SHAH CAPITAL BARINGTON NUORION | PARTNERS

January 29, 2018

Mr. Chan W. Galbato
Chairman of the Board
Avon Products, Inc.
Building 6, Chiswick Park
London W4 5HR
United Kingdom

Dear Mr. Galbato:

Shah Capital, Barington Capital Group, L.P. and NuOrion Partners represent a group of shareholders (the "Shareholder Group") that collectively beneficially owns approximately 3.5% of the outstanding common stock of Avon Products, Inc. ("Avon" or the "Company"). We are extremely disappointed by the Company's deteriorating operating and share price performance that has occurred under your stewardship. As you know, members of our Shareholder Group have been communicating with you privately over the past two years. While we appreciate the time that you have spent with us, we are dismayed by the failure of the Board of Directors of Avon (the "Board") to act quickly and decisively on the recommendations our group members have made to improve the long-term performance of the Company, including promptly hiring a new chief executive officer – a step that has been overdue for years.

As a result, we have lost confidence in the ability of Avon's current Board to create meaningful long-term value for its public shareholders, and we see no reason why shareholders should continue to wait for a turnaround from a Board that has overseen such a tremendous destruction of shareholder value. We are therefore writing to call on the Board to retain a financial advisor to explore all strategic alternatives to maximize shareholder value, including a sale of the Company in whole or in parts, as we are convinced that a better capitalized strategic buyer would do a much better job of leveraging the power of Avon's iconic brand and unlocking the Company's tremendous value potential.

A Lack of Urgency by the Avon Board

On December 3, 2015, Barington and NuOrion publicly released a letter they had sent to Douglas Conant, Avon's prior Chairman of the Board, in which they were critical of the Board's decision to hire Sheri McCoy as CEO in 2012 and called for an immediate change in leadership. At that time, it was abundantly clear that Ms. McCoy was not the right person to lead the Company. Among other things, she lacked a strong background in direct selling, emerging markets and operational restructurings, and the financial performance of the Company under her leadership had been abysmal. As of the date of their letter, earnings per share had plummeted by more than 90% since Ms. McCoy became CEO on April 23, 2012,[1] and Avon's stock had fallen by over 80% (from $21.69 on April 23, 2012 to $3.73 on December 2, 2015) during a period when the market as a whole had increased by over 50% and the total shareholder return of Avon's peers was 32%.[2] Nonetheless, the Board failed to make a leadership change – both following the receipt of the letter and after the Board was reconstituted in March 2016. Instead, the Board elected to keep Ms. McCoy in place as a richly compensated, underperforming CEO. It turns out that Barington and NuOrion were right in their assessment. Since the date the Board was reconstituted, Avon's stock has fallen by an additional 35% (from $3.73 on March 1, 2016 to $2.43 on January 26, 2018), while Avon's peers and the market as a whole have generated exceptional returns.[3]

After more than five years of disappointing financial and share price performance, the Board finally recognized the need for improved leadership and announced on August 3, 2017 that it was commencing a search for a new CEO. While we are heartened by the prospect of a more effective executive taking the helm at Avon, we are deeply concerned by the Board's failure to act with any apparent sense of urgency, both with respect to the time it took the Board to decide to replace Ms. McCoy and the time it has taken to identify her replacement. Almost six months have passed since the Company announced its CEO transition plan and a new chief executive is still not in place.

The Cerberus Transaction Has Been Highly Disappointing for Avon's Public Shareholders

In September 2015, Shah Capital sent a private letter to the Board cautioning that a rumored private equity transaction should not be too dilutive to the existing public shareholders. Despite this expressed concern, in December 2015 Avon announced the sale of 80% of its North America business and the issuance of $435 million of convertible preferred stock to an affiliate of Cerberus, as well as the appointment of three Cerberus representatives to the Board. As part of the Avon North America sale transaction, the Company received only $6 million of cash proceeds related to a working capital adjustment, and it actually had to contribute $100 million of cash to the North America business. While Cerberus also contributed $170 million of cash as part of the transaction, that cash was not paid to Avon but to Avon North America which is 80% owned by an affiliate of Cerberus.

While we were disappointed by the negligible consideration the Company received for its North America business when we learned of the Cerberus transaction, we were at least hopeful that Cerberus' involvement could be a catalyst for leadership changes and improved operating execution that would ultimately translate into improved financial and share price performance at Avon. Unfortunately, this has not transpired. Since the Cerberus transaction was announced, Avon's stock price has fallen from $4.03 on December 17, 2015 to $2.43 on January 26, 2018.

To make matters worse, Avon North America recently paid out a dividend of approximately $110 million, 80% of which was paid to an affiliate of Cerberus. We understand that part of the funding for the dividend payments came from the monetization of valuable real estate holdings that Avon had contributed as part of the Cerberus transaction. It is disconcerting to us as public shareholders that the Board oversaw the transfer of these valuable assets to Cerberus. Six of Avon's current eleven directors were on the Board when the Company entered into the transaction with Cerberus, and were entrusted with the responsibility to ensure that the Company acted in the best interests of all of its shareholders.

Financial and Operating Performance Continues to Deteriorate

In the first nine months of 2017, Avon reported a sales decline of 2% in constant dollars, a 3% decrease in active representatives, a 6% decline in units sold, and a net loss of $70 million. These results are simply unacceptable and indicate to us that the Company is not on the right track. Furthermore, given the high rates of inflation in the markets where Avon operates, the Company's top line performance is well below what is necessary to keep up with inflation, not to mention overall market growth. As a result, Avon is losing market share to more nimble competitors. The Company has stated that it is within approximately $25 million of its annual savings target under its three-year transformational plan, and has achieved more than half of the planned $350 million in cost savings. Nonetheless, SG&A still increased by over $100 million or 4.8% in the first nine months of 2017. The Company has also missed consensus earnings expectations in seven of the last eight quarters. It therefore appears that Avon's management team has made little meaningful progress in reducing overall costs or improving operating execution.

Over the past several years, Avon's management team has also failed to capitalize on numerous growth opportunities that we believe could have resulted in improved operating and financial performance. One of the largest of these opportunities is the potential to grow sales in the enormous China market. In 2015, Shah Capital urged the Board to pursue new partnerships with local Chinese companies in order to leverage the appeal of Avon's global brand. While we have seen no progress on this front, we still believe that this opportunity can be realized by a strategic acquirer.

Overpaid and Underperforming Management Team

We believe that the Board has overpaid its underperforming senior management team. For example, despite the fact that in 2016 Avon's senior management team presided over a decrease in unit sales, a decline in market share, and adjusted diluted earnings per share from continuing operations of just $0.04, the aggregate compensation for the top five executive officers was over $18.8 million in 2016.[4] Ms. McCoy's compensation alone was approximately $8.1 million, while the other four executives received on average approximately $2.7 million each. Interestingly, each of these executives has either left the Company or is scheduled to depart in the near future. We do not have an issue with Avon's executive team being well compensated, so long as they create meaningful long-term value for shareholders, which has not been the case for many years.

Avon's Capital Structure is Inefficient

The Board has overseen the establishment of a highly inefficient capital structure. The Company's $1.9 billion of debt is primarily denominated in U.S. dollars. Since Avon sold its U.S. operations, almost all of its operating income is generated abroad, and much of its $664 million of cash is held overseas. As a result, the Company is highly tax inefficient because it is taxed on income in foreign jurisdictions, pays withholding taxes on the repatriation of cash to pay interest expense, and fails to benefit from an interest tax shield on its U.S. dollar-denominated debt. In the first nine months of 2017, Avon reported $100 million of income tax expense and only $29 million of pretax income. The Company also has substantial foreign exchange risk, since an appreciation of the U.S. dollar would increase the value of its dollar-denominated debt relative to the value of its international operations. While this structure poses significant concern for shareholders, we believe it could be quickly corrected if Avon were sold to a multinational acquirer, which could finance the acquisition with a more appropriate capital structure.

We Believe Avon's Assets and Market Position Would Be Highly Valued

Despite Avon's poor financial and share price performance, we believe that the Company would be highly coveted by a number of companies looking to increase their presence in the global beauty market. Avon has many positive attributes, which include, among other things:

- Its 130-year old brand is well known and held in high regard by customers worldwide. This brand value is difficult to replicate quickly and represents an attractive and immediate opportunity for a range of potential acquirers.

- Avon's vast product offering, generating over $5.7 billion in sales, can complement and offer substantial incremental sales opportunities for companies already present in their markets.

- Avon's strong market positions in developing countries such as Brazil, Russia and Mexico, to name a few, offer immediate exposure for any company looking to expand its global footprint.

- Manufacturing operations owned and operated by Avon can be rationalized and optimized by those of a prospective acquirer, thereby enabling an improved cost structure and better logistical efficiency.

- A multinational acquirer would immediately benefit from its ability to improve Avon's capital structure and the tax efficiency of its operations.

- With six million direct sales representatives, Avon offers a valuable new sales channel to companies who already have an online, retail and wholesale presence. It has become abundantly clear that in order to be successful, beauty companies today must be able to adapt to rapidly changing markets, utilize multiple channels to access consumers, and leverage new technology including social media, mobile applications and e-commerce. We believe that an acquirer could achieve substantial sales and profits growth by leveraging Avon's direct sales representatives and enhancing their utilization of these new technologies.

Avon is in an appealing industry with the opportunity to generate strong growth and high operating margins. We believe that Avon's global market position combined with the synergistic opportunities listed above present an attractive acquisition candidate to a range of buyers.

Conclusion

For the past two years, we have watched with increasing concern as the Board has overseen poor operating execution and declining financial and share price performance at Avon. As a result, we have lost confidence in the ability of the Board to create meaningful long-term value for its public shareholders. Based on the Company's current share price, it appears that many of our fellow shareholders feel the same way. We believe that a better capitalized strategic buyer would do a much better job unlocking the tremendous value potential at Avon. We therefore call upon the Board to promptly engage a financial institution to explore all strategic alternatives to maximize shareholder value.

Sincerely yours,

Himanshu H. Shah	James A. Mitarotonda	Guy Phillips
Shah Capital	Barington Capital Group, L.P.	NuOrion Partners

cc: The Board of Directors
Avon Products, Inc.

Endnotes:

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[1] Adjusted fully diluted earnings per share were $1.20 in 2011, the year before Sheri McCoy became CEO, and $0.01 in 2015.

[2] From April 23, 2012 to December 2, 2015, Avon's common stock decreased by 80.9%, while the total shareholder return of Avon's peers (as identified in the Company's 2014 proxy statement) was 32.0%, the return of the Standard & Poor 500 Index (calculated assuming the reinvestment of dividends) was 64.4% and the return of the Russell 2000 Index (calculated assuming the reinvestment of dividends) was 58.1%. Source: S&P Capital IQ.

[3] From March 1, 2016 to January 26, 2018, Avon's common stock decreased by 34.9%, while the total shareholder return of Avon's peers (as identified in the Company's 2017 proxy statement) was 10.0%, the return of the Standard & Poor 500 Index (calculated assuming the reinvestment of dividends) was 51.0% and the return of the Russell 2000 Index (calculated assuming the reinvestment of dividends) was 56.6%. Source: S&P Capital IQ.

[4] Compensation as reported in the Company's 2017 proxy statement, including stock and option awards at fair value as of the date of grant.