

We would like to review with you our expectations for the future growth of the business.

In the United States and Canada, estimates of future growth in the cosmetics and toiletries industry are in the area of 6-10% annually. For many reasons we feel confident that we will be able to achieve sales in line with or better than industry averages.

We have the experience and the talent to create on a consistent basis products highly competitive with other companies in the industry. Recent examples are Avon's Timeless and Unspoken fragrances, which have received wide public acceptance in a highly competitive fragrance market. Our ability to continually offer products attractive to the consumer is due in large part to our marketing expertise in creating new products, our major investment in Research and Development, which is second to none in the industry, and Avon's well-recognized superior design capabilities in packaging.

Another area of strength is our method of distribution. We have every reason to believe that the principles behind the direct-selling concept are just as sound today as in the past. Avon's method of distribution has proven to be one of the most potent methods of penetrating markets throughout the world. Today, Avon's sales of cosmetics and toiletries, both in the United States and worldwide, far surpass those of any other company.

In our International subsidiaries, in many of which we have been selling for a relatively short period of time, we have significant opportunities to increase our market penetration. We also plan to enter new countries. In late 1975 we entered Guatemala as a beginning step in expanding into other countries in Central America. In 1976

we plan to enter the Philippines and Hong Kong, and we are also exploring entry into other countries in the Far East and Africa.

In addition to growth opportunities in our traditional business, in 1975 there was a substantial improvement in our Corporate Development operations. These operations and others which may develop in future years will provide additional sources of sales and earnings both in the United States and abroad.

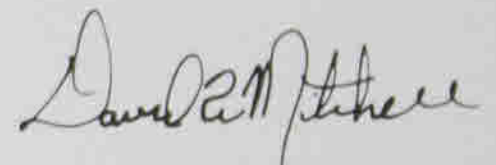
Although we recognize that it is most hazardous to forecast the future and we have no intention to do so, we will repeat as an *objective* the statement made at our annual meeting in 1974: "The Company continues to believe that, given relatively stable economic conditions, its sales and earnings can grow at an average annual rate of 12-15% over the long term."

We would like to advise you of certain management changes, effective January 1, 1976. In December the Board of Directors named David W. Mitchell, 48, Avon's President, to succeed Fred G. Fusee as Chief Executive Officer. Mr. Fusee, who is 58 and joined Avon 30 years ago, requested the Board to name Mr. Mitchell Chief Executive Officer in order to effect an orderly transition in preparation for Mr. Fusee's eventual retirement. Robert H. Hansen, who had been a Group Vice President for U.S. and Canadian operations since 1974, assumed responsibility for all International operations. Mr. Hansen, who is 40, joined Avon in 1959.

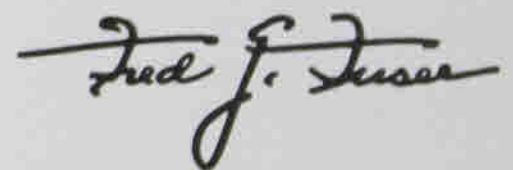
There were two additions to our Board of Directors during the year. These were James R. Peterson, Executive Vice President and Director of R. J. Reynolds Industries, Inc., and William R. Chaney, Executive Vice President of Avon,

Turning to 1976, we recognize that the principal challenge to the Company is to improve sales volume. We have developed many innovative sales plans for 1976, which are described in the following pages. If the economies throughout the world show improvement in 1976, we should have an excellent year.

1975 has been a most demanding year, and the performance of our employees and Representatives has contributed significantly to our success. The ability to recognize the need for change and to respond effectively to that need was an important ingredient in achieving a record year in 1975. Our employees and our Representatives fully measured up to this challenge and we wish to thank each of them for their dedicated support.



President and Chief Executive Officer



Chairman of the Board

February 24, 1976

**Avon Beauty Editor and TV Spokeswoman**, Sunny Griffin, personifies our leadership in the beauty business.

## Two new fragrances win us new fragrance customers



**One out of five customers who bought Come Summer was a new Avon fragrance user.** Light and refreshing Come Summer is our first fragrance

marketed specifically for summer-season use. By appealing to women who had never bought an Avon fragrance before, it broadened our fragrance franchise.

**Unspoken becomes our outstanding success of 1975.** Unspoken sales were comparable to Timeless, introduced in 1974. Introductory sales of Timeless and Unspoken surpassed by a wide margin those of other Avon fragrances of the past.

Two highly successful fragrances were introduced in the United States in 1975. They were Come Summer, a light, refreshing fragrance particularly appropriate for summertime use . . . and Unspoken, this year's major new fragrance, an ultra-lasting, very contemporary scent that appeals to today's women.

Field surveys indicate Unspoken and Come Summer not only were popular with current customers, but also won many new fragrance customers for Avon. This is important because fragrance is our largest sales category and continues to hold the greatest potential for us.

We have also evaluated our current line of fragrances to determine their ongoing popularity with today's consumers. Plans now call for the gradual discontinuance of older fragrances which are declining in sales because they are no longer appealing to today's fragrance market. This will leave us with approximately 20 highly popular and profitable brands by year-end 1976. To further strengthen our sales, a major new fragrance will be introduced in early fall.

In 1975 we also continued our policy of introducing into appropriate foreign markets selected fragrances that have proven popular in the United States. One year after its U.S. debut, Timeless was successfully introduced in our Canadian and European markets. And three years after its initial U.S. appearance, Roses, Roses was launched in Mexico, to become the most successful fragrance introduction in our 21-year Latin American history.