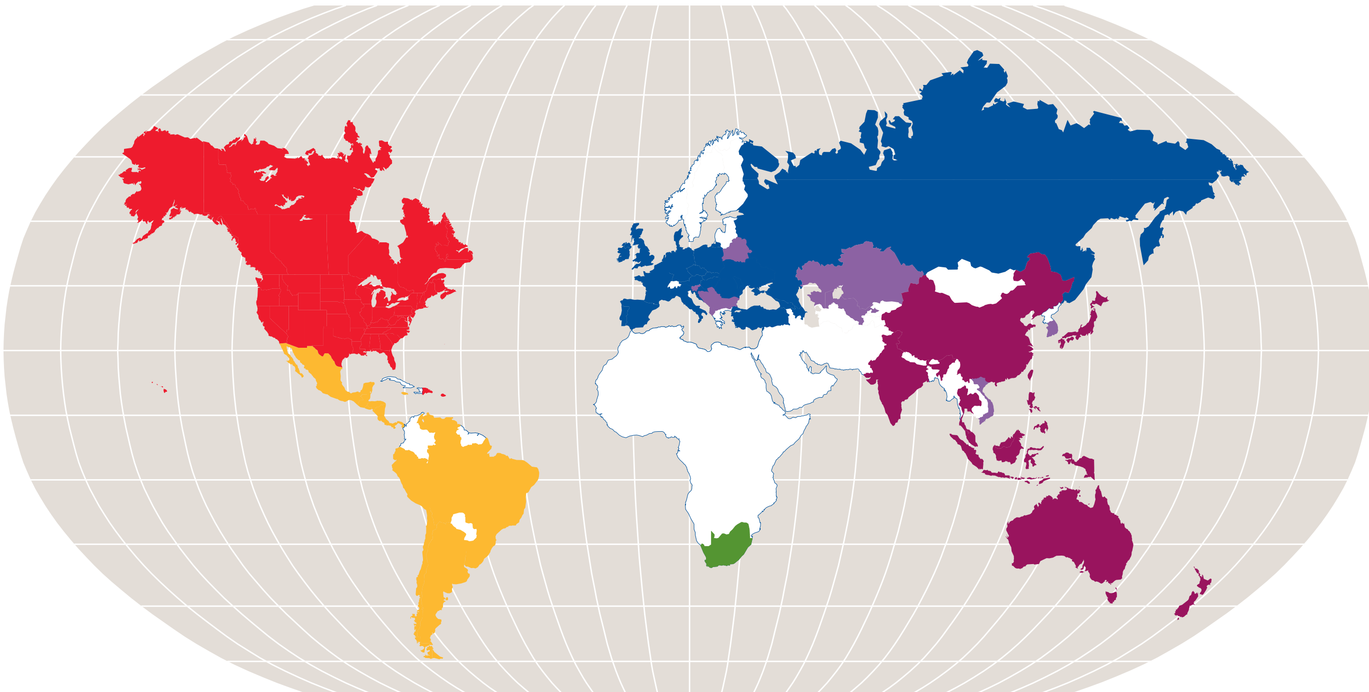
AVON'S GLOBAL PORTFOLIO

As the world's leading direct seller of beauty and related products, Avon's global portfolio of businesses continues to expand. Avon has entered 19 new direct investment markets since 1990, most recently Uruguay in 1998. Consumers now have access to Avon products in 46 direct investment markets and through distributorships, specially appointed representatives and licensees in 89 other countries, including a significant presence in Egypt, Greece and Saudi Arabia.



DIRECT INVESTMENT MARKETS

LATIN AMERICA
Argentina
Bolivia
Brazil
Chile
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Peru
Uruguay
Venezuela

NORTH AMERICA
Canada
Dominican Republic
Puerto Rico
United States

PACIFIC
Australia
China
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Taiwan
Thailand

EUROPE
Austria
Croatia
Czech Republic
France
Germany
Hungary
Ireland
Italy
Poland
Portugal
Romania
Russia
Slovakia
Spain
Turkey
Ukraine
United Kingdom

AFRICA
South Africa

MARKETS UNDER CONSIDERATION
Balkan States
Belarus
Bulgaria
Kazakhstan
South Korea
Uzbekistan
Vietnam

1998	IN MILLIONS	% CHANGE FROM 1997
Net Sales	$1,665	+10%
Operating Profit	$ 344	+23%

REVIEW OF OPERATIONS LATIN AMERICA

Sales in the Latin America Region in 1998 grew 10% to $1.665 billion, but increased 19% excluding the impact of foreign currency exchange. Brazil, Mexico, Argentina and Venezuela led the growth as nearly all markets contributed to the sales gain. Market penetration advanced strongly during the year despite currency declines, pricing pressures, intense competition, and the impact of "El Nino" and Hurricane Mitch. Across the region, units were up 14%, customers served rose 11%, and the number of active representatives increased 19%.

Operating profit in Latin America in 1998 grew 23% to $344 million due to record operating profits in Brazil and Mexico and gross and operating margin gains of 2.4 and 2.2 points, respectively, for the total region.

Avon Brazil delivered an outstanding year as sales increased 13% (22% in local currency terms). Units, customers served, and the number of active representatives all achieved double-digit gains. Avon Brazil increased advertising and consumer sampling to support global brands and enjoyed particular success with *Anew Night Force, Perfect Wear Lipstick,* and the fragrance *Women of Earth.* Operating profit in Brazil in 1998 grew significantly to $100 million, a record increase driven by the sales growth and substantial gains in gross and operating margins. Competitive pricing strategies, expense controls, improved inventory management, manufacturing efficiencies, and enhanced systems and administrative processes all contributed to the record operating profit performance.

Women of Earth

Night Force

In Mexico, sales in 1998 rose 8% and were up 26% in local currency terms, despite weak consumer spending and severe pricing pressures from competitors. Strategic pricing strategies, promotions and incentives, and recruiting helped to generate 13% gains in both units and the number of active representatives. Successful new products introduced in Mexico in 1998 included *Anew Night Force, Women of Earth,* and the local fragrance *Yessamin.* The apparel and home categories also contributed sales gains. Avon Mexico delivered its second consecutive year of record operating profit with a 4% increase over last year's results, despite a 22% depreciation in the peso versus the U.S. dollar.

In Argentina, sales in 1998 rose 6%, with unit growth up 6%, customers served up 9%, and the number of active representatives up 7%. This performance was quite strong as the Argentine economy slowed and disposable income declined. Management in Argentina implemented field motivation and incentive programs to sustain sales during the year. Operating profits increased slightly over the last year, but were impacted by investments in marketing and pricing to build market share. Argentina also increased costs related to the launch of a new state-of-the-art shipping line to improve distribution and service and prepare for future growth.

Avon Venezuela, despite threats of currency devaluation and a weak economy, recorded double-digit increases in both sales and operating profit in 1998. Market penetration initiatives, image enhancement strategies, and public relations programs all helped to generate nearly a 10% increase in units. Venezuela also delivered solid gains in gross and operating margins. Avon Chile struggled during the year with a weak economy and increasing unemployment. Management responded with field strategies that generated a 15% increase in local currency sales, driven by a 22% increase in the number of active representatives and an 18% increase in units.

The other markets in the region faced economic deceleration in 1998 as well as the impact of "El Nino" and Hurricane Mitch. Nonetheless, representative retention and motivation strategies and image-building programs helped generate a sales increase of 10% (16% in local currency) and operating profit growth of 11% over 1997.

1998	IN MILLIONS	% CHANGE FROM 1997
Net Sales	$2,062	+5%
Operating Profit	$ 343	+16%

NORTH AMERICA

Nineteen ninety-eight was an excellent year for Avon North America, with sales and operating profit increasing 5% and 16%, respectively, for the overall region.

Avon U.S., which accounts for almost 90% of the region's results, also posted sales and operating profit gains of 5% and 16%. During 1998, the U.S. delivered four consecutive quarters of double-digit profit growth and its highest operating profit in recent history.

Business Process Redesign (BPR) initiatives such as product category management, improved pricing strategies and cost improvements in both cosmetics, fragrances and toiletries (CFT) and non-CFT lines helped support record improvements in gross and operating margins. New manufacturing and sourcing decisions resulted in consolidating North American jewelry manufacturing in a single site in Puerto Rico and eliminating Avon's Far East Buying Office in Hong Kong.

In addition, supply chain reengineering, a 1% reduction in returned goods, and other operating efficiencies helped the U.S. to deliver $50 million in BPR savings in 1998. Approximately one-third of these savings were reinvested to lay the foundation for future sales growth, with the balance dropping to the bottom line.

Avon U.S. in 1998 advanced its customer growth strategies in beauty, direct selling contemporization, and new customer access. Sales of CFT products rose 4% with solid performances in color, fragrance, and personal care. The jewelry and accessories and home entertainment categories both recorded double-digit sales gains.

Avon Spa Collection

Avon Color

In direct selling contemporization, Avon U.S. launched programs to provide representatives with enhanced opportunities for career development, an improved earning opportunity, and better service. For example, more than 6,000 representatives in August attended the first-ever National Avon Representative Convention in Orlando to participate in training programs related to building an entrepreneurial business.

Avon U.S. also eliminated Sponsorship, a costly and unproductive recruiting program, and relaunched the improved Leadership Opportunity. Leadership offers a multi-level recruiting option for representatives who want to expand their business by recruiting and managing their own sales unit.

The U.S. also began testing new services for supporting representatives. Electronic order submission via personal computer and ordering over the Internet are two examples of service technologies that will roll-out in 1999.

Moreover, Avon U.S. launched pilots of complementary access strategies for reaching new customers, generating incremental sales, and supporting the representatives' business. For example, a new Express Center, which provides same-day service to representatives and introduces new customers to Avon, was opened in Washington, D.C. Two more Express Centers – in Boston and Detroit – are planned to open in early 1999, bringing the total number to five.

The U.S. also launched 39 Avon Beauty Centers in shopping malls across the country during the latter part of 1998. These free-standing kiosks enhance Avon's brand image, encourage customer trial, and generate new customer leads for area representatives. Additional Avon Beauty Centers will launch during the first half of 1999 as part of an expanded test.

In the Dominican Republic, despite Hurricane Georges, Avon enjoyed a stellar year with double-digit increases in sales, units, customers served, the number of active representatives, and operating profit. Avon Puerto Rico delivered healthy sales growth and began constructing a new office and warehousing facility that incorporates a contemporized shipping line.

In Canada, implementation of field fundamentals generated increases in the number of active representatives, units, and customers served. Marketing and sales programs helped overcome the impact of severe winter ice storms. Gross margin improved due to better pricing, sourcing savings, operational efficiencies, and product category management.

1998	IN MILLIONS	% CHANGE FROM 1997
Net Sales	$623	-20%
Operating Profit	$ 63	-7%

PACIFIC

Avon's markets in the Pacific Region delivered a resilient local currency performance in 1998 despite weak economic conditions, high unemployment, and low levels of consumer spending.

Sales in the region fell 20% to $623 million, but excluding the impact of foreign currency exchange and China – where the company's business suffered a two-month disruption to operations in the spring – sales were up slightly. Key business indicators demonstrated the region's underlying strength. Excluding China, the number of active representatives rose 5% and customers served were up 15%.

The region's operating profit for the year declined 7% in dollar terms but rose 19% in local currencies. Excluding China, local currency operating profit increased 30%. Japan led the strong profit improvement, and Taiwan and Australia contributed double-digit profit gains. Business Process Redesign (BPR) initiatives supported the region's profitability. Disciplined cost control, regional component and ingredient sourcing, and product mix management were among the measures which generated significant savings.

In Japan, sales were soft due to the continuing severe recession. Operating profits, however, more than tripled the 1997 level due to gross margin expansion and expense reductions. Operating expenses fell 19% during the year due to initiatives such as the redesign of shipping systems, size-of-line reductions, improved inventory management, and other programs.

In the Philippines, sales in local currency terms increased 10% despite poor economic conditions and extensive typhoon damage. Management increased the number of access points for representatives and improved training and motivation. These actions led to a 15% increase in the number of active representatives and a 27% increase in the number of customers. Avon Philippines also strengthened its leadership market share position in CFT and direct selling. Operating profit was up 11% in local currency, but down in dollars due to the currency devaluation.

Perfect Wear

Rare Gold

In Taiwan, sales were about flat in dollars but rose 16% in local currency terms as the number of active representatives increased by 19%. This was driven by sales development initiatives, increased sales force segmentation, and high-profile launches of global brands. Operating profit grew in the double-digits driven by the improvement in operating margin.

In China, sales and operating profit declined in 1998 due to the temporary disruption of Avon's operations in the second quarter. On April 21, the government ordered all direct-selling companies to cease business activities due to its concern about the unethical practices of some companies.

On June 15, Avon was the first direct selling company to be relicensed as a wholesale/retail business. Sales are now generated through 15,000 store dealers and 11,000 preferred customers in the new model. At year-end, sales growth was running at just over 50% of the pre-ban rate.

In September, Avon China received permission from the government to utilize "sales promoters" at most of its 75 branches throughout the country. This is a positive development for the company's future prospects in China, which remains a significant long-term growth opportunity for Avon.

In November, Avon China opened its new $40 million manufacturing plant in Conghua, which will produce cosmetics, fragrance and toiletry (CFT) products for China as well as export products such as talc to the U.S., Canada and possibly Europe.

In 1998, Australia and New Zealand delivered their third consecutive year of local currency growth, with sales and operating profit of the combined markets increasing 8% and 30%, respectively. Avon markets in Malaysia, Thailand and Indonesia declined in 1998 due to economic volatility and political and social unrest. These markets responded with expense controls, representative recruiting drives, and access strategies. Avon India, which opened in September 1996, increased representative recruiting and introduced enhanced services for customers. Avon India also expanded beyond New Delhi in April with the opening of a new branch in Bombay.

1998	IN MILLIONS	% CHANGE FROM 1997
Net Sales	$863	+6%
Operating Profit	$109	+18%

EUROPE

Despite the devaluation of the Russian ruble, sales in the Europe Region increased 6% to $863 million in 1998. Excluding the impact of foreign currency exchange, sales in Europe rose 10%, driven by growth in the United Kingdom and continuing expansion in the markets of Central and Eastern Europe. The region's sales growth was generated largely by a 10% increase in the number of active representatives.

Operating profit in Europe in 1998 increased 18%. Excluding the impact of Russia, which posted a sizable loss in the second half of the year, operating profit rose 38% over 1997. The strong profit performance was due to the region's overall sales growth, improved operating margins in the U.K. and most Western European markets, and continuing profitable growth in Central and Eastern Europe.

The emerging markets of Central and Eastern Europe delivered another year of accelerating growth. Excluding Russia, sales in these markets climbed 81% in local currencies as the number of active representatives jumped more than 60% and units rose more than 40%. Global brands now account for 85% of total sales in the Central and Eastern markets, up from 55% last year. Operating profits in these markets more than tripled from last year's results.

Poland in particular posted stand-out sales and profits as the number of active representatives grew to over 36,000. Units and customers served also increased significantly, aided by improved brand awareness, which is now 20% higher versus two years ago. Avon now ranks among the top three make-up brands in Poland.

Naturals

Anew Clearly C

Avon Hungary in 1998 became that country's market leader in the cosmetics and skin care categories, with 32% and 28% market shares, respectively. Combined with its already dominant share in fragrance, Avon Hungary now holds an 11% share of the country's total cosmetics, fragrance and toiletries (CFT) market. The Czech Republic and Slovakia both delivered double-digit growth in sales and operating profit during the year. Romania and the Ukraine completed their first year of operations in 1998 with solid sales.

In Russia, sales declined in dollars due to the devaluation of the ruble in August. In local currency terms, however, sales increased 26% as management in Russia focused on aggressive recruiting, pricing strategies, and expense controls to manage through the economic turmoil. Although units and the size of the average order were down due to weakened consumer purchasing power, the number of active representatives increased to over 46,000 and market penetration expanded. Avon Russia finished the year with a small operating profit.

In the markets of Western Europe, sales were up slightly in 1998 and operating profit increased 26%, as Business Process Redesign (BPR) initiatives enhanced operating margin by 2.5 points. The U.K. led the gains with a solid single-digit sales increase and a substantial double-digit increase in operating profit. Gains in the number of active representatives, the size of the average order, and improving brand awareness contributed to the sales growth. Significant increases in gross and operating margins generated the profit increase, making 1998 the second consecutive year of double-digit profit growth in the U.K.

Germany and Italy also recorded improved profit growth due to more efficient operations. In Spain and Portugal, gains in the number of units and active representatives generated single-digit sales growth, which contributed to improved operating profit performance in both countries. France had declines in sales and operating profits.

FINANCIAL SECTION

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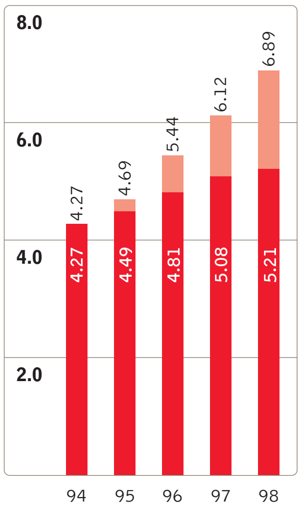
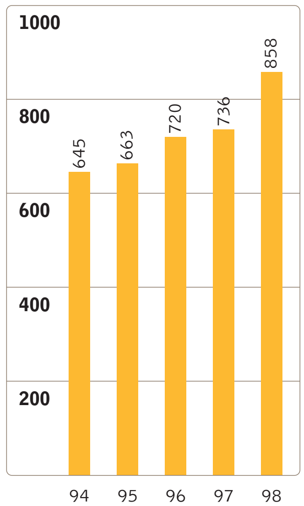
Sales – Constant vs. Actual U.S. Dollars
$ In billions
Base year = 1994

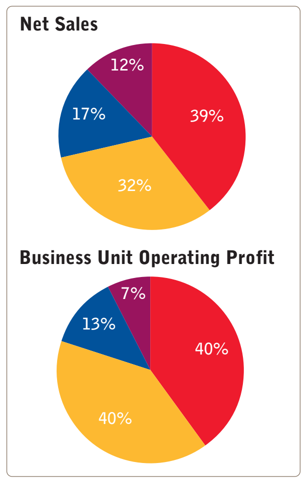


● Sales, Actual U.S. Dollars
● Sales, Constant U.S. Dollars
(excludes currency translation)

Business Unit Operating Profit
$ In millions

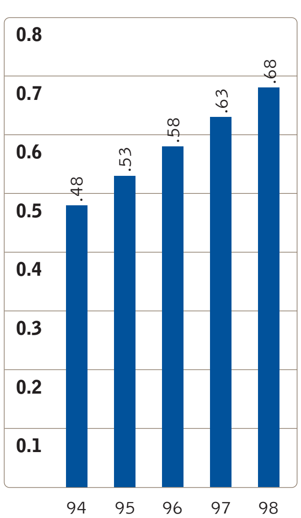


1998 Results by Geographic Region

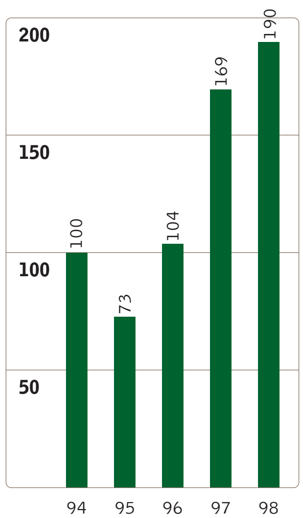


● North America
● Latin America
● Europe
● Pacific

Dividends Paid Per Common Share
In dollars
Restated for two-for-one stock splits in 1998 and 1996



Capital Expenditures
$ In millions



Year-End Market Capitalization
$ In billions