral or written request therefor, intend to introduce at the Annual Meeting the following resolution:

RESOLVED: That the stockholders request that the Board of Directors take the steps necessary to declassify the election of Directors by insuring that in future Board elections directors are elected annually and not by classes as is now provided. The declassification shall be phased in so that it does not effect the unexpired terms of Directors previously elected.

The proponents have furnished the following statement in support of the resolution:

This resolution requests that the Board end the present staggered board system with 1/3 of Directors elected each year and instead ensure that all Directors are elected annually. We believe shareholders should have the opportunity to vote on the performance of the entire board each year.

Increasingly, institutional investors are calling for the end of this system. California's Public Employees Retirement System, New York City pension funds, New York State pension funds and many others including the Council of Institutional Investors, and Institutional Shareholder Services, one of the most influential proxy evaluation services, support this position.

Shareholder resolutions to end this staggered system of voting have received large votes, averaging 62% in 2003, revealing strong investor support for this reform. Numerous companies have demonstrated leadership by changing this practice including Pfizer, Bristol-Myers Squibb, and Dow Jones.

We strongly believe that our company's financial performance is linked to its corporate governance policies and procedures and the level of Board and management accountability they establish.

We do not believe this reform would affect the continuity of Director service since our Directors, like those at an overwhelming majority of companies, are routinely elected with strong shareholder approval.

After listening to investor input, Pfizer changed its staggered board by taking a shareholder vote, which passed with 84%. The Pfizer 2003 proxy statement stated convincingly:

The Board of Directors examined the arguments for and against continuation of the classified board, in light of the size and financial strength of the company, listened to the views of a number of its shareholders, and determined that the classified board should be eliminated. The Board believes that all Directors should be equally accountable at all times for the company's performance and that the will of the majority of shareholders should not be impeded by a classified board. The proposed amendment will allow shareholders to review and express their opinions on the performance of all Directors each year. Because there is no limit to the number of terms an individual may serve, the continuity and

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stability of the Board's membership and our policies and long-term strategic planning should not be affected.

We believe the Compensation, Nominating, and Audit Committees, as well as the full Board need to be fully and annually accountable to shareowners - another key reason for annually electing Directors.

While the Board studied this issue after a shareowner vote of 80% supported this reform at the 2003 stockholder meeting and decided to keep the staggered Board it did not survey shareowners to better understand their rationale for the overwhelmingly vote for this position. Please vote yes for this reform.

### **Board of Directors Statement on Proposal 4**

The 2003 Annual Meeting of Shareholders included a shareholder proposal requesting that the Board consider taking action to eliminate the classification of the Board of Directors. That proposal received support from a substantial majority of the shareholders, but less than the affirmative vote of 80% of the outstanding

shares that would have been required to effect a declassification of the Board. That proposal was substantially similar to the proposal put forward this year by the same shareholder.

In response to the shareholder vote on last year's proposal, the Board of Directors performed a thorough review of the Company's classified board structure. The matter was considered by the Company's Nominating and Corporate Governance Committee and discussed at three separate meetings of the Board of Directors. We sought the advice of outside counsel regarding directors' fiduciary duties. Our review included consideration of the reasons why companies choose to classify their Boards, such as the need for continuity and protection against coercive takeover tactics. It also included consideration of the provisions of the Company's charter and by-laws, and in particular, the existing cumulative voting provisions. We reviewed the actions of other public companies in response to large shareholder votes in favor of classified boards and other governance proposals and reviewed the voting policies and investment policies of institutional investors. Members of the Company's senior management also met or spoke with the proponents and with other of the Company's investors. We also took into consideration the possibility that the Securities and Exchange Commission might mandate shareholder access to company proxy statements under certain circumstances, and the possibility that investors might withhold votes against directors if they decided not to declassify.

After thorough consideration of the classified board issue, the Board of Directors ultimately determined that, in our judgment, it is in the best interest of the shareholders to retain the classified board. We feel that there simply is no substitute for the classified board structure in providing continuity of experience and perspective to facilitate long-term planning, and in maximizing the value of the Company.

Our classified Board assures that a majority of directors at any time will have the prior experience and in-depth knowledge to oversee the Company's complex, multinational business, with two classes of directors always having served for one or more years. Thus, we believe that our classified Board structure provides significant advantages to the Company's long-term investors by assuring that the Board is able to implement a long-term strategy.

The classified board structure also protects directors against pressure from special interest groups who might have an agenda contrary to the long-term interests of all shareholders. Importantly, we feel that *all* directors of the Company must be concerned about the interests of *all* of the shareholders, as opposed to the issues of a special interest constituency. The classified board structure also enhances the Board's ability to negotiate with a suitor to obtain the best result for shareholders in a takeover event, and thus would give us the leverage to best fulfill our fiduciary responsibilities in responding to a possible takeover.

The Board of Directors also believes that it is essential, in reviewing the classified board structure, to take into account the cumulative voting provisions in the Company's charter and by-laws and the impact of those provisions with or without classification of the Board. The Company's charter provides for cumulative voting which, when coupled with an annual election of directors, would substantially multiply the ability of a shareholder with short-term objectives to elect a member or members of the Board. Notably, Pfizer, cited by the proponent as a company that eliminated its classified board last year, did not have cumulative voting. Because a classified board can make it more difficult for third parties with short-term objectives to seize control of the Company in a single proxy contest, the classified board system provides the leverage needed under coercive conditions to negotiate terms that will maximize the value of the Company for all shareholders.

The Board endeavors always to act in a manner that reflects its judgment of the best interests of the Company and its shareholders and does not believe that the classified board structure affects in any way the accountability of the Board. All directors are required to uphold their fiduciary duties to the Company and its shareholders and the same standards apply to directors regardless of their term of office. A classified board permits shareholders to annually change one-third of the directors and thereby substantially change the Board's composition and character. Corporate accountability depends on the selection of responsible and experienced individuals, not on whether they serve terms of one year or three. Indeed, many of the companies that have been



the subject of recent corporate governance failures had annually elected boards. The Board has in place governance guidelines that enhance corporate accountability, such as assuring that the Board is composed of a majority of independent directors and that only independent directors are members of its committees. The Board also believes that a director's contributions are best measured over several years versus the short-run evaluation implicit in annual elections. A majority of Fortune 500 companies maintain classified boards.

The Board of Directors of Avon is committed to excellence in corporate governance and enhancement of shareholder value. We believe that our existing record demonstrates that we will use the classified board for its intended purpose, which is to enable us to best fulfill our fiduciary responsibilities to the shareholders.

Our shareholders approved our classified Board in 1986 by a substantial majority. The Board continues to believe that the present system of electing one-third of the Board each year offers important advantages to our shareholders, is in the best interests of the Company and should not be changed.

**Your Board of Directors recommends that you vote AGAINST Proposal 4.**

**PROPOSAL 5 RESOLUTION REQUESTING REPORT ON PARABENS**

The Company is informed that Domini Social Investments LLC, whose address and share ownership will be furnished promptly upon receipt of any oral or written request therefor, together with another shareholder co-proponent, whose name, address and share ownership will be furnished promptly upon receipt of any oral or written request therefor, intend to introduce at the Annual Meeting the following resolution:

**WHEREAS:**

According to Avon Products website, 82 products, including Auto Focus Light Adjusting Foundation, Beyond Color Illuminating Radiance Vitamin C Foundation, Beyond Color Vertical Lift Foundation, Perfect Wear Total Coverage Concealer, Clear Finish Great Complexion Pressed Powder contain parabens.

Parabens are preservatives that have been identified as estrogenic and disruptive of normal hormone functions.<sup>1</sup> Estrogenic substances are chemicals foreign to the body that mimic the function of the naturally occurring hormone, estrogen.<sup>2</sup> Estrogen has been shown to control the growth of breast cells,<sup>3</sup> and exposure to external estrogens has been shown to increase the risk of breast cancer.<sup>4</sup>

According to a report by the National Research Council, some estrogenic substances are associated with adverse reproductive and developmental effects in wildlife and other animals.<sup>5</sup> The US National Toxicology Program lists steroidal estrogens as known human carcinogens.<sup>6</sup> Although parabens are not steroidal estrogens, studies have shown that they can mimic steroidal estrogens in animal studies, including in mammals (see, e.g., Pedersen et al. (2000) and Routledge et al. (1998), cited above).

There is substantial scientific evidence to suggest that increased exposure to substances that behave like estrogen in the body may elevate an individual's risk of developing cancer.<sup>7</sup> Parabens are among these substances.<sup>8</sup>

**BE IT RESOLVED**

The shareholders request that the Board of Directors prepare a report (at reasonable cost and omitting proprietary information), available to shareholders by October 2003 [sic] evaluating the feasibility of removing, or substituting with safer alternatives, all parabens used in Avon products.

The proponents have furnished the following statement in support of the resolution:

Our company deserves high praise for its commitment to women's health. Avon has raised approximately \$190 million for women's health programs in 30 countries through a variety of fundraising programs. Avon states on its web site, "No other company has committed as much money to the cause of women's health. Our company has done more in the breast cancer fight than any other company."

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<sup>1</sup> Pedersen, K.L. et al., The preservatives ethyl-, propyl- and butylparaben are oestrogenic in an in vivo fish assay, *Pharmacology & Toxicology* (Vol. 86(3), pp 110-13, March 2000); Routledge, E.J., et al., Some alkyl hydroxy benzoate preservatives (parabens) are estrogenic, *Toxicology and Applied Pharmacology* (Vol. 153(1), pp. 12-19 (Nov. 1998) and Kant [sic], K.S. et al., Decreased sperm number and motile activity on the F1 offspring maternally exposed to butyl p-hydroxybenzoic acid (butyl paraben), *Journal of Veterinary Medical Science* (Vol. 64(3), pp. 227-35 (March 2002).

<sup>2</sup> National Research Council, *Hormonally Active Agents in the Environment* (Washington DC, National Academy Press (1999) ( NRC Report ).

<sup>3</sup> US Department of Health and Human Services, National Toxicology Program, 10th Report on Carcinogens, pp. 116-19 (2002).

<sup>4</sup> NRC Report, cited above.

<sup>5</sup> Id.

<sup>6</sup> US Department of Health and Human Services, National Toxicology Program, 10th Report on Carcinogens, pp. 116-19 (2002).

<sup>7</sup> NRC Report, cited above.

<sup>8</sup> See Pedersen at 110-13, Routledge at 12-19, and Kant [sic] at 227-35.

Chemicals that may pose higher-than-average risk to human health, and particularly those that may increase the risk of breast cancer could undermine our company's good efforts to support women's health, especially in the breast cancer arena. We believe that they do not belong in our products.

#### Board of Directors Statement on Proposal 5

Consumer safety is Avon's number one priority. As a responsible cosmetics manufacturer, the Company has an extensive formal process for review of the safety and integrity of all of our products and ingredients. Toxicologists at Avon thoroughly evaluate safety data for all ingredients before they are approved for use in any of our products. Also, the Company's scientists participate in industry-wide and professional scientific organizations in order to access and evaluate the latest information to ensure the continued safe use of all our product ingredients. In addition, Avon microbiologists strive to ensure that our products do not present potential health risks from contamination by harmful microorganisms by using preservative systems such as parabens.

Parabens have an extensive history of use in a wide variety of consumer products, foods and beverages for over 70 years. Parabens provide a critical role in frontline defense for preventing disease and infection in humans by preventing fungal and bacterial contamination.<sup>1, 2, 3, 4, 5, 6, 7, 8, 9</sup>

Avon, along with the rest of the cosmetic industry, has widely used parabens due to their ability to reduce the risk of microbial contamination effectively at low concentrations. Parabens are recognized as safe by the World Health Organization as well as government agencies throughout the world. In the United States, the Expert Panel of the Cosmetic Ingredient Review (CIR) has reviewed parabens and concluded they are safe for use in cosmetic products. Although CIR is funded by the Cosmetic, Toiletry and Fragrance Association (CTFA), both the CIR review process and the CIR Expert Panel (comprising internationally recognized medical and scientific experts in safety evaluation) are independent from CTFA and the cosmetic industry. Importantly, the FDA considers a CIR decision of safety as a significant basis for the use of ingredients in cosmetic products. In late 2003, the CIR began its own review of the scientific data developed subsequent to its earlier decision regarding the safety of parabens. Due to the thoroughness of the CIR's process, we do not expect the CIR's review to be completed prior to the end of next year. Avon will continue to support fully and to be guided by the decisions of the CIR.

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- <sup>1</sup>. Sabalitschka, T (1930). Application of ethyl p-hydroxybenzoate in maintenance of sterility, in sterilization and in disinfection. Arch. Pharm. 268:653-73.
  - <sup>2</sup>. C.P. Neidig and H. Burnell (1944). Esters of p-hydroxy benzoic acid as preservatives, Drug Cosmet. Ind., 54:408.
  - <sup>3</sup>. Aalto, T.R., M.C. Firman, and N.E. Rigler (1953). p-Hydroxybenzoic acid esters as preservatives. I. Uses, antibacterial and antifungal studies, properties, and determination. J. Am. Pharm. Assoc. 42: 449-458.
  - <sup>4</sup>. Dymicky, M. and C.N. Huhtanen (1979). Inhibition of clostridium botulinum by p-Hydroxybenzoic acid n-alkyl esters. Antimicrob. Agents Chemother. 15: 798-801.
  - <sup>5</sup>. Eklund, T. (1985). The effect of sorbic acid and esters of p-Hydroxybenzoic acid on the proton motive force in Escherichia coli membrane vesicles. J. Gen. Microbiol. 131:73-76.
  - <sup>6</sup>. Bargiota, E.E., E. Rico-Munoz, and P.M. Davidson (1987). Lethal effect of methyl and propyl parabens as related to staphylococcus aureus lipid composition. Int. J. Food Microbiol. 4: 257-266.
  - <sup>7</sup>. Jermini, M.F.zG., and W. Schmidt-Lorenz (1987). Activity of Na-benzoate and ethyl paraben against osmotolerant yeasts at different water activity values. J. Food Prot. 50: 920-927.
  - <sup>8</sup>. Thompson, D.P. (1994). Minimum inhibitory concentrations of esters of p-Hydroxybenzoic acid (paraben) combinations against toxigenic fungi. J. Food Prot. 657: 133-135.
  - <sup>9</sup>. Moir, C.J. and M.J. Eyles (1997). Inhibition, injury and inactivation of four psychrotrophic foodborne bacteria by the preservative methyl p-hydroxybenzoate and potassium sorbate. J. Food Prot. 55: 360-366.

In determining that it is appropriate for the Company to continue to use parabens, the Company has considered published studies conducted by independent scientists and agencies on parabens, few of which were designed to directly address the potential of parabens to cause cancer.<sup>10, 11</sup> The Company is aware of the studies cited by the proponents, but does not believe that those studies warrant a change in the Company's position regarding the use of parabens.

Avon has a strong commitment to women's health and is a leader in the fight against breast cancer. The safety of our products is of primary concern to Avon. We believe that discontinuing the use of parabens and replacement with inferior preservatives would present a potential health risk to our consumers that is neither necessary nor warranted.

**Your Board of Directors recommends that you vote AGAINST Proposal 5**

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<sup>10.</sup> JECFA 1974 17th Report of the FAO/WHO expert Committee on Food Additives, Technical Report Series 539, World Health Organization showed no evidence of tumors after a lifetime feeding study in rats up to 1.5g/kg/day.

<sup>11.</sup> Homberger 1968 National Technical Information Service PB No. 183 027 showed no evidence of cancer in rats fed ethylparaben at 1g/kg/day over their lifetime.

**PROPOSAL 6 RESOLUTION REQUESTING REPORT ON DIBUTYL PHTHALATE**

The Company is informed that Trillium Asset Management, whose address and share ownership will be furnished promptly upon receipt of any oral or written request therefor, together with another shareholder co-proponent, whose name, address and share ownership will be furnished promptly upon receipt of any oral or written request therefor, intend to introduce at the Annual Meeting the following resolution:

WHEREAS:

According to [www.Avon.com](http://www.Avon.com), the following Avon products contain dibutyl phthalate (DBP): NAILWEAR Nail Enamel (four shades), and NAIL EXPERTS Speed Dry Top Shine, Tough Enough Base/Top Coat, and On the Mend Nail Mender.

In March 2003, the U.S. Department of Health and Human Services described DBP as one of a group of industrially important chemicals known as phthalates used in cosmetics and other personal care products. Results from laboratory animal studies reviewed by the Department included reduced fertility and abnormal development of the male reproduction system. The document states: It is reasonable and prudent to conclude that the results reported in laboratory animals indicate a potential for similar or other adverse effects on humans. (NTP-CERHR Monograph on the Potential Human Reproductive and Developmental Effects of Di-n-Butyl Phthalate)

In January 2003, the European Parliament prohibited the use of DBP found in the products cited above, ordering member states to comply by March 2005;

The Centers for Disease Control and Prevention have found that:

Phthalate exposures are both higher and more common than previously suspected;

Levels in some women of childbearing age exceed the government's safe levels set to protect against birth defects; and,

DBP exposures for more than 3 million women of childbearing age may be up to 20 times greater than for the average person in the population.

According to the organization Health Care Without Harm, Using CDC sample data, an estimated 5% of women of reproductive age from the general population are contaminated with 75% or more of the amount of just DBP that may begin to impair normal reproductive trace development. The organization believes that high levels of DBP in cosmetics could be responsible for the above-average levels of the compound found in younger women.

According to the Environmental Working Group ([www.ewg.org](http://www.ewg.org)), Although a cause and effect relationship has not been established, the ubiquity of phthalates in the human population creates a biologically plausible presumption that phthalates may be contributing to these problems. Until proven safe, the report asserts, phthalates should be considered as potential contributors to the following disorders in human males: declining sperm counts, and a rise in hypospadias, undescended testicles and testicular cancer ( Beauty Secrets: Does A Common Chemical in Nail Polish

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Pose Risks to Human Health? November 2000).

Our competitors Aveda and nail polish manufacturer Urban Decay reformulated their products to be free of phthalates.

BE IT RESOLVED:

The shareholders request that Avon Products prepare a report to shareholders by October 2004 evaluating the feasibility of removing DBP from Avon Products. The report should be produced at reasonable cost and omit proprietary information.

The proponents have furnished the following statement in support of the resolution:

Our company deserves high praise for its commitment to women's health in its philanthropic activities. We believe that it would be inconsistent for Avon not to commit to finding alternative product ingredients for chemicals that may pose risks to human health.

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**Board of Directors Statement on Proposal 6**

As stated in connection with Proposal 5, consumer safety is Avon's number one priority. Among their other responsibilities, Avon's scientists regularly evaluate the published research and other studies that pertain to ingredients in the Company's products, including the studies performed in recent years by various organizations concerning dibutyl phthalate. Based on this ongoing evaluation, the Company continues to believe that its use of dibutyl phthalate in its cosmetic products is safe.

The most significant human exposure to dibutyl phthalate is from the ingestion of food.<sup>1</sup> However, human exposure to a particular chemical does not necessarily mean that it is harmful. Based on data from studies conducted by the U.S. Centers for Disease Control and Prevention (CDC), even the highest exposures to phthalates in the U.S. population are significantly below the safety levels established by the Environmental Protection Agency.<sup>2,3,4</sup> An earlier finding that suggested that women of child-bearing age may have higher exposures to dibutyl phthalate than other women has since been found by CDC not to be supported by the results of a much larger study.<sup>5,6</sup> In November 2002, the Cosmetic Ingredient Review (CIR) Expert Panel (an independent body of internationally recognized medical and scientific experts in safety evaluation) evaluated the latest scientific data on dibutyl phthalate and concluded that there is a significant margin of safety following exposure to dibutyl phthalate from multiple cosmetic sources and reaffirmed its earlier conclusion that dibutyl phthalate is safe as used in cosmetics.<sup>7</sup>

Based on its own evaluation of the available scientific data, Avon does not believe that dibutyl phthalate presents a health risk to people. Moreover, given that few of Avon's products contain dibutyl phthalate and, in those products, the concentration of dibutyl phthalate is very low, the Company believes that any possible exposure of any of our consumers to dibutyl phthalate from any of Avon's cosmetic products is extremely small and that the use of these products is safe.

Avon will continue to monitor and evaluate the scientific data as it is developed, to ensure that all ingredients in Avon's cosmetic products are safe for use by its consumers and that Avon remains in full compliance with all applicable laws and regulations pertaining to dibutyl phthalate.

**Your Board of Directors recommends that you vote AGAINST Proposal 6**

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<sup>1</sup> National Toxicology Program Center for the Evaluation of Risks to Human Reproduction (2000). NTP-CERHR Expert Panel Report on Di-*n*-Butyl Phthalate (NTP-CERHR-DBP-00).

<sup>2</sup> Centers for Disease Control and Prevention (2001). National Report on Human Exposure to Environmental Chemicals.

<sup>3</sup> Kohn M, Parham F, Masten SA, Portier CJ, Shelby MD, Brock JW and Needham LL (2000). Human exposure estimates for phthalates. Environ. Health Perspect. 108(10), A440-2.

<sup>4</sup> David RM (2000). Exposure to phthalate esters. Environ. Health Perspect. 108(10), A440-2.

<sup>5</sup> Centers for Disease Control and Prevention (2003). Second National Report on Human Exposure to Environmental Chemicals.

<sup>6</sup> Silva MJ, Barr DB, Reidy JA, Malek NA, Hodge CC, Caudill SP, Brock JW, Needham LL and Calafat AM (2003). Urinary levels of seven phthalate metabolites in the U.S. population from the National Health and Nutrition Examination Survey (NHANES) 1999-2000. doi:10.1289/ehp.6723 (available at <http://dx.doi.org/>)

<sup>7</sup> Cosmetic Ingredient Review (CIR). 2004. Annual Review of Cosmetic Ingredient Safety Assessments 2002/2003. p 37-47. Washington, DC: CIR.

**SOLICITATION OF PROXIES**

The cost of the solicitation of proxies on behalf of Avon will be borne by Avon. Directors, officers and other employees of Avon may, without additional compensation except reimbursement for actual expenses, solicit proxies by mail, in person or by telecommunication. In addition, Avon has retained Morrow & Co., Inc. at a fee estimated to be approximately \$17,000, plus reasonable out-of-pocket expenses, to assist in the solicitation of proxies. Avon will reimburse brokers, fiduciaries, custodians and other nominees for out-of-pocket expenses incurred in sending Avon's proxy materials to, and obtaining instructions relating to such materials from, beneficial owners.

**SHAREHOLDER PROPOSALS FOR 2005 ANNUAL MEETING**

If you are a record owner of our Shares and you wish to bring an item of business before the 2005 Annual Meeting, you must notify the Secretary of the Company in writing, at the address set forth on the first page of this Proxy Statement, between January 6, 2005 and February 5, 2005. If you wish to have a proposal included in our Proxy Statement and proxy card for the 2005 Annual Meeting, your proposal must be received by the Secretary of the Company on or before November 25, 2004. Your notice must pertain to a proper matter for shareholder action and must comply with the Company's By-laws and with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder. A copy of the By-law procedure is available upon written request to the Secretary of the Company.

If you make a written request to the Investor Relations Department (Attention: Ruth Scharankov) at the address listed above (telephone number 212-282-5623), the Company will provide without charge a copy of its Annual Report on Form 10-K for 2003, as filed with the Securities and Exchange Commission.

By Order of the Board of Directors

Gilbert L. Klemann, II

*Senior Vice President,*

*General Counsel and Secretary*

March 25, 2004

New York, New York

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If your Shares are held in the name of a brokerage firm, bank nominee or other institution, only it can sign a proxy card with respect to your Shares. Accordingly, please contact the person responsible for your account and give instructions for a proxy card to be signed representing your Shares.

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If you have any questions about giving your proxy or require assistance, please contact our proxy solicitor at:

**MORROW & CO., INC.**

445 Park Avenue

New York, New York 10022

(212) 754-8000

Call Toll-Free 1-800-662-5200

**AVON PRODUCTS, INC.**

**AUDIT COMMITTEE CHARTER**

**Effective as of January 1, 2003**

**Purposes**

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its responsibility to oversee (1) the integrity of the Company's financial statements, controls and disclosure; (2) the qualifications and independence of the Company's independent accountants; (3) the performance of the Company's independent accountants and of its internal audit staff; and (4) the Company's compliance with legal and regulatory requirements. The Audit Committee shall have the sole authority to appoint the Company's independent accountants, subject to any shareholder ratification. The Audit Committee shall also prepare the annual Audit Committee report required by the rules and regulations of the Securities and Exchange Commission ( S.E.C. ) to be included in the Company's annual proxy statement.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its purposes and responsibilities. It has at all times direct access to the independent accountants and to any officer or employee of the Company. The Committee also has the authority and responsibility to engage outside legal, accounting and other advisors, as it deems appropriate, without first seeking authorization from the Board of Directors. Funding for any such outside advisors shall be determined by the Committee and paid by the Company.

**Committee Membership, Structure and Operations**

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to meet the independence and experience requirements of the Sarbanes-Oxley Act of 2002, the S.E.C. and the New York Stock Exchange. Additionally, none of the members of the Committee shall be a current or former employee of the Company. At least one member of the Committee shall qualify as a financial expert as defined by the Sarbanes-Oxley Act of 2002 and the S.E.C.

The members and Chair of the Committee shall be appointed annually by the Board upon the recommendation of the Nominating and Corporate Governance Committee and shall serve until the member's successor is duly appointed or until the member's earlier resignation or removal. A member may be removed at any time by the Board, with or without cause.

The Committee shall hold four regular meetings per year, plus additional meetings to review the Company's quarterly results and quarterly reports on Form 10-Q, and such further meetings as circumstances dictate.

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The Audit Committee may delegate responsibilities to a subcommittee comprised of one or more members of the Committee, *provided* that any action taken, including with respect to an audit service or a non-audit service or the fees corresponding thereto, shall be reported to the full Committee as soon as practicable, but in no event later than at the Committee's next meeting.

The Committee shall meet periodically in executive session, including separate executive sessions with the Company's management, the independent accountants and the Company's internal audit staff.

The Committee shall review and evaluate annually the performance of the Committee and its members, including review of the compliance by the Committee with this Charter.

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The Committee shall also review and assess annually the adequacy of this charter and recommend to the Nominating and Corporate Governance Committee and the Board any changes to the Charter deemed advisable by the Committee.

## **Responsibilities**

In performing its oversight responsibilities, the Committee shall:

### *Financial Statements and Disclosure*

1. Review significant changes in, and overall compliance with, accounting and financial reporting requirements, policies and procedures.
2. Review and discuss with management and the independent accountants the Company's annual audited financial statements and other financial information, including the Company's disclosure in Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ), and recommend to the Board of Directors whether the audited financial statements should be included in the Company's annual report on Form 10-K.
3. Discuss with management and the independent accountants the Company's financial statements and other financial information, including the Company's disclosure in MD&A, to be included in the Company's quarterly reports on Form 10-Q and the results of the review by the independent accountants of the quarterly financial statements.
4. Discuss with management the process used to develop the Company's earnings press releases, including the type of information, the presentation thereof and any use of pro forma information.
5. Discuss with management the nature of financial information and earnings guidance provided to securities analysts and to credit rating agencies.
6. Prior to the filing of each quarterly report on Form 10-Q and the annual report on Form 10-K, review and discuss with management and the independent accountants the selection, application and disclosure of critical accounting policies and practices, including the evaluative criteria used by management in their selection, obtain a report from the independent accountants regarding all critical accounting policies and practices used by the Company and discuss with management the disclosure in MD&A in such quarterly report or annual report regarding critical accounting estimates.
7. Prior to the filing of the annual report on Form 10-K, review with the independent accountants the matters required to be discussed by Statement of Auditing Standards ( SAS ) No. 61 (relating to the conduct of the audit and the application of significant accounting policies and estimates), SAS No. 89 (relating to audit adjustments) and SAS No. 90 (relating to the quality, not just the acceptability, of the Company's accounting principles and estimates).
8. Review the results of each audit or review performed by the independent accountants, including any material comments and recommendations on internal controls or accounting matters by the Company's independent accountants and any difficulties encountered during the course of their audit work, and the Company's responses thereto.

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9. Prior to the filing of each quarterly report on Form 10-Q and the annual report on Form 10-K, obtain from the independent accountants a report of all alternative treatments of financial information within generally accepted accounting principles in the United States discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants.
  
10. Prior to the filing of each quarterly report on Form 10-Q and the annual report on Form 10-K, obtain from the independent accountants a report of all material written communications between the independent accountants and the Company's management, including any management letter or Summary of Unadjusted Differences.

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11. Obtain regularly from the independent accountants a list of all significant issues on which the national office of the independent accountants was consulted by the audit team of the independent accountants.
12. Review the scope and effectiveness of, and resources devoted to, the Company's internal audit function and significant internal audit findings, and management's responses thereto.

*The Independent Accountants*

13. Exercise sole authority to appoint and terminate (subject to any shareholder ratification) the Company's independent accountants. Be directly responsible for the compensation and oversight of each accounting firm employed by the Company to issue an audit report, each of which shall report directly to the Committee.
14. Obtain and review, at least annually, a report by the independent accountants describing: (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent accountants and the Company. This evaluation by the Committee of the independent accountants' qualifications, performance and independence shall include the review and evaluation of the lead audit partner and other senior members of the independent accountant engagement team. The Committee shall also consider from time to time whether there should be regular rotation of the audit firm. The Committee shall present its conclusions from this evaluation to the Board of Directors.
15. Exercise sole authority to approve in advance all audit services and all corresponding fees and terms, in accordance with procedures established by the Committee in respect of such approvals.
16. Exercise sole authority to approve in advance all non-audit services to be provided by the Company's independent accountants that are permitted under applicable law and regulation, and all corresponding fees and terms, in accordance with procedures established by the Committee in respect of such approvals. In exercising this authority, the Committee shall consider whether the provision by the independent accountants of any non-audit services to the Company is compatible with maintaining the independence of such accountants.
17. At least once a year, obtain from the independent accountants a formal written statement delineating all relationships between the independent accountants and the Company (including their respective related entities) that might bear on the independence of the accountants and which confirms that, in the professional judgment of the independent accountants, they are independent of the Company within the meaning of the federal securities laws, and discuss with the independent accountants their independence, consistent with Independence Standards Board Standard No. 1.
18. Engage in a dialogue with the independent accountants about any disclosed relationships or services that may impact their objectivity and independence and, when appropriate in the judgment of the Committee, take appropriate action in response to the accountants' disclosure to satisfy itself and the Board of Directors of the accountants' independence.
19. Review, whenever the Committee deems it to be appropriate, the Company's policy regarding employment by the Company of present and former employees of the independent accountants.

*Controls and Compliance*

- 20.

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Review with management and the independent accountants the Company's compliance with applicable laws and regulations, the violation of which could have a material adverse effect on the Company's consolidated financial statements. Such review shall include any correspondence with regulators or governmental agencies, and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

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21. Review with management and the independent accountants the Company's disclosure controls and procedures and its internal controls, including compliance by the Company's employees with the Company's code of conduct.
22. Prior to the filing of each quarterly report on Form 10-Q and the annual report on Form 10-K, ensure that the Chief Executive Officer and the Chief Financial Officer have disclosed to the Committee and the independent accountants, based on the most recent evaluation by those officers, any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize or report financial data, including identification for the independent accountants of any material weaknesses in the Company's internal controls, and of any fraud, whether or not material, involving management or other employees who have a significant role in internal controls.
23. Obtain from the independent accountants, as appropriate, assurance that the independent accountants shall inform the Audit Committee if they detect or become aware of any illegal act, as and to the extent required by Section 10A(b) of the Securities Exchange Act of 1934, as amended.
24. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for anonymous submission by employees of the Company regarding questionable accounting or auditing matters.
25. In consultation with the Finance Committee, as appropriate, discuss with management on at least an annual basis the Company's policies with respect to risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

*Reports to the Board of Directors*

26. Report regularly to the Board of Directors, which reports may include, in the Committee's judgment, any issues that may arise relating to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independence of the independent accountants and the performance of the independent accountants and of the internal audit function.

The basic function of the Audit Committee is oversight. The Company's management is responsible for preparing the Company's financial statements and its outside independent accountants are responsible for auditing those financial statements. Management, including its finance and internal audit staffs, is responsible for the fair presentation of the information set forth in such financial statements in conformity with generally accepted accounting principles, and for maintaining effective disclosure controls and procedures and an effective internal control structure. The independent accountants' responsibility is to provide their opinion, based on their audits, as to whether the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of Avon in conformity with generally accepted accounting principles and to design and perform their audit to provide reasonable assurance that the Company's financial statements are free of material misstatements and omissions. It is not the duty of the Audit Committee, or of any of its members, to conduct separate auditing or accounting reviews or provide independent assurance of the Company's compliance with applicable laws and regulations.

**AVON PRODUCTS, INC.**

**COMPENSATION COMMITTEE CHARTER**

**Effective as of January 1, 2003**

**Purpose**

The Compensation Committee is appointed by the Board of Directors to (1) discharge the responsibilities of the Board of Directors relating to compensation of the Company's executives and (2) produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations.

**Committee Membership, Structure and Operations**

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be independent under the rules of the New York Stock Exchange. Additionally, none of the members of the Committee shall be a current or former employee of the Company.

The members and Chair of the Committee shall be appointed annually by the Board upon the recommendation of the Nominating and Corporate Governance Committee and shall serve until the member's successor is duly appointed or until the member's earlier resignation or removal. A member may be removed at any time by the Board, with or without cause.

The Committee shall meet at least four times annually or more frequently as circumstances dictate, and shall meet periodically in executive session. It has at all times direct access to any officer or employee of the Company. The Committee may at any time retain such outside advisors as the Committee deems appropriate to fulfill its responsibilities.

The Committee may delegate responsibilities to a subcommittee comprised of one or more members of the Committee, provided that any action taken shall be reported to the full Committee as soon as practicable, but in no event later than at the Committee's next meeting.

The Committee should meet separately at least once a year with the Company's Chief Executive Officer and any other Company personnel as the Committee deems appropriate to carry out the Committee's responsibilities as set forth below.

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The Committee shall review and evaluate annually the performance of the Committee and its members, including review of the compliance by the Committee with this Charter.

The Committee shall also review and assess annually the adequacy of this charter and recommend to the Nominating and Corporate Governance Committee and the Board any changes to the Charter deemed advisable by the Committee.

### **Responsibilities**

In performing its responsibilities, the Committee shall:

1. Establish the Company's overall compensation philosophy;

B-1

2. Review and recommend to the Board the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, including annual performance objectives, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and, based on this evaluation, review and recommend to the Board the salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer;
3. In determining the long-term incentive component of the compensation of the Chief Executive Officer, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies and the awards given to the Chief Executive Officer in past years;
4. Make recommendations to the Board with respect to compensation for any other employee of the Company who is also a director of the Company;
5. Review management's recommendations for compensation of all other senior officers of the Company and its affiliates and approve such compensation for all senior officers of the Company. For purposes hereof, the term "senior officer" means (a) officers at the level of Senior Vice President and above; and (b) any head of an Operating Business Unit;
6. Review and recommend for Board or shareholder approval, as appropriate, all incentive compensation plans and equity-based plans, and approve awards to senior officers under any such plan;
7. Approve all grants of stock options, restricted stock or any other form of stock incentive award or other securities-based compensation, including such awards under the Company's Year 2000 Stock Incentive Plan or any successor plan(s), determine the terms and conditions of such awards, and carry out the administrative responsibilities given to the Committee in such plan(s);
8. Approve the adoption or amendment of employee benefit plans, including:
  1. Any deferred compensation plan or non-qualified employee benefit plan, such as the supplemental retirement or excess benefit plans;
  2. Any tax-qualified employee retirement plan, such as the 401(k) savings plan, or its related trust agreement, which involves a financial or other substantive change in employee retirement or savings plan benefits;
  3. Any employee welfare benefit plan;

and the appointment of the administrators of such plans;

9. Annually review existing compensation and benefit plans for employees and make recommendations to the Board with respect to changes, where warranted;
10. Establish and periodically review policies in the area of senior officer perquisites;
11. Approve contracts or transactions with current and former senior officers, including employment contracts, severance arrangements and post-employment consulting arrangements;
- 12.

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Exercise the sole authority to retain and terminate any compensation or benefits consultant or other outside advisor used to assist the Company in evaluating director, Chief Executive Officer or senior officer compensation, including the sole authority to approve any such consultant's or advisor's fees and other terms of engagement;

13. Prepare the Report of the Compensation Committee for inclusion in the Company's proxy statement for its annual meeting of shareholders; and
14. Report regularly to the Board (i) following meetings of the Committee and (ii) with respect to such other matters or recommendations as the Committee deems appropriate in carrying out its duties.

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**AVON PRODUCTS, INC.**

**NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

**Effective as of January 1, 2003**

**Purpose**

The Nominating and Corporate Governance Committee is appointed by the Board of Directors to (1) assist the Board by identifying individuals qualified to become Board members; (2) recommend to the Board the candidates for directorships to be filled by the Board and the director nominees to be proposed for election at the annual meeting of shareholders; (3) develop and recommend to the Board a set of corporate governance principles applicable to the Company; (4) monitor developments in corporate governance and make recommendations to the Board regarding changes in governance policies and practices; (5) review the Company's management succession plans, including the succession plans for the Chief Executive Officer and other senior officers; and (6) conduct an annual evaluation of the performance of the Board and Board committees.

**Committee Membership, Structure and Operations**

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board to be independent under the rules of the New York Stock Exchange. Additionally, none of the members of the Committee shall be a current or former employee of the Company.

The members and Chair of the Committee shall be appointed annually by the Board and shall serve until the member's successor is duly appointed or until the member's earlier resignation or removal. A member may be removed at any time by the Board, with or without cause.

The Committee shall meet at least three times annually or more frequently as circumstances dictate, and shall meet periodically in executive session. It has at all times direct access to any officer or employee of the Company. The Committee may at any time retain such outside advisors as the Committee deems appropriate to fulfill its responsibilities.

The Committee may delegate responsibilities to a subcommittee comprised of one or more members of the Committee, provided that any actions taken shall be reported to the full Committee as soon as practicable, but in no event later than at the Committee's next meeting.

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The Committee shall review and evaluate annually the performance of the Committee and its members, including review of the compliance by the Committee with this Charter.

The Committee shall also review and assess annually the adequacy of this charter and recommend to the Board any changes to the Charter deemed advisable by the Committee.

### **Responsibilities**

In performing its responsibilities, the Committee shall:

1. Review and recommend to the Board policies regarding the size and composition of the Board, qualifications and criteria for Board membership, and the compensation of non-employee directors;

C-1

2. Identify individuals qualified to become Board members and recommend to the Board prospective candidates for Board membership. In identifying candidates for membership on the Board, the Committee shall take into account all factors it considers appropriate, which may include professional experience, knowledge, integrity, independence, diversity of backgrounds and the extent to which the candidate would fill a present need on the Board;
3. Review and recommend to the Board the slate of director nominees to be proposed for election at annual meetings of shareholders and candidates to fill vacancies on the Board that occur between annual meetings of shareholders;
4. Recommend to the Board the class of directors in which a nominee should serve;
5. Review qualifications for Board committee membership, giving consideration to the criteria for service on each committee as set forth in the charter for such committee, as well as any other factors that the Committee deems relevant;
6. Recommend Board members to serve on committees of the Board and, where appropriate, make recommendations regarding removal of any member of any committee;
7. Review the structure and operations of the various Board committees, including their reporting to the Board, and, where appropriate, make any recommendations regarding periodic rotation of directors among the committees and limitations on service on any Board committee;
8. Recommend to the Board the appointment of a Director to preside at all executive sessions of the Board, review this appointment at least annually and establish procedures for interested persons to contact the presiding Director or the non-management Directors as a group;
9. Develop and recommend to the Board a set of corporate governance principles, keep abreast of developments with regard to corporate governance and review the adequacy of the Company's corporate governance principles on at least an annual basis;
10. Make recommendations to the Board regarding the operations and procedures of the Board, such as meeting schedules and locations, meeting agendas and procedures for delivery of materials in advance of meetings;
11. Review and evaluate the Company's management development and succession plans on at least an annual basis and make recommendations to the Board regarding the succession plans for the Chief Executive Officer and other senior officer positions;
12. Establish and periodically review the criteria for selection of the Chief Executive Officer, as well as steps for Chief Executive Officer succession in the event of an emergency or the retirement of the Chief Executive Officer;
13. Exercise the sole authority to retain and terminate any search firm or other consultant to assist in identifying candidates to serve as Board members and reviewing the backgrounds and qualifications of candidates, including sole authority to approve any such firm's or consultant's fees and other terms of engagement;
14. Report regularly to the Board (i) following meetings of the Committee and (ii) with respect to such other matters or recommendations as the Committee deems appropriate in carrying out its duties; and
15. Oversee, at least annually, the evaluation of the performance of the Board and each Board Committee.



**AVON PRODUCTS, INC.**

**FINANCE AND STRATEGIC PLANNING COMMITTEE CHARTER**

**Effective as of January 1, 2003**

**Purpose**

The Finance and Strategic Planning Committee is appointed by the Board of Directors to assist the Board in fulfilling its responsibility to oversee: (1) the financial management of the Company, including oversight of the Company's capital structure, financing and risk management strategies, investment strategies, banking relationships and discharge of the Company's duties with respect to the financing of its employee benefit plans; and (2) the strategic management of the Company, including oversight of the Company's plans with respect to possible acquisitions, divestitures or other strategic transactions.

**Committee Membership, Structure and Operations**

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be independent under the rules of the New York Stock Exchange. Additionally, none of the members of the Committee shall be a current or former employee of the Company.

The members and Chair of the Committee shall be appointed annually by the Board upon the recommendation of the Nominating and Corporate Governance Committee and shall serve until the member's successor is duly appointed or until the member's earlier resignation or removal. A member may be removed at any time by the Board, with or without cause.

The Committee shall meet at least four times annually or more frequently as circumstances dictate, and shall meet periodically in executive session. It has at all times direct access to any officer or employee of the Company and to the Company's investment advisors and strategic advisors. The Committee may at any time retain such outside advisors as the Committee deems appropriate to fulfill its responsibilities.

The Finance and Strategic Planning Committee may delegate responsibilities to a subcommittee comprised of one or more members of the Committee, *provided* that any action taken shall be reported to the full Committee as soon as practicable, but in no event later than at the Committee's next meeting.

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The Committee shall review and evaluate annually the performance of the Committee and its members, including review of the compliance by the Committee with this Charter.

The Committee shall also review and assess annually the adequacy of this charter and recommend to the Nominating and Corporate Governance Committee and the Board any changes to the Charter deemed advisable by the Committee.

### **Responsibilities**

In performing its responsibilities, the Committee shall:

1. Review with management on a timely basis significant financial matters of the Company and its subsidiaries, including matters relating to the Company's capitalization, dividend policy and practices, credit ratings, cash flows, borrowing activities, investment of surplus funds and risk management.
2. As part of the foregoing responsibility, the Committee has the authority and responsibility to:
  - (a) Review and approve the Company's stated annual and long-term financial strategies and objectives and related performance goals;

D-1

(b) Review and make recommendations to the Board with respect to:

Any offering of the Company's debt or equity securities;

Any purchase or disposal of Treasury shares, except the purchase of shares pursuant to authorized and approved employee benefit plans;

Any stock split or reclassification of shares;

Any filing of a registration statement;

Any dividend declaration;

Any other matters with respect to the capital stock and other securities of the Company;

Any capital transaction or other project expenditure the dollar amount of which is equal to or greater than \$40 million or such other amount as the Board may from time to time establish;

Any guarantee of unconsolidated third party indebtedness, the dollar amount of which is equal to or greater than \$10 million or such other amount as the Board may from time to time establish;

Any other financial transaction, such as an investment in a subsidiary or other venture, an asset disposal, or a lien or encumbrance (but excluding any borrowing under existing facilities, as such facilities may be amended or modified from time to time), the dollar amount of which is equal to or greater than \$25 million or such other amount as the Board may from time to time establish; and

Any tax settlement the amount of which is equal to or greater than \$50 million or such other amount as the Board may from time to time establish.

(c) Review and approve:

Any capital transaction or other project expenditure the dollar amount of which is less than \$40 million or such other amount as the Board may from time to time establish;

Any guarantee of unconsolidated third party indebtedness, the dollar amount of which is less than \$10 million or such other amount as the Board may from time to time establish;

Any other financial transaction, such as an investment in a subsidiary or other venture, an asset disposal, or a lien or encumbrance (but excluding any borrowing under existing facilities, as such facilities may be amended or modified from time to time), the dollar amount of which is less than \$25 million or such other amount as the Board may from time to time establish; and

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Any tax settlement the amount of which is less than \$50 million or such other amount as the Board may from time to time establish;

*provided*, that the Committee may delegate to one or more officers of the Company the authority to approve matters that are the subject of this clause (c), subject to the following limits:

Capital transactions and other project expenditures in an amount greater than \$20 million, or such other amount as the Board may from time to time establish, may not be delegated by the Committee;

Any other financial transaction in an amount greater than \$15 million, or such other amount as the Board may from time to time establish, may not be delegated by the Committee; and

Any tax settlement in an amount greater than \$30 million, or such other amount as the Board may from time to time establish, may not be delegated by the Committee.

D-2

3. Review with management the Company's strategic planning process and procedures and its strategic plans, and make recommendations to the Board as appropriate. As part of this responsibility, the Committee shall review and make recommendations to the Board with respect to the terms of proposed acquisitions, dispositions or other strategic transactions, the dollar value of which is equal to or greater than \$25 million or such other amount as the Board may from time to time establish. If the dollar value of any such transaction is less than \$25 million, or such other amount as may have been established by the Board, the Committee is authorized to review and approve such transaction; *provided*, that the Committee may delegate to one or more officers of the Company the authority to approve any such transaction the dollar value of which is equal to or less than \$15 million, or such other amount as the Board may establish from time to time.
4. Review periodically actual capital expenditures and performance against previously approved budgeted amounts.
5. In consultation with the Audit Committee, as appropriate, review periodically the Company's risk management strategies, including strategies in respect of foreign exchange risk.
6. Review relationships with the Company's principal lending institutions and investment and strategic advisors.
7. Review the funding of and asset investment strategy for the Company's employee benefit plans.



**Avon Products, Inc.**

c/o Equiserve Trust Company N.A.

P.O. Box 8044

Edison, NJ 08818-8044

ADMISSION TICKET

Your vote is important. Please vote immediately.

**Vote-by-Internet**

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Log on to the Internet and go to

<http://www.eproxyvote.com/avp>

OR

**Vote-by-Telephone**

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Call toll-free

1-877-PRX-VOTE (1-877-779-8683)

If you vote over the Internet or by telephone, please do not mail your proxy card.

DETACH HERE if you are returning your proxy card by mail.

X Please mark votes as in this example.

1305

Your shares will be voted as recommended by the Board of Directors unless you otherwise indicate in which case they will be voted as marked.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2 and 3.**

	<b>FOR ALL NOMINEES</b>	<b>WITHHELD FROM ALL NOMINEES</b>	
1. Election of Directors to Class of 2007 (Please see reverse)	..	..	
<hr/>			
For all nominees except nominee(s) written above	<b>FOR</b> ..		
2. Ratification of the Appointment of Independent Accountants	<b>FOR</b> ..	<b>AGAINST</b> ..	<b>ABSTAIN</b> ..
3. Approval of Amendment to Restated Certificate of Incorporation to Increase Authorized Shares of Common Stock	<b>FOR</b> ..	<b>AGAINST</b> ..	<b>ABSTAIN</b> ..

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST PROPOSALS 4, 5, AND 6.**

4. Resolution Regarding Elimination of Classified Board	<b>FOR</b> ..	<b>AGAINST</b> ..	<b>ABSTAIN</b> ..
5. Resolution Regarding Report on Removal of Parabens	<b>FOR</b> ..	<b>AGAINST</b> ..	<b>ABSTAIN</b> ..
6. Resolution Regarding Report on Removal of Dibutyl Phthalate	<b>FOR</b> ..	<b>AGAINST</b> ..	<b>ABSTAIN</b> ..

Special Action:  
Will attend Annual Meeting

••

PLEASE SIGN, DATE AND RETURN YOUR PROXY PROMPTLY!

This proxy revokes all prior dated proxies. The signer hereby acknowledges receipt of Avon's Proxy Statement dated March 25, 2004.

NOTE: Please sign exactly as name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Bring this ticket with you if attending the meeting

ADMISSION TICKET  
Annual Meeting of Shareholders

Thursday, May 6, 2004  
W New York Hotel, 10:00 a.m.

of Avon Products, Inc.

541 Lexington Avenue

New York, NY 10022

Your telephone or Internet vote authorizes the named proxies in the same manner as if you marked, signed, dated and returned the proxy card. If you choose to vote your shares via telephone or Internet, there is no need for you to mail back your proxy card.

YOUR TELEPHONE OR INTERNET VOTE MUST BE RECEIVED BY MIDNIGHT, 12 A.M., NEW YORK TIME, MAY 5, 2004

It is important that your Shares be represented at this meeting, whether or not you attend the meeting in person. To make sure your Shares are represented, we urge you to complete and mail the proxy card below or vote by telephone or via the Internet.

DETACH HERE

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X  
Y

**AVON PRODUCTS, INC.**

**Proxy Card Solicited on Behalf of the Board of Directors**

**Voting Instruction Card to J.P. Morgan Chase Bank, Trustee**

**And Fidelity Management Trust Co., Trustee**

The undersigned hereby appoints Robert J. Corti, Gilbert L. Klemann, II and Katherine A. O Hara, and each of them, proxies, with full power of substitution and resubstitution, to vote and act with respect to all shares of the Company's Common Stock (the Shares) owned of record by the undersigned and which the undersigned is entitled to vote, at the Annual Meeting of Shareholders of the Company to be held on May 6, 2004, and at any adjournments or postponements thereof, as instructed on the

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reverse side of this card, and to vote in accordance with their discretion on such other matters as may properly come before the meeting.

The undersigned also provides instructions to J.P. Morgan Chase Bank, Trustee, and Fidelity Management Trust Co., Trustee, to vote Shares allocated, respectively, to accounts the undersigned may have under the Avon Products, Inc. Personal Savings Account Plan or the Avon Puerto Rico Associates Savings Plan, and which are entitled to be voted at the aforesaid Annual Meeting or any adjournment thereof, as specified on the reverse side of this card. Unless your card is received by May 4, 2004, and unless you have specified your instructions, your Shares cannot be voted by the Trustees.

**IF NO INSTRUCTIONS ARE SPECIFIED ON THE REVERSE SIDE OF THIS CARD:**

**All Shares owned of record by the undersigned will be voted FOR the election of nominees proposed for election as directors (Proposal 1), ratification of the Company's independent accountants for 2004 (Proposal 2) and approval of the Amendment to the Restated Certificate of Incorporation to increase authorized shares of Common Stock (Proposal 3), and all such Shares will be voted AGAINST Proposals 4, 5 and 6.**

**All Shares allocated under the Avon Products, Inc. Personal Savings Account Plan and the Avon Puerto Rico Associates Savings Plan WILL NOT BE VOTED.**

**Nominees For Election as Directors**

**Class of 2007: 01. Edward T. Fogarty, 02. Susan J. Kropf, and 03. Maria Elena Lagomasino**

Instruction for Cumulative Voting for the Class of 2007: Unless otherwise specified below, this proxy/instruction card shall authorize the proxies listed above to cumulate all votes which the undersigned is entitled to cast at the Annual Meeting for, and to allocate such votes among, one or more of the nominees for the Class of 2007 listed above, as such proxies shall determine in their sole and absolute discretion, in order to maximize the number of such nominees elected to such class of Avon's Board of Directors. To specify a method of cumulative voting, write "Cumulate For" and the number of Shares and the name(s) of the nominee(s) for the Class of 2007 in the space below. If you wish to cumulate your votes for the Class of 2007, you must vote by using the proxy card rather than voting by telephone or the Internet.

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PLEASE VOTE, DATE AND SIGN THIS PROXY ON THE OTHER SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.