

ANNUAL *REPORT*
NATURA 2009



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OUR ESSENCE

REASON FOR BEING

Our Reason for Being is to create and sell products and services that promote well-being/being well.

Well-being
is the harmonious, pleasant relationship of a person with oneself, with one's body.

Being well
is the empathetic, successful, and gratifying relationship of a person with others, with nature and with the whole.

VISION

Because of its corporate behavior, the quality of the relationships it establishes, and the quality of its products and services, Natura will be an international brand, identified with the community of people who are committed to building a better world, based on better relationships among themselves, with others, with nature of which they are part, with the whole. .

BELIEFS

Life is a chain of relationships. Nothing in the universe exists alone.

Everything is interdependent.

We believe that valuing relationships is the foundation of an enormous human revolution in the search for peace, solidarity, and life in all of its manifestations.

Continuously striving for improvement develops individuals, organizations, and society.

Commitment to the truth is the route to perfecting the quality of relationships. The greater the diversity, the greater the wealth and vitality of the whole system.

The search for beauty, which is the genuine aspiration of every human being, must be free of preconceived ideas and manipulation.

The company, a living organism, is a dynamic set of relationships. Its value and longevity are connected to its ability to contribute to the evolution of society and its sustainable development.

HOW WE GOT HERE

- 1969** Luis Seabra founds Natura in São Paulo. The company has included plant ingredients in the composition of its products from the very beginning.
- 1970** The first Natura store opens on Oscar Freire street, in the city of São Paulo; Seabra himself works behind the counter.
- 1973** Natura's plant is inaugurated in São Paulo. At the time, seven employees produced approximately 600 units per month of hair, face, and body treatment products.
- 1974** Natura decides to invest in customized consulting and starts to operate using the direct selling system.
- 1979** Natura enters the men's cosmetics market with the launch of the *Sr. N* line.
The Natura System is established with the participation of many companies.
- 1981** Natura pioneers in the creation of a toll-free customer service.
- 1982** Natura starts operations in Chile, the first initiative of the company abroad.
- 1984** In a pioneer initiative, the refill product alternative was launched.
The *Erva Doce* line is born, one of Natura's major successes.
- 1986** The *Chronos* line, an anti-aging facial cream, that brings together the major technological evolutions in cosmetics, arrives on the market.
- 1988** Natura begins to sell its products in Bolivia.
- 1989** In the 1980s, Natura grows 35-fold, and merges with four companies of the Natura System and emerges as the largest Brazilian cosmetics company.
- 1990** Natura publishes its Reason for Being (commitment with well-being/being well) and its Beliefs: the importance of relationships, commitment to truth, ongoing improvement, stimulation to diversity and appreciation of beauty without stereotypes, and the company as a promoter of social development.
- 1992** The *Natura Escola* (Natura School) Project is created: the company's first social project, developed in association with the Matilde Maria Cremm State School in Itapeverica da Serra, state of São Paulo.
Natura arrives in Argentina and Peru.
- 1993** Launch of the *Mamãe & Bebê* line, which helps strengthen the bond between parents and children.
- 1995** The *Crer Para Ver* (Believing is Seeing) Program is created to help improve public education in Brazil.
- 1996** The first campaign using the Truly Beautiful Woman concept is created for the *Chronos* line, expressing the idea that a woman's beauty does not depend on her age.
- 1998** By means of environmental impact analyses of all of its processes, Natura begins to systematically monitor and manage the environmental impacts of its activities.
Natura's Board of Directors is created.
- 2000** Launch of the *Natura Ekos* line, which sustainably uses ingredients from Brazilian biodiversity.
Natura begins the Program for the Certification of Ingredients.
- 2001** The Natura Plant in Cajamar (state of São Paulo) is inaugurated. It encompasses factories, warehouses, logistics, and administrative activities in a building that complies with the most advanced environmental requirements.
- 2003** The *Natura Tododia* line is created to turn the routine of body care into a special ritual.
- 2004** Natura goes public on the São Paulo Stock Exchange (Bovespa).
The company obtains the NBR ISO 14001 environmental certification.
- 2005** The Natura House in Paris, France, is inaugurated.
Operations start in Mexico.
Natura obtains the NBR ISO 9001 certification from the Brazilian Association of Technical Standards.
The company begins to produce soaps using ingredients from plants.
The *Moviment Natura* (Natura Movement) is launched.
- 2006** The first Natura House in Brazil is opened, in Campinas, state of São Paulo.
Animal testing ends in all of the company's research practices.
The first agreement for the sharing of benefits from access to traditional knowledge is signed.
- 2007** The Carbon Neutral Program is launched. Natura undertakes to reduce its greenhouse gas emissions by 33% within five years and fully offset the emissions that cannot be avoided.
The first Natura plant outside São Paulo is opened with the inauguration of the Benevides Industrial Plant in the state of Pará.
Natura starts operations in Colombia.
All Natura's products start to present an environmental table.
- 2008** Natura begins to implement the Natura Management System, a model of organization based on management by process, catering to Business Units and Regional Units.
In order to streamline the relationship with our consultants (sales representatives), Natura expanded the Natura Consultant Adviser (NCA) model in Brazil.
- 2009** After 40 years in business, Natura reaches the historical milestone of 1 million consultants.
Natura Conecta (Natura Connects) is launched: a virtual community that brings our stakeholders closer to Natura.

OUR MOMENT

MESSAGE FROM THE CHAIRMEN

40 YEARS SOWING OPPORTUNITIES

Joys and hopes amidst the precarious balance of the world. That was how we lived 2009. The impressive results Natura produced renewed our energies and encouraged us in facing the known but complex challenges posed to the global society.

In a year characterized by the global economic crisis and the frustrating impasse in negotiating an agreement on global climate change, we celebrated our 40 years of existence with some important achievements, and the enthusiasm of more than 1 million consultants helped drive our market share and increased the number of customers served. We fulfilled the commitments assumed two years ago by remodeling Natura's management and starting a new growth cycle. As a result, we created more value for shareholders and for the long chain of people and institutions connected to our business model. We had important, positive social impacts and, among other environmental advances, we continued to reduce our relative carbon emissions.

Our strategy enjoyed the trust of shareholders and investors, a fact demonstrated in the secondary offering of shares, which increased Natura's liquidity and its value.

We look at the future of our business over the next 10 years with confidence. The third largest cosmetic market in the world, Brazil signals that it is entering a virtuous cycle of prosperity. Our strong identification with its soul and development cheers us; we will continue with our efforts to build a beautiful business and a fairer society that is more ethically committed to future generations.

We also believe that if we improve our ability for dialogue with the cultural diversity that makes up Latin America, which is so receptive to our products, values, and business opportunities, we will be able to maintain high growth rates, in addition to contributing to the creation of socio-environmental value. In more geographically and culturally distant regions, we will continue to carefully evaluate new opportunities.

Our civilization is experiencing a crisis that requires major transformations. The challenges related to climate, energy, water, food, health, security, and conservation of biodiversity and cultural diversity cannot be avoided. We want Brazil to be one of the leading countries in the development of an agenda of macro-changes, fully committed to the need for urgent progress in climate negotiations at the end of 2010 in Mexico.

We are convinced that we have an important role to play: the Natura brand, more so than our business, is helping to build this new era, offering us the opportunity to innovate, to constantly reinvent our work. Thus we will fulfill our vocation to strive to create economic, social, and environmental value.

The respect and value of our brand are based on the quality of the relationships we have with each and every one of our stakeholders. We recognize the need, and we reaffirm here our commitment, to invest in the excellence of our services, in particular for our consultants. Our Reason for Being, to promote Well-Being Well, whose essence is serving with excellence, listening to yourself, others, and the world, is and will always be our great inspiration in our persistent search for better and stronger relationships with our many stakeholders: the most legitimate means of increasing the recognition of our brand.

This is how it has been since 1969, when a white rose delivered to each of our first customers symbolized our pleasure to serve and our desire to contribute to the search for peace.

obrigado ^{40 ANOS}

Pedro Luiz Barreiros Passos
Guilherme Peirão Leal
Antonio Luiz da Cunha Seabra

Co-Chairmen of the Board
of Directors

MESSAGE FROM THE EXECUTIVE COMMITTEE

MATURITY BRINGS RESULTS

We have many reasons to celebrate 2009. The initiatives of the past two years continue to bring the expected results in the short term, and they build the basis of our company's future development.

We reached the historical milestone of 1 million consultants. The strength of our operations brought impressive progress in all the main economic, social, and environmental indicators. Net revenues totaled R\$ 4.2 billion, 18.6% higher than in 2008; EBITDA totaled R\$ 1.0 billion, and our EBITDA margin was 23.8%. Net income totaled R\$ 684 million, 32.1% higher than in the previous year. We also increased the distribution of wealth to our stakeholders and were more efficient in our environmental management, reducing by 5.2% relative greenhouse gas emissions and offsetting the emissions of our chain by supporting socio-environmental projects.

This performance is the result of an intense maturing process, reflected in a new company management model based on three fundamental pillars - management by process, training of leaders, and strengthening of our organizational culture – all indispensable requirements if we are to perpetuate our corporate behavior in a constantly changing business environment. In Brazil, we established an executive group and introduced the Business Units and the Regional Units. With this we brought Natura closer to the local needs of consultants and end users by localizing marketing and driving performance. As a result, in 2009 our net revenues grew 18.6%, and we gained market share in the domestic market.

We are taking this management model to all areas of the company. Our international operations continue to grow and are establishing themselves in markets with great potential. In 2009, net revenues in local currency increased by 42.1%; we had around 160,000 consultants and more than 1,000 employees in our operations in Argentina, Chile, Peru, Colombia, Mexico, and France. This is a scale that allows us to seek leadership positions and accelerate our expansion strategy.

In Latin America, we want to be an important player who is committed to regional sustainable development. To this end, we will adapt marketing, portfolio, logistics, and various channels, such as sales communication, to meet the needs of each country.

We continued to invest in improving the quality of relationships with many of our stakeholders in 2009, making progress on the sensitive issues of these relationships. As a result, we improved the organizational climate in our operations with an increase from 72% to 74% in favorable responses. In the case of suppliers, the increase was even higher: from 74% to 82%. We maintained the climate among our consultants at the same high rate of 90% of favorable responses.

We have to recognize, however, that the provision of services to our consultants is not yet of the high quality we seek in all our relations. This is a priority issue for Natura, as the excellence in services is an intrinsic part of our value proposal. We have already adopted short, medium, and long-term measures to give our company the competitive edge in service provision. These measures did not result in significant improvements in 2009, but we are confident that there will be perceptible improvements in 2010.

In the sphere of relationships with our customers, we increased our penetration even further, reaching 3.5 million new homes, which were added to the more than 20 million homes where the Natura brand is already present. We would like to thank our customers for their trust, and we renew our commitment to offer high quality products that are innovative and fairly priced.

Despite the better results for these indicators, the improvement in the quality of relationships should always be high on our agenda. This requires a collective effort to approach and engage in continuous dialogue with all stakeholders.

We are aware of and enthusiastic about the fact that there is still a lot to improve in Natura's management model, which should allow for the development of people, the strengthening of our culture and the continuing search for innovation. We believe that Natura is the result

of the unified efforts of many people who play different roles, but who have a common objective. We want to highlight the contribution of the Natura Consultant Advisers, who took over a new and important role in the relationship between Natura consultants and our sales team, and we want to thank, in particular, our employees for their support and hard work in participating in the company's management transformation project. This engagement will allow us to respond to future challenges and to our own desire to actively participate in this scenario of changes, always driven by the Beliefs that brought us here and that guide us toward the future.

Alessandro Carlucci
CEO

João Paulo Ferreira
Senior Vice President of Supply Chain

José Vicente Marino
Senior Vice President of Sales and Marketing

Marcelo Cardoso
Senior Vice President of Organizational
Development and Sustainability

Maurício Bellora
Senior Vice President of International Operations

Roberto Pedote
Senior Vice President of Finances, and Legal Affairs,

Telma Sinicio
Senior Vice President of Innovation



PROFILE

Over 40 years, we have built a cosmetics, fragrances, and personal hygiene company that is recognized by a different value proposal: from a direct selling model, which generates income and creates opportunities for more than 1 million consultants, our sales representatives, we deliver to our customers products that promote well-being well, awaken the senses and awareness, and establish new connections between individuals and their own selves, with others and with the world. To this end, we try to keep our corporate behavior focused on the creation of sustainable value, by developing quality relationships with society, and we have a commitment to the balance among the economic, social, and environmental impacts of our businesses.

Our head office is in Cajamar, state of São Paulo, and we have commercial offices in five regions of Brazil and in the following countries: France, Argentina, Chile, Colombia, Peru, and Mexico. We have local distributors in Bolivia, Guatemala, Honduras, and El Salvador. In December 2009, direct employees in all of our operations totaled 6,260 professionals.

We have plants in Cajamar, state of São Paulo, and Benevides, state of Pará, where since 2006 we have been developing oils obtained from native trees and noodles (plant mass for soaps). Our distribution centers are in Itapeverica da Serra (São Paulo), Matias Barbosa (Minas Gerais), Jaboatão dos Guararapes (Pernambuco), Canoas (Rio Grande do Sul), and Simões Filho (Bahia), the latter inaugurated in 2009. We have research and technology centers in our plants in Cajamar and Benevides. Since 2006, the Advanced Technology Center in Paris, France, has been bringing us closer to one of the most innovative and demanding cosmetics markets in the world. To encourage the trial of our products and promote the training of our consultants, we have six Natura Houses in Brazil, five of which were inaugurated in 2009, and another 10 are distributed throughout our international operations: three in Mexico, one in Argentina, three in Colombia, two in Chile, and one in Peru.

We have been a listed company since 2004, with around 40% of our shares available on the New Market of the São Paulo Stock Exchange (BM&FBovespa). Due to our commitment to sustainability, in 2009 we appeared for the fourth consecutive year on the Corporate Sustainable Index (ISE) of Bovespa (*learn more on page 54*)

MAIN HIGHLIGHTS OF THE YEAR

Economic

- Natura's net revenues totaled R\$ 4.2 billion, a growth of 18.6% in relation to 2008, increasing in both foreign operations and in Brazil.
- Natura's market share in Brazil grew from 21.4% in 2008 to 22.5% in 2009, according to the Brazilian Association of Cosmetic, Toiletry and Fragrance Industry (Sipatesp/Abihpec).
- EBITDA amounted to R\$ 1.0 billion, and the EBITDA margin was 23.8% in 2009, exceeding our forecast for a minimum rate of 23% for 2008, 2009, and 2010.
- Net income totaled R\$ 683.9 million, a growth of 32.1% from 2008.
- Foreign operations increased 42.8% in weighted local currency, and our activities in Argentina, Chile, and Peru reached a proforma EBITDA of R\$ 8.9 million.
- We paid dividends amounting to R\$ 552 million in 2009 on a cash basis, 30% higher than in 2008.
- At the end of 2009, our cash balance amounted to R\$ 500 million and our net indebtedness corresponded to 0.2 times EBITDA for the year.
- The level of our services to our consultants was below our expectations. We did not evolve as much as we wanted in the quality of the delivery of our products, either with respect to timeframes or availability.

Social

- We exceeded the milestone of 1 million consultants, increasing their number by 20.5% in Brazil and 33% in foreign operations.
- We launched the *Trilhas* (Trails) Project, within the *Crer Para Ver* (Believing is Seeing) Program, in 210 Brazilian municipalities, reaching approximately 200,000 students from public schools (*learn more on page 61*).
- We implemented the *Crer Para Ver* (Believing is Seeing) Program – our contribution to improving the quality of public education – in all Latin American operations.
- We had 9.9% more employees in all operations. In Brazil, the turnover rate fell to 7.5% in 2009 from 12.4% in 2008.
- We increased favorable responses with respect to organizational climate among employees (to 74% from 72%) and suppliers (to 82% from 74%).

Environmental

- In 2009, we reduced our volume of relative greenhouse gas (GHG) emissions by 5.2% by means of the Carbon Neutral Program.
- We recorded our highest rate in the use of renewable raw materials in our product formulas: 79.2%, in comparison with 77.5% in 2008.
- We reduced the consumption of energy per unit billed by 19% but increased the consumption of water per unit billed by 8.7%.
- We launched the *Ekos Safra Açai* (Açaí Berry Harvest) line, which disseminates awareness of cycles of nature.
- The share of product refills in billed items in Brazil was 18.4%, below the target of 19%.

AWARDS AND RECOGNITIONS RECEIVED BY NATURA IN 2009

COMUNICACION

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|---|---|--|-------|
| ABERJE Communication Award | Aberje (Brazilian Association of Corporate Communication) | Best Governmental Relations case study on the topic Professionalism and Transparency in Relationships. | 1° |

FINANCES

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|--|---|--|-------|
| Agência Estado Distinguished Companies | Agência Estado media group | Natura came 1 st in all categories: General Ranking of the 10 Best Companies Listed at Bovespa, Sustainability Category and New Markets Index. | 1° |
| Biggest and Best | Exame magazine | Natura was named the best company in the Consumer Goods category; Natura was voted the Company of the Year in the Biggest and Best Ranking. | 1° |
| Best of Dinheiro | IstoÉ magazine | Best company in the Pharmaceutical, Hygiene and Cleaning industry | 1° |
| Conjuntura Econômica Magazine: XVIII FGV Corporate Excellence Award | Getúlio Vargas Foundation and Conjuntura Econômica Magazine | Natura was voted the Best Company of the Year in the Perfumery Category. | 1° |
| ABRASCA Award | Abrasca (Brazilian Association of Listed Companies) | Natura was named the Industry's Highlight in the "Retail and Wholesale" segment. | 1° |
| Capital Aberto Ranking | Capital Aberto magazine in partnership with Stern Stewart | Natura ranked 1 st in the "Best Companies for Shareholders 2009" award in the category of companies with a market value between R\$ 5 and R\$ 15 billion. | 1° |
| IR Magazine Awards | IBRE – Brazilian Institute of Economics and FGV – Getúlio Vargas Foundation | Winner in the Best Socio-Environmental Sustainability Category. | 1° |
| Valor 1000 | Valor Econômico newspaper | Best Company in the Hygiene and Cosmetics Industry | 1° |
| Brazil's Intangibles Awards (PIB) | The Brander and Modern Consumer magazine | Intangibles Award: We obtained the award in Sustainability Assets and in the Non-durable Consumer Goods. | 1° |

INSTITUTIONAL

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|------------------------------|------------------------|--|-------|
| Most Admired – Carta Capital | Carta Capital magazine | Most Admired Company in Brazil | 1° |
| | | Most Admired Companies in the Hygiene, Cosmetics and Perfumery Industry. | 1° |
| | | Most Admired Companies in Key Factors: Commitment to HR, Respect for Consumers, Ethics, The Most Committed to Sustainable Development and Social Responsibility. | 1° |

INSTITUTIONAL

| <u>RECOGNITION</u> | <u>ORGANIZATION</u> | <u>CATEGORY AWARDED</u> | <u>PLACE</u> |
|---|--|--|---|
| Forum of Corporate Leaders 2009 | Líderes magazine | The Co-Chairman of the Board of Directors Guilherme Leal was recognized as one of the leaders in the Cosmetics, Hygiene and Cleaning Industry. | 1° |
| INFO CORPORATE The CIOs of the Year | Info Exame magazine | The IT Executive Officer, Marcos Pelaez won as the executive of the year in the Consumer Goods category. | 1° |
| IBGC Corporate Governance Award | Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Corporate Governance) | We won in the "Evolution in Corporate Governance" category. | 1° |
| Época Negócios 100 Most Prestigious Companies in Brazil | Época Negócios magazine | The Most Prestigious Cosmetics Brand in Brazil. | 1° |
| Brazil Entrepreneur Award 2009 | Editora Brasil Notícias e Comunicação Empresarial LTDA. | Natura won in the "Marketing 10" and "Excellence in Service Provision" Category. | 1° |
| III France-Brazil Foreign Trade Award | France Brazil Chamber of Commerce | Natura won in the Villegaignon category (large company), for its distinguished involvement in Brazil-France commercial relationships. | 1° |
| FINEP Award | Finep (Financial Sponsor of Studies and Projects) | We won in the Large Company category. | 1° |
| Intellectual Property and Innovation Award | Prospectiva Negócios Internacionais e Políticas Públicas | Natura is among the ten most innovative Brazilian companies. The "Intellectual Property and Innovation study: An Analysis of the Main Brazilian Companies and Universities" was conducted by the Prospectiva consulting firm, which is specialized in international affairs and public policies. | among the 10 companies that innovate the most |

INTERNET

| <u>RECOGNITION</u> | <u>ORGANIZATION</u> | <u>CATEGORY AWARDED</u> | <u>PLACE</u> |
|----------------------------|---------------------|---|--------------|
| Top of Mind Internet Award | UOL media website | We were recognized as the most remembered brand by consumers on the Internet in the Beauty Products category. | 1° |

BRAND

| <u>RECOGNITION</u> | <u>ORGANIZATION</u> | <u>CATEGORY AWARDED</u> | <u>PLACE</u> |
|--|---|--|--------------|
| Brands for Decision Makers | Jornal do Comércio newspaper Porto Alegre | Recognized as the most remembered and preferred brand in the state of Rio Grande do Sul in the Personal Hygiene and Beauty industry. | 1° |
| The Most Valuable Brands in Brazil | IstoÉ Dinheiro magazine | Natura ranked 5th among the Most Valuable Brands. | 5° |
| Amanhã Magazine Top of Mind Porto Alegre | Amanhã magazine | Natura was awarded in two categories: Perfume and Company Concerned with the Environment (ahead of Petrobras). | 1° |

BRAND

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|--|---|--|-------|
| The Strongest Brands | IstoÉ Dinheiro and BrandZ Millward Brown | Natura ranked 10th among the 12,800 Brazilians interviewed and their most admired brands. | 10° |
| DCI - Diário do Comércio e Indústria Award | DCI - Diário do Comércio e Indústria newspaper | Natura won the award in the Hygiene and Beauty category. | 1° |
| Marketing Company of the Year 2009 | Marketing magazine | Natura was named by Marketing magazine as the Marketing Company of the Year 2009 in the Cosmetics segment. | 1° |
| Reliable Brands | Seleções magazine in partnership with market research company Ibope | Named the most socially responsible company and Best Brand in the "skin creams" category. Additionally, the CEO, Alessandro Carlucci was named the "most reliable executive among Brazilians". | 1° |
| Renato Castelo Branco Homage | ESPM Social | Natura and Taterka agency won with the 2009 Natura Ekos – Triphasic Oils campaign. | 1° |
| Top of Mind 2008 Minas Gerais | Mercado Comum magazine | Natura and Taterka agency won with the 2009 Natura Ekos – Triphasic Oils campaign. | 1° |

HUMAN RESOURCES

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|-------------------------------------|--------------------------------------|--|--------------------|
| 50 Most Admired HRs in Brazil 2008 | Gestão e RH publishing company | Homage to Claudia Falcão, Human Resources Director, as one of the 10 most prestigious HRs in Brazil. | among the ten best |
| HR Professional of the Year Award | Editora Abril publishing company | Marcelo Cardoso was named the professional of the year 2009 in the Hygiene and Cleaning Industry. | 1° |
| Top Companies for Leaders | Hewitt Associates and Época Negócios | Natura is the best company in Latin America (1 st), Natura is the 11th among the best companies in the world in Leadership – global ranking. | 1° |
| Company of the Dreams of Youngsters | DMRH Group and Cia de Talentos | Awarded in the ranking of the 10 most favorite companies of Brazilian youngsters. | 6° |

SUSTAINABILITY

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|--|--------------------------------|---|-----------------------|
| The 100 Best in Corporate Civic Awareness 2008 | Gestão & RH publishing company | Awarded among the best companies in the Environmental Responsibility category. | among the ten best |
| Exame Sustainability Guide | Exame magazine | Among the 20 most distinguished companies in Brazil. | among the twenty best |
| Eco Amcham | Eco Amcham | We won in the Sustainable Business Model Module with the case study "Engagement of Stakeholders in Biodiversity". | 1° |

SUSTAINABILITY

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|------------------------------------|---|---|-----------------------|
| SAM/SPG Leadership Award | SAM Sustainability | Mr. Luiz Seabra, Co-chairman of the Board of Directors of Natura was named one of the world leaders in sustainable business management. | 1° |
| Época Climate Change | Época magazine | Natura distinguished itself as one of the Leading Companies in Climate Policies of the 2009 Época Climate Change Award. | among the twenty best |
| Socially Responsible Company Badge | Mexican Center for Philanthropy (Cemefi) and Alliance for Social and Corporate Responsibility in Mexico (Aliarse) | Natura Mexico was recognized for its socially responsible management as part of the company's culture and business strategy. | certificate |

PRODUCT AND PACKAGING MARKETING

| RECOGNITION | ORGANIZATION | CATEGORY AWARDED | PLACE |
|----------------------|---|--|-------|
| ABRE Design | ABRE (Brazilian Association of Packaging) | We won in the Graphic Design, Product Family and Marketing with the Massaróca Naturé Line. | 1° |
| Atualidade Cosmética | Atualidade Cosmética magazine | Line/Product for Children: Massaróca Naturé American Perfumery for Women: Humor 5 Aparício Basilio da Silva Award – Best National Perfume Creation for Women: Humor 5 Aparício Basilio da Silva Award - Best National Perfume Creation for Men: Natura Homem Nitro, Company of the Year 2009 and Professional of the Year – Alessandro Carlucci. | 1° |
| New Beauty Award | Nova magazine | Natura won in the Best Cleaning Product category with the Natura Chronos Cleaning Gel Soap; The best company in the shower category with the Açai berry Triphasic Oil; The best company in the The Classics of Nova category with Diversa Lápis Kajal; Perfumery, Natura Águas de Banho. | 1° |

NATURA VALUE CHAIN

Natura's main performance indicators in 2009 related to the stages of our value chain are:

1. Extraction and transportation of raw materials and packaging (direct and indirect suppliers)

R\$ 2.7 billion distributed to suppliers

82% of suppliers were satisfied

31 certified ingredients

105,570 mt of GHG emissions related to the extraction and transportation of raw materials and packaging

23,606 mt of GHG emissions per direct supplier (process and transportation to Natura)

2. Industrial and internal processes

R\$ 643 million invested in innovation

R\$ 111.8 million investidos em inovação

0.52 liter of water consumed per unit billed

447.3 kjoules of energy consumed per unit billed

31.5 grams de resíduos gerados por unidade faturada

14,767 metric tons of GHG emission in internal processes



4. Use of products and disposal of packaging

18.4% of refills on items billed

69.5 mPt/kg is the environmental impact of packaging per number of products¹

57,873 tons emissions related to the final disposal of products and packaging

1. The indicator also includes effects on the extraction and transformation of packaging.

3. Sale of products (transportation and distribution)

R\$ 2.3 billion distributed to consultants

1 million consultants in all operations

88% of satisfied consultants

103 new products launched

43,980 tons of GHG emissions related to transportation of products to consultants and consumers

CROSS-SECTIONAL INDICATORS

R\$ 1.5 billion paid to the government

R\$ 551.9 million distributed to shareholders

R\$ 683.9 million in net income

R\$ 4.2 billion in net revenues

R\$ 1.0 billion in EBITDA

23.8% the EBITDA margin

R\$ 59.9 million invested in corporate responsibility

GOVERNANCE

In 2009, corporate governance at Natura greatly changed. It had begun to take shape in the 1990s but became more consistent in 2004, when the company went public and listed its shares on the New Market of the São Paulo Stock Exchange (BM&FBovespa).

The Board of Directors, the highest administrative authority at Natura, consists of three founding partners and four external members, two of which are independent. The board members were chosen according to their qualifications, knowledge of sustainability, the complementary nature of their executive experiences, and lack of conflicts of interest. Part of the Board members' remuneration is fixed and paid monthly, and another part is variable, linked to economic, financial, social, and environmental goals, and paid annually.

In 2009, we raised the bar; the result of progress in the operation of the Board and in the strengthening of its four supporting committees: Strategy; Corporate Governance; Organization and People; and Audit, Risk Management, and Finance.

The Organizational and People Committee, which was formerly composed of Natura insiders, was reinforced by Fátima Raimondi, chairman of Ericsson Brazil, a company recognized for its tradition of good people management. Her membership was approved and made official in 2009, and Raimondi started to effectively participate in February 2010.

Meanwhile, the Audit, Risk Management, and Finance Committee, which is responsible for the analysis of scenarios related to accounting, fiscal, tax, corporate, and new investment issues, started to count on a second independent member: Gilberto Mifano, vice president of the Brazilian Institute of Corporate Governance (IBGC), former chairman of the Bovespa's Board of Directors, and known for being a professional with wide experience in corporate governance. Celso Giacometti, who until 2008 was the only external member of the Audit Committee, was replaced by Taiki Hirashima, former consultant of the World Bank and an expert in accountancy.

In 2009, the Strategy Committee became even more active, and its members met 13 times, dedicating twice as much time to the analysis of topics of interest to the Board of Directors.

The progress in corporate governance provided Natura with a IBGC award in 2009, in the Evolution category. Our model is also recognized internationally. The company has been a member of the Company Circle of Latin American Corporate Governance, an association made up of a group of Latin American corporations, chosen by the International Financial Corporation (IFC) of the World Bank based on their governance practices. In 2009, this group launched a guide containing successful case studies of member companies.

EVALUATION OF SENIOR MANAGEMENT

In the first half of 2009, we conducted a structured self-evaluation process with our board members and members of the Committees. This was the third evaluation since the creation of the Board 11 years ago. The first was in 2006, and the second, in 2007.

The process was carried out in the ambit of the Governance Committee, which conducted a series of individual interviews. The main notes and conclusions were compiled into a single document, which was subsequently presented to the Board itself. Among the progress arising from the self-evaluation are the reinforcements of new external participants in the People and Organizational Development and Audit, Risk Management and Financial committees.

EXECUTIVE GOVERNANCE

The Executive Committee (Comex) established itself as the main executive authority of Natura and manages corporate affairs related to decisions on the Brazilian market and foreign operations. It is made up of the CEO, Alessandro Carlucci, and the Senior Vice Presidents of Natura.

In 2009, João Paulo Ferreira joined Comex as Senior Vice President of Supply Chain, as did Telma Sinicio, as Senior Vice President of Innovation, the first woman to hold a senior vice president position in Natura. This decision-making authority is supported by six committees that act as divisions of Comex and represent the executive authority in initiatives related to brand management, ethics, commercial innovation, sustainability, products, and processes.

They all report to the CEO and meet monthly – except for the Product Committee, which meets on a weekly basis, and the Ethics Committee, which meets every six months or whenever necessary.

Board of Directors

Pedro Luiz Barreiros Passos - Co-chairman of the Board of Directors in office

Antonio Luiz da Cunha Seabra - Co-chairman of the Board of Directors

Edson Vaz Musa - Member of the Board

Guilherme Peirão Leal - Co-chairman of the Board of Directors

José Guimarães Monforte - Member of the Board and Chairman of the Audit, Risk Management, and Finance Committee

Julio Moura Neto - Member of the Board and Chairman of the Strategy Committee

Luiz Ernesto Gemignani - Member of the Board and Chairman of the Organization and People Committee

Natura Executive Committee

Alessandro Carlucci - CEO

João Paulo Ferreira - Senior Vice President of Supply Chain

José Vicente Marino - Senior Vice President of Sales and Marketing

Marcelo Cardoso - Senior Vice President of Organizational, Development and Sustainability

Maurício Bellora - Senior Vice President of Internationalization

Roberto Pedote - Senior Vice President of Financial and Legal Affairs

Telma Sinicio - Senior Vice President of Innovation

Natura's Executive Board in 2009

André Urani – Superintendent of Natura Institute

Alessandra da Costa - Human Resources Vice President – Brazil

Angel Medeiros – Logistics Innovation Vice President

Armando Marchesan Neto – Customer Services Vice President

Arnô Araújo – Commercial Vice President - Natura Mexico

Cecília Riviello – General Vice President Mexico

Daniel Gonzaga – Research Vice President

Denise Alves – Culture and Organizational Climate Vice President

Denise Figueiredo – Business Unit Vice President - Platform C

Erasmus Toledo – Commercial Management Vice President

Flávio Contini – International Finance and Legal Affairs Vice President

Flávio Pesiguelo – Organizational Development and Sustainability Vice President

Gilberto Xandó – Business Unit Vice President - Platform D

Guto Pedreira – Business Unit Vice President - Platform A

Herivaldo Silva – Commercial Management Vice President - Latam

Jorge Rosolino – Finance Vice President - Brazil

José Renato da Silveira – Shared Services Central Vice President

Lucilene Prado – Legal Vice President

Luis Bueno – Brasil Central Regional Vice President

Minoru Suga – South Regional Vice President

Marcello Rodrigues – Product Availability Vice President

Marcos Pelaez – Information Technology Vice President

Marcos Vaz – Sustainability Vice President

Moacir Salzstein – Corporate Governance Vice President

Mônica Gregori – Business Unit Vice President - Platform B

Nestor Felpi – International Order Cycle Vice President

Pedro Villares – Latin America Business Vice President

Renato Abramovich - North Northeast Regional Vice President

Ricardo Faucon – Supplies Vice President

Rodolfo Guttilla – Corporate Affairs and Government Relations Vice President

Romina Broda – General Vice President – Argentina

Rogério Cher – Corporate Human Resources Vice President

Tatiana Pignatari – Business Unit Vice President – Latam

Victor Fernandes – Product Development Vice President

Strategy Committee

It is made up of three Board members, Pedro Luiz Barreiros Passos, Julio Moura Neto and Edson Vaz Musa, in addition to the CEO, Alessandro Carlucci. They analyze the strategic issues, preparing guidelines and recommendations for the Board. Among the main actions of the Committee in 2009, we note the increase in the duration of the monthly meetings, which started to take all day long and not half a day anymore. The Committee monitors the 16 strategic projects that are currently in progress and discusses Natura's long-term strategies.

Corporate Governance Committee

Among its functions is the discussion of improvements and progress in the governance process and business operation. Made up of four Board members: Pedro Luiz Barreiros Passos, Guilherme Peirão Leal, José Guimarães Monforte and Júlio Moura Neto, in addition to Moacir Salzstein, Corporate Governance Director. They meet on a quarterly basis and, in 2009, they met four times. In 2009, the Committee was responsible for the self-evaluation process of the Board of Directors and its support committees.

Organization and People Committee

It is made up of three Board members: Pedro Luiz Barreiros Passos, Edson Vaz Musa and Luiz Ernesto Gemignani; an external member (as from 2010), Fátima Raimondi; the CEO, Alessandro Carlucci; and the Senior Vice President of Organizational Development and Sustainability, Marcelo Cardoso. They meet monthly, however, in 2009, 10 meetings were held. Among the topics addressed by the committee are issues related to compensation, leadership projects, succession, and training and topics of interest to the Human Resources area.

Audit, Risk Management and Finance Committee

It is composed of the Board member José Guimarães Monforte; two external members, Gilberto Mifano and Taiki Hirashima; the Senior Vice President of Financial and Legal Affairs, Roberto Pedote; the Corporate Governance Vice President, Moacir Salzstein; and the Risk Management and Internal Auditor Manager, Mercedes Stinco. The group meets on a monthly basis and, in 2009, it met 12 times. The Committee is responsible for supporting the Board in its analysis of financial matters, risks, and the relationship with external auditors. The news for this Committee in 2009 was the addition of an external member, the replacement of a member and the inclusion of the Corporate Governance Vice President.

Sustainability Committee

To ensure that sustainability permeates Natura's entire governance model, the Sustainability Committee serves as a preparatory forum for the decisions of the Executive Committee and also contributes to the analysis of the Board. The coordination of the Sustainability Committee, which meets monthly, is in charge of the Sustainability Office, which monitors the inclusion of and the balance between the social, environmental and economic variables in the action plans conducted by the many projects and departments of the company. It is composed by the Board members Guilherme Peirão Leal and Pedro Luiz Barreiros Passos; the CEO, Alessandro Carlucci; the Senior Vice Presidents of Organizational Development and Sustainability, Marcelo Cardoso, of Supply Chain, João Paulo Ferreira, and of Innovation, Telma Sinicio; and by the Vice Presidents of Corporate Affairs and Government Relations, Rodolfo Guttilla, Sustainability, Marcos Vaz, and Legal Affairs, Lucilene Prado.

Process Committee

At the end of 2009, the Process Committee was created to provide executive support for the implementation of the management system by processes at the company. It is made up of the CEO, Alessandro Carlucci; the Senior Vice President of Organizational Development and Sustainability, Marcelo Cardoso; the Customer Service Vice President, Armando Marchesan; the Platform C Business Unit Vice President, Denise Figueiredo; the Brazil Central Regional Vice President, Luis Bueno; the Information Technology Vice President, Marcos Pelaez; the Corporate Human Resources Vice President, Rogério Cher; and the Management System Manager, Daniel Levy. This committee meets on a monthly basis.

Brand Committee

The Brand Committee meets once a month to address topics related to Natura's brand and sub-brands. The main discussions are focused on the architecture of the brand, the adequacy of the sub-brands to Natura's value proposal and beliefs and on issues such as the language and evolution of the brand. This committee is composed of the CEO, Alessandro Carlucci; the Senior Vice President of Sales and Marketing, José Vicente Marino; the Senior Vice President of Organizational Development and Sustainability, Marcelo Cardoso; the Corporate Affairs and Government Relations vice president, Rodolfo Guttilla; and the brand managers, Ana Luiza Alves and Karen Cavalcanti.

Quality of Relationships Committee

This Committee monitors the relationship plans established for each of our stakeholders and the evolution of these relationships. This Committee meets every two months. It is made up of the Senior Vice President of Organizational Development and Sustainability, Marcelo Cardoso; the Sustainability Director, Marcos Vaz; the Ombudswoman, Estelita Thiele; and those responsible for communicating with the stakeholders: supplier communities, suppliers, shareholders, consultants and NCAs, surrounding communities, employees, government and consumers.

RISK MANAGEMENT

Natura uses the analysis of two risk groups: strategic, which takes into consideration scenarios that may affect the company's continuity, and operational, which focuses on internal processes that are regularly checked by managers and their respective teams. In both cases, the evaluation of risks includes economic, social, and environmental aspects.

In 2009, we implemented Control Self-Evaluation in Natura's entire chain of processes. The main operational risks and the controls of all processes were identified, totaling approximately 100. The self-evaluation involved the application of approximately 180 questionnaires and mobilized around 170 managers. The most important risks were forwarded to our 2010 Natura Strategic Planning. In the processes where we identify high risks, we develop action plans to mitigate them.

As part of a movement for the continuous improvement of the whole management model, in 2009 we started to develop a more comprehensive contingency plan for Natura, based on the actions necessary to mitigate strategic risks.

INTERNAL AUDIT

Natura's Internal Audit department is made up of 20 employees who report only to the Audit, Risk Management and Finance Committee. The fact that this group does not report to any other area of the company helps to guarantee the impartiality of its work. Natura internal audits use a set of tests and procedures in the many processes of the company to evaluate the internal controls environment, and they also look into possibilities of fraud. In 2009, we audited nearly twice as many processes than in 2008: 13 audit exams compared to seven.

In 2009, the Internal Audit department received 24 cases involving all operations, reported by different channels, especially the Natura Ombudsman's Office. Twelve cases of irregularities were proved; those that were cases of misconduct resulted in six employee dismissals and one warning. The survey does not include cases involving third parties. All cases helped us improve our control mechanisms.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Our organizational evolution, which has been taking place since 2008, involved the adoption of a management model based on processes, which are at the service of more independent business and regional units, imposing on Natura a revision of its compensation structure so as to increase the variable component by means of adjustments in Profit Sharing.

For a group of executives, which includes the company's chief executive officer, senior vice presidents, officers and senior managers, we have consistently tied the gains with not only the short-term results generated but also, and primarily, with the commitment to our long-term project. This practice was adopted by means of the Share Purchase or Subscription Option Program, with an aim to stimulate the necessary entrepreneurship and engagement of executives, as well as the assumption of risks.

The design of the Share Purchase Option Program aims to ensure the sense of ownership and involvement, strengthening the relationship between compensation and gains and the creation of the company's value, in addition to healthy growth with the balanced distribution of results when allowed by the business profitability.

The Share Purchase or Subscription Option Program has provided, since 2009, that the granting of the option to purchase or subscribe shares is associated with the executive's decision to invest at least 50% of the amount received as profit sharing in the acquisition of Natura's shares. The shares can only be exercised after a vesting period of three years for 50% of the shares, and of four years for 100% of the shares. In both cases, there is an eight-year validity, and the shares are not available for sale until the end of the third year. Until 2008, the vesting period had been three years, the plan expired after six years and it did not require the purchase and holding of the shares. As it is now, long-term commitment is stimulated, and executives have more time to exercise their options.

In 2008, we had a ceiling established by the Board of Directors of 0.6% a year and 3% of Natura's total shares. The model established in 2009, which is more aggressive, provides for an annual limit of 0.75%, totaling a maximum of 4% of Natura's shares. In December 2009, the volume of options held by executives represented around 1.29% of the company's shares compared to 1.1% in December 2008.

The Program's history is as follows: since 2002, we have granted 19,551,076 options and 22% of these options were cancelled due to executives leaving.

NUMBER OF OPTIONS

| Plan | Granted | Exercised | Mature Balance | Non-Mature Balance | Cancelled | |
|--------------|-------------------|------------------|------------------|--------------------|------------------|------------|
| 22002 | 3,533,610 | 2,712,645 | 0 | 0 | 820,965 | 23% |
| 2003 | 3,969,220 | 3,359,160 | 0 | 0 | 610,060 | 15% |
| 2004 | 1,901,460 | 1,544,986 | 61,077 | 0 | 295,397 | 16% |
| 2005 | 1,120,760 | 421,329 | 230,025 | 0 | 469,406 | 42% |
| 2006 | 1,153,756 | 45,096 | 577,623 | 0 | 531,037 | 46% |
| 2007 | 1,305,508 | 0 | 361,559 | 361,559 | 582,391 | 45% |
| 2008 | 1,800,010 | 0 | 0 | 1,089,064 | 710,946 | 39% |
| 2009 | 2,735,657 | 0 | 0 | 2,465,384 | 270,273 | 10% |
| 2010 | 2,031,095 | 0 | 0 | 2,031,095 | 0 | 0% |
| Total | 19,551,076 | 8,083,216 | 1,230,284 | 5,947,102 | 4,290,475 | 22% |

APPRECIATION OF THE PLANS

| Valores em Milhares de R\$ | | | | | | | 50% MATURE | 100% MATURE | EFFECTIVE-NESS |
|----------------------------|-----------------------------|----------------------------------|--------------------------------|--|--|--------------------|------------|-------------|----------------|
| Plan | Restated Amount of the Plan | Real Desont Obtained in the Year | Discount Obtained in the Year* | Potential Discount of the Mature Balance | Potential Discount of the Non-Mature Balance | Status of the Plan | | | |
| 2002 | R\$ 6.60 | 42,412.4 | 50,320.5 | 0.0 | 0.0 | Expired | 04/10/2005 | 04/10/2006 | 04/10/2008 |
| 2003 | R\$ 3.70 | 66,917.3 | 76,807.9 | 0.0 | 0.0 | Expired | 04/10/2006 | 04/10/2007 | 04/10/2009 |
| 2004 | R\$ 9.09 | 24,543.9 | 26,627.5 | 1,590.9 | 0.0 | Expired | 04/10/2007 | 04/10/2008 | 04/10/2010 |
| 2005 | R\$ 19.51 | 3,189.2 | 3,300.2 | 3,594.8 | 0.0 | 100% Mature | 03/16/2008 | 03/16/2009 | 03/16/2011 |
| 2006 | R\$ 29.08 | 223.7 | 227.3 | 3,502.5 | 0.0 | 100% Mature | 03/29/2009 | 03/29/2010 | 03/29/2012 |
| 2007 | R\$ 27.50 | 0.0 | 0.0 | 2,763.5 | 2,763.5 | 50% Mature | 04/25/2010 | 04/25/2011 | 04/25/2013 |
| 2008 | R\$ 21.35 | 0.0 | 0.0 | 0.0 | 15,017.0 | Non-Mature | 04/22/2011 | 04/22/2012 | 04/22/2014 |
| 2009 | R\$ 23.29 | 0.0 | 0.0 | 0.0 | 29,297.1 | Non-Mature | 04/22/2012 | 04/22/2013 | 04/22/2017 |
| 2010 | R\$ 34.17 | 0.0 | 0.0 | 0.0 | 2,049.0 | Non-Mature | 03/19/2013 | 03/19/2014 | 03/19/2018 |
| Total | | 137,286.5 | 157,283.4 | 11,451.8 | 49,126.6 | | | | |

(*) Accumulated amounts, adjusted based on the Broad Consumer Price Index (IPCA) until March 2010. On March 19, 2010, NATU3 was quoted at R\$ 35.14. Natura shares on March 15, 2010 – 430,324,496.

VARIABLE COMPENSATION

The Board of Directors also established that the total annual Profit Sharing, which is the basis of the long-term compensation program, is limited to 10% of net income. With these limits, Natura has a consistent and well-controlled system that avoids the recent distortions in executive compensation seen in other countries.

The variable component, whether a short-term compensation or long-term gains, represents a larger portion for senior executives compared to the other employees because we believe in the joint creation of value. In addition to the well-defined limits, all variable compensation is tied to the effective attainment of targets and the surpassing of minimum growth expectations annually established by management.

The criteria that determine the scope of variable compensation take into account performance indicators that cover the three sustainability dimensions. In 2009, the following indicators were taken into consideration:

- Economic - consolidated EBITDA, Brazilian and foreign operations;
- Social - organizational climate survey among employees from Brazilian and foreign operations, satisfaction survey with consultants, and the Non-Service Rate (NSR), which represents the percentage of products unavailable for sale upon the placement of orders by our consultants, which is also measured for both Brazilian and foreign operations;
- Environmental – carbon emissions.

See below the compensation amounts of the main groups of professionals:

| 2009 | Average Number of Employees | Total Salary (in millions) ¹ | Total Variable (in millions) ² | 2010 Stock Options Palan (in number of options) ³ |
|--------------------------------|-----------------------------|---|---|--|
| Board | 8 | 5.06 | 1.33 | 338,030 |
| Executive Committee | 4 | 2.38 | 6.35 | 345,626 |
| Senior Management and Officers | 74 | 19.77 | 20.17 | 1,347,440 |
| Middle Management | 283 | 32.86 | 20.50 | 0 |
| Administrative | 903 | 44.63 | 5.59 | 0 |
| Sales force | 981 | 43.76 | 46.25 | 0 |
| Operational | 2,239 | 37.09 | 5.59 | 0 |
| Total 2009 | 4,492 | 185.56 | 105.79 | 2,031,095 |

| 2008 | Average Number of Employees | Total Salary (in millions) | Total Variable (in millions) | 2009 Stock Options Palan (in number of options) |
|--------------------------------|-----------------------------|----------------------------|------------------------------|---|
| Board | 7 | 2.64 | 1.33 | 0 |
| Executive Committee | 6 | 5.45 | 7.29 | 694,726 |
| Senior Management and Officers | 81 | 24.31 | 21.22 | 2,040,931 |
| Middle Management | 302 | 39.85 | 22.57 | 0 |
| Administrative | 971 | 53.54 | 8.67 | 0 |
| Sales force | 1,097 | 43.81 | 40.06 | 0 |
| Operational | 2,132 | 37.89 | 8.63 | 0 |
| Total 2008 | 4,597 | 207.50 | 109.77 | 2,735,657 |

| 2007 | Average Number of Employees | Total Salary (in millions) | Total Variable (in millions) | 2008 Stock Options Plan (in number of options) |
|--------------------------------|-----------------------------|----------------------------|------------------------------|--|
| Board | 6 | 2.28 | 0.00 | 0 |
| Executive Committee | 5 | 3.70 | 2.58 | 454,573 |
| Senior Management and Officers | 85 | 23.58 | 13.52 | 1,273,504 |
| Middle Management | 316 | 39.52 | 13.12 | 71,933 |
| Administrative | 1,009 | 54.14 | 3.38 | 0 |
| Sales force | 1,149 | 40.79 | 30.98 | 0 |
| Operational | 2,094 | 35.84 | 4.11 | 0 |
| Total 2007 | 4,664 | 199.85 | 67.70 | 1,800,010 |

| 2006 | Average Number of Employees | Total Salary (in millions) | Total Variable (in millions) | 2007 Stock Options Plan (in number of options) |
|--------------------------------|-----------------------------|----------------------------|------------------------------|--|
| Board | 5 | 2.56 | 0.00 | 0 |
| Executive Committee | 6 | 4.55 | 2.51 | 290,568 |
| Senior Management and Officers | 72 | 19.21 | 10.15 | 961,534 |
| Middle Management | 270 | 32.97 | 12.20 | 53,406 |
| Administrative | 920 | 48.33 | 4.21 | 0 |
| Sales force | 1,008 | 35.11 | 25.97 | 0 |
| Operational | 1,760 | 29.96 | 5.16 | 0 |
| Total 2006 | 4,042 | 172.70 | 60.21 | 1,305,508 |

(1) Total Salary: Includes annual average base salary over 12 months (without charges) and Overtime (with Remunerated Weekly Rest – DSR) in millions.

(2) Total Variable: Total Salary plus Bonuses, Profit Sharing and Sales Bonuses (with DSR).

(3) The number of options refers to the plan of the current year.

Note: The profit sharing refers to the year it was earned, and is paid in the subsequent year.

CAPITAL MARKETS

In 2009, a secondary public offering of shares took place, increasing to 39.5% from 26.2% the portion of total capital of Natura available for trading on the market at the price of R\$ 26.50 per share. The offering raised approximately R\$ 1.5 billion. As a consequence, new shareholders could join our shareholder base (see page 54). In line with the best governance practices, which recommend the reduction of restrictions for the purchase of shares, Natura decided to soften the poison pill clauses adopted in 2004 when the company went public. These clauses are rules that protect the company against hostile takeovers. At the time, the rules were quite justifiable. Now, however, Natura has achieved sufficient size and maturity in its relationship with the capital markets to allow us to soften such restrictions.

Natura's previous rule determined that a shareholder or group of shareholders holding 15% of the shares must make an offer to buy the shares of all the other investors for a purchase price that included a premium of 50%. After the change, this percentage went from 15% to 25% and the premium requirement was removed. Despite the maintenance of this clause, it was determined that any offer can only be formalized based on a decision of shareholders at an Annual Shareholders' Meeting.

The governance was responsible for the flow of processes, at first, within the Audit Committee and later, within the Board, which convened an Extraordinary Meeting that was held on August 5, 2009. The entire process was supported by the legal affairs department.

This flexibility resulted in a change in our By-laws and was interpreted as a pioneering attitude of Natura in the capital markets. Currently, more than 60 companies listed on the BM&F Bovespa have poison pill clauses. It was Natura itself that decided to amend the clause. There was no emergency, obligation or pressure by the shareholders or any other stakeholder for this decision. However, we believe that this was the ideal moment for making it more flexible due to the greater maturity achieved by Natura's corporate governance

WHAT WE AIM FOR

PROSPECTS

We believe that the 21st century agenda will be guided by a low-carbon economy, conscious use of natural resources, and the development of quality relationships. The companies that are aligned with the precepts of sustainable development and are attentive to the opportunities imposed by the sustainability crisis will continue to be competitive in the face of this new scenario.

Natura strives to lead in this environment of changes, and 2009 represented another important moment in its progress. We successfully predicted the effects of the international crisis: lower exposure of the Brazilian economy; resilience of the personal hygiene, fragrances, and cosmetics sector; strength of the Natura brand; and the competitive advantage of the direct sales business model.

The impressive results for 2009 and the recent changes in our management encourage us to look to the future with optimism. Year after year, we have achieved growth higher than our sector's average, which proves the acceptance of our value proposal in the markets where we operate, all with great potential for expansion.

The economic expansion expected for Brazil over the coming years, with the consequent improvements in income distribution and increase in women's participation in the economy, points to an acceleration in the growth of the Brazilian cosmetics, fragrances, and personal hygiene market. In Latin America, we have reached a size that allows us to start a new expansion phase, always committed to sustainable regional development.

In order to improve the quality of our services, allow for future growth, and continue to increase production gains, we are increasing our investments in industrial training and logistics, as well as in information technology, integrating the many sites and operations.

MARKET CONTEXT

The target market in Brazil grew in nominal value by 15.2% in 2009, according to partial figures from the Brazilian Association of the Cosmetic, Toiletry and Fragrance Industry (Sipatesp/Abihpec). The direct sales segment also kept its growth pace in Brazil and handled R\$ 21.85 billion in 2009, an 18.4% increase over the previous year.

At the end of 2009, the Brazilian Direct Selling Association (Abved) accounted for 2.37 million active resellers, which represented an increase of 17% in this sales channel over 2008. According to the Euromonitor agency, Brazil became the largest direct sales market in the world for cosmetic, fragrance, and personal hygiene products, ahead of countries such as the United States and Japan.

Natura's market share in the target market in Brazil continued to grow in 2009, moving from 21.4% in 2008 to 22.5% in 2009. Although we do not yet have consolidated data, we can affirm that we also gained market share in the other Latin American countries.

SUSTAINABILITY MANAGEMENT

Natura is recognized in Brazil and the world for its unceasing efforts to infuse sustainability into the company's day-to-day business. Our main challenge, however, is to improve the combined management of the economic, social, and environmental aspects throughout the processes of the company.

Sustainability is a cornerstone of Natura's Strategic Planning approved by the Board of Directors. We have also included socio-environmental indicators in our strategic targets. We want to be innovative regarding social and environmental demands in the present and in the future in all countries in which we operate, and we are attentive to the risks and opportunities that involve climate change, social inequality, and scarcity of natural resources.

Every two years, we reflect on the most important aspects of the business in these regards, including impacts on our stakeholders (more information on page 112). The Sustainability Committee reports on these aspects to senior management, which discusses the risks and opportunities related to them. The sustainability management process includes the sustainable use of biodiversity and the quality of relationships, which covers all our efforts on education about the relationship and dialogue with stakeholders.

The Sustainability Office, which is linked to the Office of the Senior Vice President of Organizational Development and Sustainability, is responsible for safeguarding this management process, acting as a mobilizer, instructor and disseminator of the practices to the whole company and ensuring that all have social and environmental indicators and targets when conducting the company's day-to-day business.

We are also including and harmonizing our sustainability practices in our international operations. In 2009, we created the Sustainability Office for Latin America in order to strengthen sustainability management in the other Latin American countries where we operate.

ABOUT THIS REPORT

This is our tenth sustainability report prepared based on Global Reporting Initiative (GRI) guidelines. For the third consecutive year, we declared the A+ application level, with external verification conducted by Det Norske Veritas (DNV) and data checked by GRI itself.

We present information on all our operations, but most indicators still refer to the Brazilian operations. The progressive consolidation of data on all operations helps us continually improve the report. The criterion for selecting the information for the printed version focused on the relevance of the topics for Natura and its stakeholders.

COLLECTIVE CONSTRUCTION

In line with our strategy to increasingly involve our stakeholders in the development of the desired future, we began for the first time in 2009 to prepare a Wiki Report, the content of which is being developed collaboratively with our stakeholders.

The main objective of the process was to start a journey to transform the Annual Report into a living document, to serve as communication and continuous dialogue with stakeholders. To this end, six virtual discussion forums were held by means of the Natura Conecta platform, one for each high-priority sustainability topic: Amazon, Biodiversity, Education, Greenhouse Gases, Impact of Products, and Quality of Relationships. The results were included in this report and will be considered in the preparation of our Strategic Planning.

Stakeholders were invited to visit the discussion forums on high-priority sustainability topics and post their messages. Each forum had an introductory text, an invitation to reflection, in addition to a video film produced by Natura on the respective topic. The video explained why the topic is important to society and to Natura, presented the actions we develop that are related to the topic and asked the participant: What do you think about this matter? Do we manage to make a positive contribution with respect to this topic? How can we improve?



To encourage more people to engage in the process, we distributed to the people registered in Natura Conecta forms via e-mail with questions on the adherence of Natura's actions regarding the high-priority topics, opportunities, and improvements. In addition to the discussions that took place in the forums, we considered in the analysis the 320 replies sent between February 4 and 10, 2010, by employees, consultants, consumers, and suppliers.

We found that much of what has been offered by our stakeholders was in line with our thinking. This activity represents an opportunity to evolve our process of dialogue with our stakeholders and to include their voices in Natura's management.

Systematizing responses led to the collective development of the text on the following page, which was validated by our stakeholders through the virtual platform. We thank all the participants and invite our readers to engage in our dialogue.

THE NATURA WE SHARE

We recognize that Natura is a company that is committed to social and environmental issues, concerned with the impacts of its products, and open to dialogue. We notice its respect for nature and regional culture, its vanguardism in the sustainable use of raw materials and biodiversity, and in the creation of value to suppliers, consultants, and the people who live in the Amazon. For this reason, we expect from Natura more efficiency in its actions and support its playing a greater lead role in bringing awareness to society.

We believe that Natura is an example for people and the market, and it has a role in shaping opinions, bringing awareness to the corporate segment, promoting and disseminating its good practices, and mobilizing the creation of an innovative movement that involves other companies, suppliers, universities, non-governmental organizations, and public authorities.

Therefore, communication is an important focus of attention, whether in the way Natura communicates its value proposal to society by means of the media, or the service to stakeholders through the communication channels that have already been established, such as the website, the Natura Customer Service (NCS), and the Natura Service Center (NSC). We understand that Natura's communications with its consultants, and their communications with consumers, can be improved, as well as the communications with those inside the company. The existing channels can be further explored, mobilizing society and encouraging sustainability actions.

There are opportunities for improvement on many other fronts. We suggest that Natura expand its sustainable work in the use of biodiversity to other regions of Brazil. We verified that its actions are concentrated on the Ekos line, which uses raw materials from the Amazon rainforest, and we see the possibility of expanding these actions to other product lines and geographic areas.

We support the search for new technologies and the constant improvement of products and packaging, as well as the investment in reverse logistics, which collects empty packaging after use and properly forwards them for recycling.

We suggest that Natura increase investments in the training of consultants so that they will have more opportunities to engage in socio-environmental projects and disseminate them to society, expanding the company's influence network. We believe that the actions and projects related to education are not sufficiently publicized and need more investments, but we recognize the importance of initiatives such as the *Crer Para Ver* (Believing is Seeing) Program.

Finally, we believe that Natura seeks to improve its interaction with its different stakeholders. And we share the view that this is the way to make lasting relationships..

Participants of the *Natura Conecta*

HIGH-PRIORITY SUSTAINABILITY TOPICS

AMAZON

We believe that sustainable development in the Amazon, based on the maintenance and appreciation of its natural and cultural heritage, is a requirement to ensure its future. For the Amazon rainforest to play its beneficial planetary role, it is vital to direct educational, scientific, and technological resources to the region, in addition to stimulating the development of sustainable chains that combine job creation and income generation with the balanced use of natural resources. Only an open and collaborative approach, with the involvement and the co-responsibility of our partners and stakeholders, can improve the situation of the Amazon region.

In 2009, we were focused on the expansion of our activities in the Amazon by means of seminars with experts. We also visited the region often to experience the local reality. These activities involved Natura's senior management in order to develop in 2010 a program of initiatives that contribute to the sustainable development of the region and provide new opportunities for the business.

"NATURA IS NOT THERE (IN THE AMAZON REGION) BASED ON THE RESOURCE EXPLORATION MODEL BUT, ON THE CONTRARY, IT IS BASED ON THE SUSTAINABLE DEVELOPMENT MODEL."

Poliana Roman, Natura consultant

BIODIVERSITY

The degradation of biodiversity is a major threat to life on our planet. By using ingredients from biodiversity sustainably while appreciating traditional regional and local cultures in our technological platform, we are contributing to the balanced use of these natural resources. We understand that generating income to the supplier communities and encouraging the adoption of sustainable practices allow us to evolve in our commitment to sustainable development. During 2009, we internally disseminated our Policy for the Sustainable Use of Biodiversity and Cultural Heritage.

We will maintain the incentives for the creation of community development funds and fair price value chains, and remuneration for the use of genetic heritage and traditional knowledge. We expect these initiatives to be integrated and successful. We will also focus on the development and implementation of Relationship Plans with the supplier communities and their settlements.

In order to ensure the best results in this process, we systematically monitor its actions and results by means of the Biodiversity Managing Group (BMG), which is made up of the executives involved in the process and led by the Sustainability Executive Officer. Thus we provide for the integration of different views on the topic and on the company's initiatives. We will continue to contribute to governmental efforts toward the establishment of a new regulatory framework for access to Brazilian biodiversity. Internally, we will eliminate the vulnerabilities related to the existing regulatory framework or the one that replaces it (*learn more on page 64*).

"I FEEL THAT THIS SPEECH IS STRONGLY CONNECTED WITH A SPECIFIC LINE OF PRODUCTS (EKOS) AND NOT TO THE COMPANY AS A WHOLE."

Fabio Betti Rodrigues Salgado, Natura consumer

EDUCATION

Natura considers education one of the most decisive and powerful mechanisms to transform society. Our business, given its reach and influence, gives us the opportunity to be an important agent in strengthening the movement of education and social change.

Our work has gained new strength with the creation of the Natura Institute, an independently headquartered, non-profit institution that will assume Natura's private social investments, which include managing the projects of the *Crer Para Ver* (Believing is Seeing) Program. Through this program – which represents one of our main expressions in the field of education – we have developed initiatives for improving the quality of public education, focusing on the encouragement of reading and the improvement of writing. Internally, we recognize that the effort we have been making in education over the years is still insufficient by our standards. We understand that education for sustainability must promote reflections, develop knowledge, and train managers to identify socio-environmental challenges and convert them into business opportunities that promote sustainable development.

In 2009, we put into practice a leadership development program with an annual investment of 0.4% of our net revenues, which started to be applied to the 484 managers of the company and which, in 2010, will be extended to other stakeholders (*learn more on page 28*).

“A COUNTRY, A SOCIETY, A COMPANY, CANNOT GROW WITHOUT KNOWLEDGE. IT IS OUR GREATEST HERITAGE BECAUSE, ONCE OBTAINED, IT BECOMES PART OF US. NATURA IS AWARE OF THAT AND INVESTS IN ITS INTERNAL AND EXTERNAL STAKEHOLDERS.”

Ariane Chacon da Cruz, Natura consultant

GREENHOUSE GAS EFFECTS

Climate change has become one of the greatest challenges of society. If nothing is done, we will suffer the consequences of the increase in global temperature caused by the growing emission of greenhouse gases. Natura considers this an extremely important issue and is concerned that nations' made no progress toward controlling GHG emissions at the Climate Change Conference (COP15) in 2009 in Copenhagen. At this meeting, we announced the partnership that we signed with WWF to reduce by 10% our emissions related to the so-called scopes 1 and 2 of GHG by 2010.

Through our Carbon Neutral Program, we have set the target of reducing by 33% our GHG emissions in all our chain within five years, between 2007 and 2011. In 2009, we reduced our emissions by 5.2%, for a total since 2006 of 16.1%. This program also includes the offsetting of emissions we could not avoid by means of socio-environmental projects that promote carbon capture and, at the same time, contribute to the development of local communities (*learn more on page 63*).

“I BELIEVE NATURA CAN DO MORE, AND SHOULD... RESEARCH ON REDUCTION SHOULD BE INCREASED. OUR CLIMATE HAS ALREADY CHANGED AND SOME IMMEDIATE ACTION IS NECESSARY! NATURA IS AN EXAMPLE, AND SHOULD SEARCH FOR MORE.”

Fabiolla Pereira de Paula, Natura consumer

IMPACT OF PRODUCTS

We understand that in our systematic efforts to reduce the negative impacts of our products, we should invest in innovative instruments and practices. Our constant focus should be on the reduction of these impacts, including social and environmental aspects in decision-making in all areas and processes of the company.

Accordingly, we have invested in using more plant and organic substances in our product formulas. In packaging, we offer the use of refills and use recyclable and recycled materials. In 2009, we reached the highest rate of use in our products of materials that come from renewable plant sources in our history: 79.2%. We also use ecological design concepts, aimed at making post-consumption recycling easier.

We have mobilized our consultants from from some Brazilian regions so that, voluntarily, they collect Natura's post-consumption packaging from their customers and forward them, by means of partner transportation companies, to the cooperatives of local garbage collectors. Accordingly, in addition to reducing environmental impacts, we contribute to the social inclusion and income generation of people who make a living from the collection of these materials.

To our customers we offer the guarantee of the use of safe, animal-testing free products, which are approved by dermatologists and multidisciplinary teams. And we are committed to the elimination of controversial ingredients.

"IT IS IMPORTANT TO EXPAND THE KNOWLEDGE NETWORK BY WAY OF JOINT INNOVATION TEAMS (COMPANIES, SUPPLIERS, UNIVERSITIES, NGOS, ETC.) THAT SEARCH FOR SUSTAINABLE SOLUTIONS FOR REPLACING PACKAGING AND INPUTS."

Helen Zampoli Augusto, Natura supplier

QUALITY OF RELATIONSHIPS

We believe that sustainable results are achieved by means of quality relationships and, for this reason, in addition to open dialogue channels, we try to cultivate ethical and transparent relationships with all of our stakeholders. Accordingly, in addition to expanding the Ombudsman's work, we have recently included relationship quality management in our strategic planning and developed structured education processes for the relationships with and engagement of stakeholders. The availability of the lessons learned from these initiatives could lead to the evolution of our processes and actions, helping raise the standard of our relationships.

To this end, it is important to solidify the mobilization and training of managers to prepare and implement relationship plans, which should be continuously monitored by indicators.

In 2009, we shared our wishes with employees, consultants and NCAs, consumers, shareholders, surrounding communities, suppliers, and supplier communities, and help them to get to know us better and interact with us. In this process, a rich learning experience, we directly involved around 1,500 people, 1,120 of whom participated in person-to-person meetings in Brazil. This process expanded our social networks on the Internet, which allowed our stakeholders to jointly prepare a document on the role of Natura concerning high-priority sustainability topics.

"I HAD THE PLEASURE OF RESPONDING TO THE QUESTIONNAIRES, AND I HAD NEVER BEFORE SEEN A COMPANY THAT WANTED TO HEAR EVERYTHING WE HAD TO SAY, EVEN THOUGH IT WAS NOT ALL COMPLIMENTS."

Fabiane Alves dos Santos, Natura consultant

DEVELOPMENT OF OUR COMMITMENTS

Over the years, we have established clear commitments to the evolution of our performance indicators as a way to continually improve the management of our impacts. This year, in addition to relating our targets as to the high-priority sustainability topics, as we did in 2008, we also aligned the 2010 targets with our socio-environmental budget, the objective of which is to further integrate sustainability with our strategic planning cycle.

To learn more about the targets presented in this table, please refer to the chapter on the related stakeholder.

EMPLOYEE

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|--|--|
| Quality of relationships | Obtain a 71% favorable response rate from employees in the Organizational Climate survey. TARGET ACHIEVED - We obtained a 72% rate in the Brazilian operations. This result is due mainly to the increase of eight percentage points in favorable response by the operational staff as a result of the Renovação Project. (Renovação means "renewal" in Portuguese, but this form stresses the word Ação, or "action."). | Obtain a 77% favorable response rate in the Organizational Climate Survey. |
| Education | Invest 3.5% of total payroll in employee training. TARGET ACHIEVED - In Brazil, investment in education allowed for the training and development of 4,714 employees; the total amount invested represents 4.4% of total payroll. | Provide an average of 100 hours of training per employee in Brazil. |

CONSULTANTS AND CONSUMERS

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|---|--|
| Quality of relationships | Maintain a 90% favorable response rate from consultants in the Satisfaction Survey. TARGET ACHIEVED - We maintained the same level as the previous year for both the quality of relationship (climate) rate, which was at 90%, and the satisfaction rate, which was at 88%. | Obtain a loyalty rate of 18% with consultants. Obtain a loyalty rate of 40% with Natura Consultant Advisers |
| Education | Collect R\$ 3,744 million from the sale of products from the Crer Para Ver (Believing is Seeing) line. TARGET ACHIEVED - We collected R\$ 3,768 million. In order to achieve this goal, we invested in the launch of products such as new T-shirts and shopping bags. Have 463,054 consultants participate in training courses. TARGET ACHIEVED - 527,000 consultants were trained (a total of 583,000 consultants participated in the training courses, excluding repetitions). 2010 – Have 100,000 consultants engaged in the Movimento Natura (Natura Movement). | Collect R\$ 6 million from the sale of products from the Crer Para Ver line. Have 100,000 consultants engaged in the Natura Movement Have 500,000 consultants participate in training courses. |

CONSUMERS

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|--|--|
| Quality of relationships | Maintain a 47% brand preference rate according to the Brand Essence survey (brand's image). TARGET NOT ACHIEVED - We obtained a rate of 46%. Statistically speaking, the target was met because there is a margin of error in this survey. However, we chose to be more conservative and consider the target not achieved. | Maintain the consumer loyalty rate at 46%. |

Hight-priority Topics

Commitments for 2009

Commitments for 2010

Quality of relationships

Publish the Relationship Principles with consumers.
TARGET NOT ACHIEVED - We published the Relationship Principles with consumers at the beginning of 2010. The principles address topics such as dialogue channels, relationship, quality of products and services, sustainability, and satisfaction, and are available at www.natura.net/principios

There are no formal commitments on this issue to 2010.

Impact of Products

Eliminate the chemical class parabens from the product portfolio by December 1, 2010.
TARGET PARTIALLY ACHIEVED - More than 90% of the product portfolio is free from parabens. We made progress in research into new preservatives and continued replacing this ingredient.
Eliminate the chemical class phthalates from the portfolio as a formulation ingredient by July 1, 2010.
TARGET PARTIALLY ACHIEVED - More than 95% of the product portfolio is free from phthalates. We discontinued the use of phthalates in PVC packaging in contact with the products.

Eliminate parabens from the portfolio by December 1, 2010.

Eliminate phthalates from the portfolio as a formulation ingredient by July 1, 2010.

SOCIETY

Hight-priority Topics

Commitments for 2009

Commitments for 2010

Education

Implement the Trilhas (Trails) project in 210 Brazilian municipalities. The project aims to create opportunities for pre-school children to have more access to children's literature and, consequently, to the culture of the written language.
TARGET ACHIEVED - The Trilhas Project was implemented as a result of two years of development and, in 2009 it was present in 210 new municipalities.

There are no formal commitments on this issue to 2010.

DIFFERENT STAKEHOLDERS

Hight-priority Topics

Commitments for 2009

Commitments for 2010

Quality of relationships

Involve our stakeholders in the determination and monitoring of Natura's strategic priorities through a process of engagement.
TARGET ACHIEVED - Natura's strategic priorities were analyzed by stakeholders during many dialogues in 2009, and their contributions provided valuable insight for our strategic planning.

There are no formal commitments on this issue to 2010.

SUPPLIERS

Hight-priority Topics

Commitments for 2009

Commitments for 2010

Quality of relationships

Obtain an 85% favorable response rate by supplier companies in the Supplier Satisfaction Survey.
TARGET NOT ACHIEVED - We obtained a rate of 82%. General supplier satisfaction increased in relation to 2008 due mainly to the increase in the satisfaction of production input suppliers.

Obtain an 85% favorable response rate from supplier companies.

SUPPLIER COMMUNITIES

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|---|---|
| Quality of relationships | <p>Publish the Relationship Principles with supplier communities.</p> <p>TARGET PARTIALLY ACHIEVED - The principles are part of the policy for the sustainable use of biodiversity, which was published internally. The publication of the policy and relationship principles also took place informally, in visits made to some communities. Formal presentation will take place in 2010.</p> | <p>Increase by 44% the resources allocated to the supplier communities (made up of supply, sharing of benefits, funds and support, image use, training, certification, and assistance).</p> |
| Biodiversity | <p>Begin the implementation of local development plans in three communities in 2009.</p> <p>TARGET ACHIEVED - The plans are being implemented in the Iratapuru, Turvo, and Reça communities.</p> | <p>There are no formal commitments on this issue to 2010.</p> |

SURROUNDING COMMUNITIES

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|---|---|
| Quality of relationships | <p>Publish the Relationship Principles with surrounding communities.</p> <p>TARGET ACHIEVED - The relationship principles were discussed and approved by two stakeholder panels created for these communities.</p> | <p>There are no formal commitments on this issue to 2010.</p> |

ENVIRONMENT

| <u>High-priority Topics</u> | <u>Commitments for 2009</u> | <u>Commitments for 2010</u> |
|-----------------------------|--|---|
| Greenhouse Gases (GHG) | <p>Reduce by 3% relative greenhouse gas emissions.</p> <p>TARGET ACHIEVED - We were able to exceed the reduction target of 3% for 2009 and achieved a drop of 5.2% in our relative GHG emissions, that is, kilograms of CO₂e (carbon dioxide equivalent) per kilo of product billed.</p> | <p>Reduce by 2011 our relative GHG emissions by 33%, based on the inventory we performed in 2006.</p> <p>Reduce by 2012 our absolute GHG emissions related to the 1 and 2 scopes of the GHG Protocol by 10%, based on 2008 emissions.</p> |
| Biodiversity | <p>Include two new ingredients from biodiversity in phase III of the certification process.</p> <p>TARGET ACHIEVED - Eight new ingredients were included. The cumulative figure of certified ingredients accounts for the exclusion of three ingredients that were previously mentioned as certified as a result of the discontinuation of the products that used these raw materials and the replacement of the supplier area.</p> | <p>There are no formal commitments on this issue to 2010.</p> |
| Impact of Products | <p>Increase to 79% the materials in our products that come from renewable plant sources.</p> <p>TARGET ACHIEVED - We achieved a rate of 79.2%, the best rate ever obtained by Natura. This performance is due to the increase in the sale of products that use a larger quantity of plant raw materials in their composition.</p> | |
| | <p>Obtain a 19% refill rate on items billed</p> <p>TARGET NOT ACHIEVED - We obtained a rate of 18.4%. We remain committed to education and awareness on the sale of refills despite the reduction in the sales promotions of these items in order to balance promotional efforts, a strategy that has been used since 2008.</p> | <p>Obtain an 18.5% refill rate on items billed.</p> |
| | Waste | Reduce by 6% the total weight of waste per unit billed. |
| | Water | Reduce by 10% the consumption of water per unit billed. |

NATURA MANAGEMENT SYSTEM

Institutionalizing the Essence of Natura and making it permeate all our decisions: this is the driving force behind the Natura Management System, which we started to develop in 2007 when we moved from a more centralized management approach to a more integrated model, a process that gained speed in 2009. The system guides business management by means of three central pillars: Business Units (BUs) and Regional Units (RUs), which are supported by processes, the strengthening of the organizational culture, and the development of leaderships.

We divide our activities into seven BUs (four in Brazil and three abroad), which group together brands and product categories, and eleven RUs. Five RUs are in Brazil: São Paulo city; interior and coast of São Paulo; South; North and Northeast; and Rio de Janeiro, Minas Gerais, and the Midwest. The remaining six are abroad: Argentina, Chile, Peru, Colombia, Mexico, and France. The BUs and RUs provides management with more autonomy and responsibility, so their decisions are more closely connected to the interests of local stakeholders, in particular consultants and consumers.

For this system to work, we use an integrated planning methodology, from overall strategy to the designation of targets and indicators aligned with economic, social, and environmental criteria, linked to the payment of bonuses and results. We have also created a project office to ensure that the choices are well implemented.

It is focused on 16 strategic projects, all directly connected to our growth plans for the next few years, approved by the Board of Directors, and regularly monitored by senior management.

MANAGEMENT BY PROCESS

The Natura Management System is supported by 18 macro-processes, which apply to the entire company. They are essential for us to continue to expand our activities with the certainty that we follow the same procedures wherever we are as we reproduce our value proposal in different places.

In 2009 we made progress in implementing this approach, turning all Natura formal gatherings into standardized processes. The challenge for 2010 is to finish the mapping of the other activities. This new organizational design will allow us to identify, create, and seize opportunities in different regions and also for different categories of products. We take into consideration the opportunities and risks of economic, environmental, and social impacts, as well as the development of our culture, brand, and relationship with our different stakeholders.

ORGANIZATIONAL CULTURE

We have been working over the past two years to create and strengthen Natura's organizational culture. This initiative seeks to ensure that the elements of our Essence permeate the culture in the company's behavior, formal gatherings, symbols, and the way we run our business. We developed in 2009 the Culture Dialogues, a collaborative process for interpreting our organizational culture, involving 146 employees from the operating, administrative, sales, and senior management areas. These professionals will play an essential role in disseminating the results to other employees. This long-term process is expected to be completed by 2011.

We want this culture to be the foundation of our vision of the future, maintaining and reinforcing our Essence. The culture will support the ways our employees act in terms of internal practices, systems, and formal gatherings, which were reorganized by the new Natura Management System that was created to support our new growth cycle. In 2010, we will focus on developing the drivers of our culture, which will define the behaviors expected of individuals and the alignment of formal gatherings, symbols, systems, and processes of Natura as a whole.

DEVELOPMENT OF LEADERSHIPS

Over the past few years and due to the growth of the business, Natura attracted at least half of the new management from outside the company. We believe, however, that the success of our activities depends directly on our leadership being true to our corporate Essence, making the leadership selection and hiring process even more challenging.

Thus we want to encourage the internal promotion of professionals who are aligned with our corporate behavior, and we have decided to make a significant investment in the training of leaders inside Natura to support the future development process of the company. The long-term objective of the program is to train, within five years, leaders who are aligned with our Essence.

In order to support the new Natura Management System, we are working to strengthen our leadership team, which is governed by the Executive Committee and involves the leaders of the BUs, RUs, and processes, all of which have greater autonomy and responsibility for results (*further information on page 38*).

INNOVATION

Innovation is one of the pillars for achieving sustainable development. The potential for developing new business approaches is vast and encompasses science and technology research, the development of new concepts and products, business strategy, and the management system and new forms of relationship with stakeholders. The Natura Management System itself is a driver of our innovation process. The development of an increasingly agile and decentralized structure, closer to our stakeholders, and collaborative, helps us maintain a continuously innovative process to help transform society.

In order to promote continuous product innovation, which involves science and technology, the generation of new concepts, product development, new models and methods to ensure the safety of products, and strategies in regulatory issues, we allocated in 2009 R\$ 111.8 million, the equivalent of 2.6% of net revenues.

We launched or relaunched 103 items in a total portfolio of 685 products. In 2009, we maintained our innovation rate at 67.6%, the same level as in 2008. This rate measures the sales over the year of the products launched over the past two years. It shows the importance that product innovation has in Natura's commercial performance.

INNOVATION INDICATORS

| | 2007 | 2008 | 2009 |
|--|-------|-------|-------|
| Investment in innovation (R\$ million) | 108,4 | 103,0 | 111,8 |
| Net revenue invested in innovation (%) | 3,4 | 2,8 | 2,6 |
| Number of products launched (un) | 183 | 118 | 103 |
| Innovation rate ¹ (%) | 56,8 | 67,5 | 67,6 |

1. Gross revenue arising from products launched or improved over the past 24 months divided by Natura gross revenue for the past 12 months.

Since 2007 we have been providing an environmental table for our products, giving consumers information on the origin, processing, and percentage of certification of raw materials, in addition to percentages of use of recycled and recyclable materials and the number of refills. The table has an educational purpose, contributing to our customers' awareness of the environmental impacts of products.

The search for renewable raw materials is reflected in the make-up of our products. In 2009, we exceeded the target of increasing to 79% the total use of renewable plant materials in our products, ending with a rate of 79.2%.

ENVIRONMENTAL TABLE

| Product | 2007 | 2008 | 2009 |
|--|------|------|------|
| % of renewable plant material | 78.8 | 77.5 | 79.2 |
| % of natura plant material ¹ | 5.6 | 8.0 | 5.2 |
| % of material with origin certification ^{1 2} | 13.2 | 20.3 | 16.1 |
| Packaging | | | |
| % of post-consumption recycled material | 0.7 | 0.7 | 0.7 |
| % of recyclable material | 90.6 | 85.8 | 85.9 |

1 The figures for the "natural plant" and "origin certification" indicators for 2008 were recalculated and the data were adjusted at the beginning of 2009.

2. Origin certification: 99% organic agriculture; 1% forest stewardship.

In order to promote product innovation, we strive for excellence in:

- Scientific research to identify ingredients from Brazilian biodiversity and the viability of these new ingredients in the preparation of products with exclusive benefits;
- Scientific fundamentals relating to skin and hair, and deep understanding of consumer needs;
- New models and methods to guarantee the safety of our products and global strategies for regulatory issues;
- Cosmetic Vigilance System, which monitors possible adverse effects of products, protects the end consumer, and drives the innovation process;
- Focus on the scientific understanding of controversial elements and replacement strategy.
- Conceptualization and development of new products that provide a continuous flow of product launches in both the short and long term;
- New packaging, and other innovative and exclusive ways of providing benefits to consumers with minimal environmental impact.

These actions promote and support major innovations in the market and in scientific circles, product approval by consumers, and exclusive proprietary technologies, which are developed either internally or through a network of strategic partners made up of Brazilian and foreign science and technology institutions.

This open innovation model began in 2005. Our initial expectation was that by 2012 we would have 50% of our innovation projects completed by means of external partnerships. We reached this percentage in 2009, three years before we had expected. The quick accomplishment of our target represents the recognition by scientists of our commitment to innovation and allows a greater flow of innovation to our projects as we promote applied research in important research centers (*learn more on packaging innovations on page 65*).

NATURA CAMPUS

Our work with partners is part of the Natura Campus Technological Innovation Program created in 2007, which is supported by the National Council for Scientific and Technological Development (CNPq), the State of São Paulo Research Support Foundation of (FAPESP) and the Research and Financing Projects (FINEP). These sponsoring institutions contribute to the joint financing of projects and provide equipment, scientific scholarships, and research materials for participants.

An important tool of the program is the Natura Campus portal (www.natura.net/campus), launched in 2007. It has been facilitating and strengthening our relationship with the academic community. In 2009, we received 9,000 monthly visits through the portal. We currently rely on a database of voluntary participants that brings together 262 research groups linked to 95 different science and technology institutions. In 2009, we updated the content of our website on the Internet and disseminated the new technological topics for virtual interactions. We received 11 new proposals from seven institutions through the portal, and the contracting of one was approved at the beginning of 2010.

The topics we focused on in 2009 included sustainable technologies, the efficiency and safety of our products, the well-being and the effect of our products on people's senses. Every two years we publicly and financially recognize the best project through the Natura Innovation Award, the last being given in 2008, with a new one expected for 2010.

In 2009 we implemented the scientific topic committees, through which we rely on the participation of experts and researchers to discuss future technological trends. This is an interesting way for Natura to work more closely with members of the scientific and academic communities.

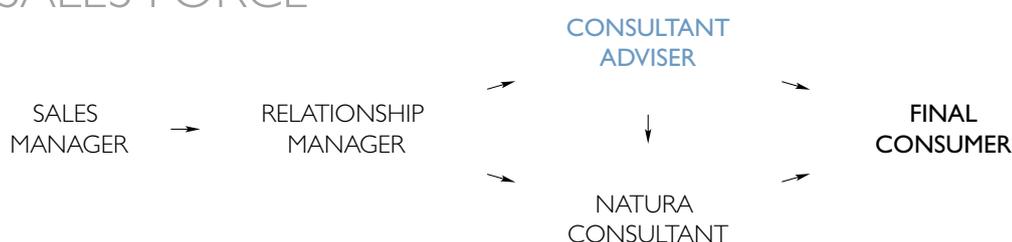
In 2009, we received R\$ 600,000 in financial assistance from FINEP for our Research and Development program. We also obtained financing of R\$ 81.7 million from the Brazilian National Development Bank (BNDES), intended for investments in information technology and innovation, and in industrial and logistics training.

In its business model, Natura bases its commercial structure on one fundamental pillar: the relationship dynamics between its Relationship Managers (RMs), Natura Consultant Advisers (NCAs) and Consultants (NCs).

The Relationship Managers are employees of Natura who make up a group of professionals that have well defined roles in their relationship with the NCAs and NCs. They are responsible for managing and training the NCAs, providing feedback and training them in the activity by means of cycle meetings, special events and direct contact in their day-to-day activities. The RMs also work directly with the Natura consultants, preparing this group in training dynamics and by means of the Natura Meetings: the main in-person activity carried out every sales cycle.

The role of the NCAs, in turn, is to invite new consultants to the activity, contributing to the systematic renewal of the sales channel. They should also encourage consultants, showing them the attractions and income opportunities in each cycle. They guide the NCs in their activities and on the proper channels to solve possible doubts and problems. Finally, they should monitor the consultants' business and encourage them to participate in training course and events organized by Natura.

SALES FORCE



We have streamlined our sales channels through the Internet. Besides making transactions easier, the virtual channel helps strengthen the relationship with the NCs. We have sought to open up communications so that our consultants can always be updated on corporate news and product launches through initiatives such as the *Blog Consultoria* (Consultancy Blog) – (www.blogconsultoria.natura.net), created for our consultants to share information. We also developed hot sites for product release campaigns, and in 2009 we created the *Portal do Conhecimento* (Knowledge Portal), which makes training content available for consultants.

We have innovated and invested strongly in the expansion of the interface with our stakeholders through the *Natura Nós* (Natura Us) and *Natura Conecta* (Natura Connection - naturaconecta.educartis.com) social networks. These two initiatives use a web 2.0 platform. We believe that the virtual environment and interaction with our stakeholders can improve our engagement with these stakeholders and create new relationship opportunities, strengthening ties and the pace of collective and collaborative future actions.

Natura Nós is a social network similar to the well-known “Facebook” network, but for the time being accessible only by employees, in-house outsourced workers, and relationship managers. It has 2,500 members, who interact without Natura’s intervention and exchange messages on different subjects. *Natura Conecta* is a network open to the participation of anyone and develops activities that are both created and moderated by Natura to engage the participants. At the end of 2009, there were 8,042 members in this network. In 2009 *Natura Conecta* was an important means of increasing stakeholders’ participation in virtual discussions on topics related to sustainability and our business. This was possible through lectures and roundtables (broadcast by video on the Internet) and wikishops (virtual debates, with open chat rooms for the participation of whoever is interested). (*Learn more on the chapter Quality of Relationships*).

WHO WE WORK WITH

QUALITY OF RELATIONSHIPS

What are the main challenges in the future? How can our value proposal contribute to a better world? What do we need to do now to build the future we want? Facing these questions and the moral crisis affecting humanity has led us to a conviction: answers to these questions must be developed through a collective process of thinking about the future, focused on the expansion of awareness and on the search for the meaning of our choices.

The process of relationship management, which is part of the process of sustainability management, seeks the mutual creation of answers for these questions. It is directly related to the evolution of our management model, because more and more we want the contributions of our different stakeholders to help us improve our methods of planning and managing.

Relationship management consists of two work fronts: one focused on group actions, aimed at the collective creation of shared solutions by means of dialogue panels with our stakeholders; and the other, focused on actions aimed at individuals, searching for self-development and greater awareness. Throughout 2009, we developed both person-to-person and virtual activities.

In 2009, we shared our wishes with employees, consultants, consumers, shareholders, surrounding communities, suppliers, and supplier communities, and helped them get to know us better and interact with us. In this rich learning experience we directly involved around 1,500 people, 1,120 of whom participated in in-person meetings held in Brazil.

We held nine in-person discussion panels throughout 2009. In November we worked with representatives of our relationship stakeholders to analyze the company's plans and Natura's Strategic Planning (NSP), which are both in place. In 2010, requests received from the different stakeholders in the course of the year will be an important input for formulating strategic planning for the coming years, so that the opinions of these stakeholders can be incorporated into our future plans. The main challenges in the area are:

- Expand the potential of collective intelligence by maximizing virtual interaction;
- Develop ways of including "analogical" stakeholders, (who do not use digital means of communication) especially NCs and NCAs.

We use our *Natura Conecta* (Natura Connects) social network to identify possible participants in person meetings held throughout the year. In 2009, through *Conecta*, we held 19 wikishops, as well as other virtual activities such as roundtables and forums. In these virtual debates, we have been managing to map and discuss the topics of interest to our stakeholders.

To encourage individual growth, we also carried out in 2009 virtual roundtables and in-person lectures on topics such as Cultural Biology (with Humberto Maturana, a Chilean scientist and Doctor in Biology from Harvard University, and Ximena Dávila, a Chilean psychologist) and the UTheory (with Otto Scharmer, a professor from the Sloan School of Management at the Massachusetts Institute of Technology), which offers ways of collectively creating a future. Throughout 2009 other lectures on topics related to raising awareness and self-development took place, involving around 850 people in total.

DIALOGUE PANELS

| Stakeholders involved | N° of participants | Month held | Key topics |
|-----------------------------------|--------------------|----------------|---|
| Surrounding communities | 20 | July/2009 | Mapping of the problems and opportunities for improving the relationship and definition of potential shared commitments. |
| Supplier communities | 14 | August/2009 | Mapping of the problems and opportunities for improving the relationship, definition of shared commitments and review of Natura's relationship survey with this stakeholder group. |
| Multistakeholders | 43 | August/2009 | Feedback to stakeholders on the 2008 engagement process, evaluation of the 2008 Annual Report and start of collective construction of the 2009 report. Discussion on the desired common future. |
| Specialists in biodiversity | 22 | August/2009 | Dialogue on potential joint paths for the Sustainable Use of Biodiversity. |
| Suppliers | 30 | September/2009 | Review of relationship plan with suppliers and discussion of the desired future based on the principles of the Qlicar Program. |
| Employees | 50 | October/2009 | Pioneer experience by Natura in the debate on the Gross Domestic Happiness (GDH) index for companies. |
| Surrounding 'communities' – (2nd) | 20 | November/2009 | Definition of shared action plans and review of Relationship Principles with the Surrounding Community. |
| Specialists in annual reports | 10 | November/2009 | Evaluation of annual reports as business management instruments and how to improve Natura Annual Report. |
| Multistakeholders | 48 | December/2009 | Review of 2010 Natura Strategic Planning and contributions from stakeholders to the construction of a desired common future. |
| Consumers | 22 | January/2010 | Review of Natura's strategy to the three pillars of products, channel and corporate behavior. |

In the table below, we present the main topics that our stakeholders wanted to see addressed in the 2009 Annual Report, and the responses from Natura:

| Stakeholders | Suggested topics | Responses from Natura |
|--|--|--|
| Brazilian Foundation for Sustainable Development (FBDS) and SustainAbility | Explain the governance structure for sustainability issues. | The information is included in the Governance section of the chapter entitled Our Moment. |
| FBDS - SustainAbility | Publish the results of stakeholder engagement (opinions and suggestions). | We have included, together with the six high-priority sustainability topics, tables with the principal contributions from stakeholders on each topic. |
| Specialists | Launch the Wiki Report and give stakeholders a voice in the Annual Report. | The Wiki Report was launched in 2009. The Natura We Share section of the chapter entitled What We Aim For presents the voice of the stakeholders who participated in the debates on the Natura Conecta networking platform. |
| Specialists | Publish the list of Natura's majority shareholders | The list of Natura's majority shareholders can be found in the Shareholders section of the chapter entitled Who We Work With. |
| Consultants and NCAs, Shareholders, Suppliers, Employees and Consumers | Address the Non-Service Rate and Natura's position on matters such as out-of-stock products and delays in delivery. | Natura's position on these matters is available in the box entitled Quality of Services, in the chapter Who We Work With. |
| Employees and NCAs | Information on the consolidation of the Natura Consultant Advisers model. | This issue was addressed in the chapter Who We Work With, under Consultants and NCAs. |
| Shareholders | Importance of training leaders in the company's culture. | This is a strategic matter for Natura and it is tackled twice in the report: in the Natura Management System section of the chapter What We Aim For; and under Employees, in the chapter Who We Work With. |
| Suppliers | Data on dialogue with suppliers and on the feedback from Qlicar supplier development program. | This information is contained in the Suppliers section of the chapter Who We Work With. |
| Employees | Natura's position on issues such as the Murumuru Case and the Urban Installations exhibition, which stirred up a controversy in the city of São Paulo. | The Murumuru Case is dealt with in the Supplier Communities section, and Natura's position on the exhibition that breached São Paulo's Clean City Law can be found in the Consumers section, both in the chapter Who We Work With. |
| Employees and Consultants | Information on Natura's Houses. | This data can be found in the Consultants and NCAs section in the chapter Who We Work With. |

To encourage individual growth, we also carried out in 2009 virtual roundtables and in-person lectures on topics such as Cultural Biology (with Humberto Maturana, a Chilean scientist and Doctor in Biology from Harvard University, and Ximena Dávila, a Chilean psychologist) and the U Theory (with Otto Scharmer – a professor from the Sloan School of Management at the Massachusetts Institute of Technology), which offers ways of collectively creating a future. Throughout 2009 other lectures on topics related to raising awareness and self-development took place, involving around 850 people in total.

OMBUDSMAN'S OFFICE

The Natura Ombudsman's Office was created in 2006 to establish a dialogue channel between the company and its stakeholders. It helps us ensure compliance with the relationship principles, which translate our Essence into daily activities. It also allows us to identify opportunities to improve our processes, policies, and relationships, based on the requests received. The Ombudsman's Office is linked to Natura's Office of the Senior Vice President of Organizational Development and Sustainability.

Through this channel comments are received, analyzed, and forwarded to the manager responsible. The Ombudsman's Office directly contributes to the search for a solution to every case.

The Ombudsman's Office receives complaints of violations of conduct, such as discrimination, corruption, harassment, or other critical issues. These are analyzed with the departments in charge. In Natura's history, we have never had a proven discrimination complaint. All of the complaints that represent possible violations are reported to the Ethics Committee, in which the company's CEO participates. When necessary, the support of the Internal Audit department is requested (*learn more on page 16*). Last year, the volume of calls to the Ombudsman's Office grew 31% compared to 2008, a cumulative increase of 69% since 2007.

This channel serves the internal stakeholders from the operations in Brazil and other Latin American countries, suppliers (Brazil), and consultants related to the Brazilian operations in a pilot project for sales managers in São Paulo.

TOTAL NUMBER OF COMPLAINS RECEIVED BY THE OMBUDSMAN'S OFFICE

| | 2007 | 2008 | 2009 |
|---------------------------------------|-----------------|------------|--------------|
| Internal Stakeholders - Brazil | 649 | 783 | 1,096 |
| Internal Stakeholders - Latin America | 29 ¹ | 26 | 13 |
| Suppliers Brazil | 12 ² | 19 | 13 |
| Consultants Brazil ³ | n.a. | 52 | 34 |
| Total | 690 | 880 | 1,156 |

1. Data related to the period from October to December 2007 (launch of the Ombudsman's Office: October 2007).

2. Data related to the period from May to December 2007 (launch of the Ombudsman's Office: May 2007).

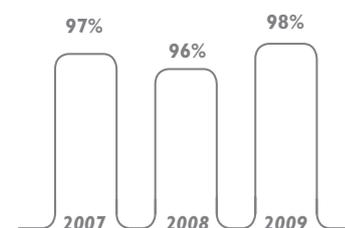
3. Data related to the pilot project for a sales management office in Greater São Paulo.

The Ombudsman's Office carries out a satisfaction survey on the services provided by the channel with employees from its Brazilian operations. We reached a 98% level of satisfaction, a result we consider statistically equivalent to the figure in 2008 (96%). (Graph 1) In July 2009, we began a satisfaction survey on the Ombudsman's Office with the NCs and consumers, a process still in the implementation phase, with results expected to be available in 2010.

The growth in complaints shown in 2009 was strongly driven by requests from internal stakeholders in Brazil, which totaled 1,096, a growth of 40% in comparison with the previous year. Of these, 81% were related to technical questions, such as policies, processes, standards, procedures, and infrastructure, and 19% to attitudes and behaviors.

People management was the topic most mentioned by the internal stakeholders in Brazil. The majority of the comments referred to benefits, such as private transportation and medical assistance. The complaints resulted in important gains for employees, such as improvements in the health insurance plan and the implementation of 17 new charter bus lines.

I. SATISFACTION WITH THE OMBUDSMAN'S OFFICE CHANNEL¹



1. The percentages refer to the positive replies to the question: "are you satisfied with this dialogue channel?"

INTERNAL STAKEHOLDERS IN BRAZIL

The growth in the number of contacts in 2009 was strongly driven by requests from internal stakeholders in Brazil, which totaled 1,096, a growth of 40% in comparison with the previous year. Of these, 81% were related to technical questions, such as policies, processes, standards, procedures, and infrastructure, and 19% to attitudes and behaviors. (Graph 2)

We noted a reduction in the number of suggestions and queries, at the same time as an increase in the number of criticisms. This demonstrates that the Ombudsman's Office is establishing itself as a channel for handling critical topics, such as the misuse of resources, moral or sexual harassment, illegal business transactions and arbitrary management, among others.

Of all processes, people management was the most criticized by the Brazilian internal stakeholders. The majority of the contacts referred to benefits, such as transportation and health care. Based on this information, we could offer our employees some important improvements, such as better health insurance and 17 new chartered bus routes.

Of the complaints received last year, 60% were proven and 10% were still being analyzed in March 2010. Of the contacts made by the internal stakeholders in Brazil, 40% came from the operational staff, who also represent 40% of all Natura's employees in Brazil. The group that least used the services of the Ombudsman's Office was the sales staff, who represented just 4% of all the contacts but correspond to 15% of the company's employees.

INTERNAL STAKEHOLDERS IN LATIN AMERICA

In the other operations in Latin America (Latam), the number of contacts received from internal stakeholders fell 50%, since no activities were developed to support the channel. Nevertheless, of all the contacts made by the Latam internal stakeholders, 64% were related to complaints. In other words, although the number of contacts decreased, the topics heard by the Ombudsman's Office unmistakably needed to be analyzed.

CONSULTANTS AND NCAS

The service model of the Ombudsman's Office for consultants still needs to be approved. Although a pilot project has been developed with a group of 10,000 consultants, we will only resume the process of adjusting and implementing the channel when we have achieved a better performance in the service offered to this group.

Having said that, the Ombudsman's Office works in partnership with the company's service division, receiving critical complaints (related to ethical misconduct, behavioral matters or unresolved technical problems) via Natura's Service Center. In 2008, we handled 687 cases, and in 2009 this number rose to 6,613, since behavioral complaints were not received in 2008. This project has brought us some important insights for the construction of the Ombudsman's Office's model still to be established for this public.

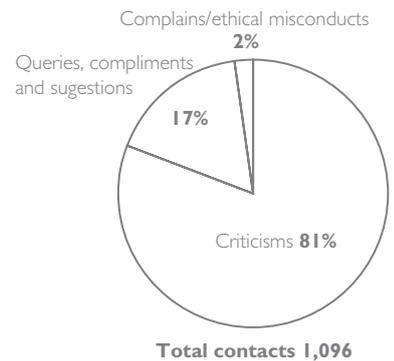
SUPPLIERS

The Ombudsman's Office has been available to suppliers since May 2007. Of the 13 contacts received from suppliers in 2009, 50% dealt with critical process issues and 50% were complaints (behavioral matters or ethical misconduct). The topics included the competitive process, the selection of suppliers and contract management, which covers the negotiating and payment stages. The fact that half the contacts made by suppliers were related to ethical misconduct, as was the case with internal stakeholders in Latin America, is an indication of the consolidation of the reliability of the channel.

CONSUMERS

Just like for our consultants, the Ombudsman's Office is not available for our consumers yet. But we have also conducted a similar project to find solutions to critical complaints received through Natura's Customer Service Center. Accordingly, in 2009 we handled 2,523 critical complaints from this stakeholder group.

2. PROFILE OF THE CONTACTS BY BRAZILIAN INTERNAL STAKEHOLDERS



EMPLOYEES

The high-quality relationships we seek to maintain internally have led to rapid improvements in labor relations over the past two years. Adherence to Natura's proposals, and the trust in its value proposal and in the relationship history itself were some of the contributing factors. However, there is room for improvement, and we worked hard on this in 2009.

Consistent with our strategy for implementing a robust management system at Natura, we initially focused our efforts on the leadership training and development program, to which the largest portion of our investments were allocated.

We also worked directly on one of the weaknesses identified in 2008 and sought, by means of the RenovAção (Renewal) project, to improve our relationship with operational employees on a sustained and structured basis.

The number of employees, which was reduced in 2008 as a result of the management restructuring process, increased again in 2009 to meet business growth demands, maintaining levels of productivity and efficiency

NUMBER OF NATURA EMPLOYEES

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| Brazil | 4,798 | 4,386 | 4,821 |
| Argentina | 276 | 306 | 331 |
| Chile | 179 | 222 | 264 |
| Mexico | 259 | 277 | 335 |
| Peru | 229 | 290 | 296 |
| Colombia | 79 | 135 | 168 |
| Venezuela ¹ | 63 | 50 | n.a |
| France | 36 | 32 | 45 |
| Total | 5,919 | 5,698 | 6,260 |
| Other employment contracts² | | | |
| Interns | 73 | 66 | 47 |
| Temporary workers ³ | 151 | 445 | 340 |
| In-House outsourced workers ⁴ | 1,170 | 1,787 | 1,310 |

1. Operations in Venezuela were discontinued in August 2009. In April, the Venezuelan operations had 52 employees.

2. Includes operations in Brazil, Argentina, Chile, Colombia, Peru, and Mexico.

3. Temporary workers are those hired for a pre-determined period of time and registered in accordance with labor laws by employment agencies and subordinated to these agencies. In Brazil, we counted those temporary workers who were in the company on December 10, which is the date payrolls are closed.

4. Outsourced employees are the suppliers who are assigned to the company's plants.

This change in people management led to a significant increase in the main indicator that measures the quality of relationships with employees: the Natura Organizational Climate survey.

The overall favorable responses, covering all of our operations, increased two percentage points to 74%, placing us for the first time among the 10 best companies in employee climate management, according to the specialized consultancy Hay Group. Our target for 2010 is 77%.

In its international operations, Natura's organizational climate remained, on average, stable at 79%, with a notable improvement by Colombia, which showed an increase of four percentage points to 88% of favorable responses.

In Brazil, a 72% rate of favorable responses exceeded the climate target of 71% established for 2009. This result was due mainly to the increase of eight percentage points in favorable responses by the operational staff as a result of the RenovAção Project (*learn more on page 38*). The topics that showed an improvement from 2008 were Leadership, which was considered a point needing attention in the previous year; Engagement, Ethics, Compensation and Benefits; and Sustainable Development and Training, which showed outstanding results when compared to the Brazilian market's best practices.

Despite the improvement in the organizational climate with all stakeholders, we identified opportunities for improvement in aspects related to quality of life, decision-making processes, and relationships, which will be our focus in 2010. However, there is evidence that organizational changes such as the implementation of the Natura Management System, focused on processes, culture, and leadership, have positively affected the results of the survey.

ORGANIZATIONAL CLIMATE SURVEY – FAVORABLE RESPONSES (%)¹

| | 2007 | 2008 | 2009 |
|------------------------|------|------|------|
| Brazil | 71 | 69 | 72 |
| Argentina | 69 | 80 | 77 |
| Peru | 80 | 77 | 78 |
| Chile | 72 | 83 | 77 |
| Mexico | 83 | 85 | 84 |
| France | 56 | 60 | 75 |
| Colombia | 86 | 84 | 88 |
| Venezuela ² | 61 | 17 | n.a |
| Natura | 72 | 72 | 74 |

1. Equivalent to the percentage of employees who checked 4 or 5 (top 2 boxes) on a score of 0 to 5 points.

2. Operations in Venezuela were discontinued in August 2009.

GROSS NATIONAL HAPPINESS

For a company like Natura, which seeks to widely understand its impacts on society, the standard measurements seem to be limited. Therefore, we decided to internally discuss the application of the Gross Domestic Happiness (GDH) index, which includes a number of elements that are considered intangible but that are in line with our Essence. The GDH is based on the belief that the true development level of a society is best measured by criteria that go beyond material wealth indicators.

The GNH was created in Bhutan to measure the well-being of that country and has nine levels: living standards; good governance; education; health; community vitality; ecology; culture; time use; and psychological well-being.

We gathered 50 volunteer employees to test a pioneering form of the GNH in the corporate environment. This work was developed in partnership with the Instituto Visão Futuro (Future Vision Institute), which is responsible for disseminating the principles of GNH in Brazil. Our objective for 2010 is to integrate this work with the Cultura (Culture) Program. As a result, a larger number of employees will be able to experience the process of GNH application at Natura.

TURNOVER

Another positive fact in 2009 was the considerable drop in our turnover rate, which in the Brazilian operations was 7.5%, compared to 12.4% in 2008. There was also a reduction in our international operations, except for Colombia, where we carried out an internal restructuring process, and in Peru, where some employees were replaced as a result of a strategic corporate decision.

Natura made 65% of the replacements of the total number of employees who left the company. In absolute figures, the turnover rate was higher among operational staff, but in percentage terms this number was higher among the administrative personnel.

EMPLOYEE TURNOVER RATE (%)¹

| | 2007 | 2008 | 2009 |
|------------------------|------|------|------|
| Brazil | 9.0 | 12.4 | 7.5 |
| Argentina | 16.1 | 16.6 | 12.5 |
| Chile | 20.4 | 13.9 | 13.6 |
| Mexico | 56.5 | 42.7 | 25.3 |
| Peru | 17.2 | 12.2 | 16.6 |
| France | 4.0 | 35.0 | 15.5 |
| Venezuela ¹ | 43.5 | 31.9 | n.a |
| Colombia | 4.6 | 35.4 | 39.7 |

1. Although the turnover rate has not been considered relevant in the exercise of materiality, we decided to continue releasing this data for the countries where we operate, since the indicator reflects the significant organizational changes that have occurred in recent years, both in the Brazilian and international operations. Internally, we also monitor turnover by length of service and salary group.

2. Operations in Venezuela were discontinued in August 2009. Until April, the turnover rate was 11.4%.

ATTRACTION AND ENGAGEMENT

Natura's main, long-term objective is to train its professionals internally and, therefore, bring them in line with its Essence and organizational culture. For this reason, we started a reformulation in the talent attraction and recruitment process. We started in 2009 with the trainee program, and in 2010 we will extend this to the other groups, focusing on promotion opportunities for our employees.

To support the expansion of our business, we carried out in 2009 a broad trainee selection process, which was remodeled to meet the demand of our leadership-training program. Called Next Leaders, the selection process was based on the search for diversity and the identification of candidates who share our beliefs and world vision, and for this reason we did not use Natura's name at first. We did not make any requirements regarding college graduation or fluency in languages and increased the age limit to 28 years old. We used the Natura Conecta social network for both disseminating the program and for conducting the first stages of selection processes. Thirty-four employees were selected for the program, which is expected to last two years.

The number of interns at the company, meanwhile, fell 28.8% in 2009, since we decided not to conduct a selection process for this type of employment contract. Instead, positions were filled on an individual basis. Our intern program is being reviewed, and a new and reinvigorated selection process will begin in 2010, since we understand the importance of creating opportunities in Natura for young undergraduates.

Generally speaking, we try to promote internal recruiting through the Internal Job Opportunities Program. Our rate of internal recruitment, however, fell by 10 percentage points in 2009 compared to the previous year. This occurred for two main reasons: the reformulation of the desired profile for management positions; and a reduction in the number of eligible employees for the Internal Job Opportunities Program – 75% of our managers have held their positions for less than two years, meaning they have not completed their probation period yet. We recognize the need for adjusting the program, and we hope to implement the necessary changes in 2010.

Natura does not have an official staff recruitment policy for its international operations. However, in all the countries where we operate, the majority of the employees are nationals, since we understand the importance of our staff having a thorough understanding of the regional context. This is why we have structured our activities into RUs and also established the base of our international operations in Buenos Aires, Argentina.

NUMBER OF CANDIDATES FOR EACH POSITION AT NATURA (BRAZILIAN OPERATIONS)

| | 2007 | 2008 | 2009 |
|--|--------|--------|---------|
| Candidates for the trainee selection process | 28,742 | n.a | 13,298 |
| Candidates for the intern selection process | 14,639 | n.a | n.a |
| Candidates for other selection processes | 46,686 | 21,441 | 132,062 |
| Positions offered/filled by employees (%) | 64 | 71 | 61 |

When recruiting staff for our international operations, we understand that we should strike a balance between people who know Natura and people who know the local market. This is why we hire people from the respective countries, but also Brazilians. In Chile and Colombia, for example, 50% of the members of senior management were recruited from the local community in 2009. In Mexico, meanwhile, the figure was 20%. Although the percentages may seem high, these changes in international management personnel are fairly negligible, referring to just one employee joining or leaving the company.

MEMBERS OF THE SENIOR MANAGEMENT RECRUITED FROM THE LOCAL COMMUNITY¹ (%)

| | 2007 | 2008 | 2009 |
|------------------------|------|------|------|
| Argentina | 33 | 33 | 33 |
| Chile | 17 | 50 | 50 |
| Colombia | 100 | 0 | 50 |
| France ² | n.d | 0 | n.d |
| Mexico | 71 | 50 | 20 |
| Peru | 33 | 33 | 0 |
| Venezuela ³ | 40 | 60 | n.a |

1. Senior management is staff from the Salary Groups 19 and higher.

2. In France, in 2007 and 2009, this indicator was not tracked.

3. Operations in Venezuela were discontinued in August 2009.

Broadly speaking, when we give feedback on performance to our staff, 100% of employees who have been at the company at least for three months, in Brazil, receive regular performance appraisals and career development assessments. In 2009, we opted for a simplified assessment and an analysis of the results of 2008 based on competencies in four areas: self-knowledge, relationship, protagonism and sustainability.

However, we felt the need to improve this evaluation system. In 2010, therefore, we are going to implement a new model to measure the performance of our employees and improve the feedback process. The changes will follow guidelines designed to better tailor and restructure the competencies, so they are more in line with the values of Natura.

In 2009, we also implemented a pilot program involving 80 managers, called Engagement of Employees. We used an innovative human resources methodology we call the 360-degree cycle. Managers can evaluate their life purposes inside and outside the company. Based on this self-analysis, added to external evaluations, we can start to outline together with them, in a collaborative manner, plans for their future inside Natura. In December 2009, the project was expanded to include Natura's entire leadership staff, which consists of 448 leaders throughout our business operations.

In virtue of innovative projects such as this, Natura won the 1st place in Latin America and the 11th place among the 25 best companies from around the world in leadership development, according to the survey "Top Companies for Leaders", developed by the international human resources consulting firm Hewitt Associates in 2009. The survey evaluates criteria such as the consistency and alignment of leadership programs; the commitment of the senior leadership to the program; how well it fits the culture; the high standards proposed to the leaders; the vision of the future and innovation; as well as the coherence to ethical values and results. In 2009, 537 companies accepted the consulting firm's invitation, responded to the questionnaires of the consulting firm and allowed their leaders to be interviewed. 87 of these companies were from Brazil.

RENOVAÇÃO (RENEWAL)

The quality of the relationship with our plants' operational staff presented structural elements of dissatisfaction that our leaders needed to address. To solve the problem, we developed the RenovAção project, which involved 2,515 employees from the operating areas in direct dialogues with senior management. This contact helped us design a structured plan with clear objectives to be achieved within five years: to increase the level of favorable responses from this group to 80% and to have at least 5% of Natura's leaders coming from these stakeholders. To this end, we need to prepare in 2010 a career plan that creates real possibilities for the promotion, inclusion, and development of our employees in the operational areas.

Some initiatives have already started to meet the needs of these stakeholders. We have established mechanisms to identify and train leaders within the operating units, and we have also implemented new means of internal communication.

TRAINING

The preservation of our Beliefs and Values in Natura's new growth cycle is closely related to our strategy for training leaders to become managers, vice presidents, and senior vice presidents. For this reason, in 2009 we started the Leadership Development Program, which is intended over five years to find 120% of our successors and validate development plans for all critical succession positions in the short, medium, and long terms. Our challenge will increasingly be to fill positions with leaders trained within Natura itself who champion our principles. The new program includes our operations in Brazil and abroad. It enhances the Leader Training Program, which existed until mid-2009 and trained 28 employees over the past two years. In 2010 we intend to extend the same approach we adopted for training leaders to the other stakeholders of Natura.

In 2009, we exceeded the target of investing 3.5% of the total payroll of the Brazilian operations in employees' training. During the year, investment in education for these stakeholders totaled R\$ 20.2 million, the equivalent to 4.4% of payroll. This was 43.8% higher than in 2008, benefiting a total of 4,714 employees.

Among the training courses provided, there were strategic workshops on our commercial model aimed at the consolidation of the Regional Units and Business Units. These courses were also provided to the employees of foreign operations, where we also invested in the development of leaders and the training of internal multipliers to train others for their functions.

Most of the training courses provided to management and administrative employees, including the sales force, were focused on team development. Investments in training totaled R\$ 2,24 million in our foreign operations, which represented an increase, except for Argentina and France. In the other Latin American countries, investments were focused on the program for training the sales force and employees of the administrative, marketing and operational areas.

In 2009 we addressed topics related to human rights, environment and social responsibility during the Integração Nossa Essência (Our Essence Integration Program) program, which was aimed at all employees (including outsourced workers) and during lectures titled "Você tem fome de quê?" (What do you crave?), which were open to all employees. By means of the Integração Nossa Essência program, we provided 3,373 hours of training last year.

Although there are no specific training courses on issues related to corruption and human rights, in the Integração Nossa Essência program, the new employees are taught Natura's relationship principles, which are inspired by the Declaration of Human Rights. By means of these principles, we take an official stand against corruption, forbidding behaviors that can be characterized as corruption, bribery or a kickback. In 2009, we did not develop specific programs on human rights for the security personnel as we had expected.

INVESTMENTS IN EDUCATION AND TRAINING OF EMPLOYEES (R\$ THOUSANDS)¹

| Operation | 2007 | 2008 | 2009 |
|------------------------|-----------------|-----------------|-----------------|
| Brazil ² | 15,951.9 | 14,062.0 | 20,221.3 |
| Argentina | 86,9 | 162,5 | 103,3 |
| Chile | 109,7 | 82,7 | 164,6 |
| Mexico | 416,7 | 496,8 | 1,567.1 |
| Venezuela ³ | n.d | 98,1 | n.a |
| Peru | 31,4 | 74,9 | 222,7 |
| Colombia | 19,5 | 87,1 | 130,0 |
| France | 71,1 | 73,4 | 51,0 |
| Total | 22,460.1 | 15,137.6 | 16,686.1 |

1. The figures in Brazilian reais were translated into US dollars at US\$ 1: 2007 - R\$ 1.9480; 2008 - R\$ 1.8346; 2009 - R

2. Investments in Brazil include the training of the sales force (sales managers and relationship managers).

3. Operations in Venezuela were discontinued in August 2009.

In 2009, we recorded an average of 82 hours in training per employee, 12.8% lower than the 94 hours seen in 2008. This reduction is transitory, as we decided to focus on the training of leaders and structure a more comprehensive program for 2010. For 2010, our target is to provide an average of 100 hours of training per employee. For 2010, our target is to provide an average of 100 hours of training per employee.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE, PER FUNCTIONAL CATEGORY IN BRAZILIAN OPERATIONS¹

| | 2007 | 2008 | 2009 |
|--------------------------|------------|-----------|-----------|
| Production | 120 | 105 | 86 |
| Administrative | 92 | 90 | 79 |
| Managers | 90 | 68 | 61 |
| Executives | 55 | 9 | 78 |
| Total² | 105 | 94 | 82 |

1. This indicator includes the training of the sales force (sales managers and relationship managers).

2. It includes total hours of all levels divided by total employees in December of the respective year.

We also had the Natura Educação (Natura Education) Program by means of which scholarships are granted to our employees and their families to encourage continuous education. In 2009 investments in this program grew 16.7% compared with the previous year and the number of scholarships granted grew 29.2%.

BRAZILIAN OPERATIONS – NATURA EDUCAÇÃO PROGRAM¹

| | 2007 | 2008 | 2009 |
|--|------|------|------|
| Scholarships granted | 568 | 473 | 611 |
| Scholarships granted/enrollments (%) | 44.4 | 32.6 | 48.3 |
| Amount invested in the Natura Educação program (R\$ thousands) | 974 | 720 | 841 |

1. All employees enrolled and awarded with the scholarships are considered to have been served by the program.

NATURA EDUCAÇÃO PROGRAM - COURSES ATTENDED BY EMPLOYEES OR THEIR FAMILY MEMBERS THAT ARE TOTALLY OR PARTIALLY SUBSIDIZED BY NATURA

| | 2007 | 2008 | 2009 |
|--|------|------|------|
| Technical/vocational Languages | 83 | 48 | 77 |
| Preparatory course for College Entrance Examination (Vestibular) | 142 | 118 | 117 |
| University | 9 | 11 | 6 |
| MBA and post-graduate | 234 | 219 | 292 |
| | 100 | 77 | 119 |

CORPORATE VOLUNTEER WORK

Over the years, we have been encouraging the participation of our employees in corporate volunteer work program in order to disseminate the importance of social engagement and promote the relationship of our employees with the surrounding communities of Cajamar and Itapeperica da Serra, making them aware of their social realities.

The absolute number of employees involved in these activities, however, dropped from 57 in 2008 to 52 in 2009. On the other hand, 646 people have benefited from the *Sala de Leitura* (Reading Room) and *Orientação Profissional* (Professional Guidance) programs. This is still a challenge that we have to face. In order to increase participation and adopt a suggestion made by the employees themselves, we are opening volunteer work fronts on weekends as well.

DIVERSITY

We value diversity and consider it to be a basic element in the development of a fairer and more sustainable society. However, we believe that the reality in Brazil – and Latin America – poses a challenge of inclusion. We are a historically diverse people, mainly mixed-race and syncretized, but we face large barriers to social inclusion.

Some of our main projects in 2009, such as the *RenovAção* project and the selection of employees, are based on opening opportunities. In the case of trainees, for example, we gathered participants from different ages, universities, and locations in Brazil, by means of a virtual process that broke the paradigms of conventional hiring programs in a clear exercise of inclusion and respect for differences.

In 2009, we saw an increase in the number of women in positions of leadership at Natura. Although it is still disproportional, the participation of women in vice president and senior vice president positions grew from 3 in 2008 to 6 professionals in 2009, compared to the participation of 35 men in these positions.

We currently have a program to include disabled people in the commercial area in positions such as marketing assistant, and in customer service and sales. Through our regional units structure, we are mapping new jobs and opportunities to include disabled people in different regions in Brazil.

CONTRACTING AND TRAINING OF DISABLED PEOPLE

| | 2007 | 2008 | 2009 |
|---|------|------|------|
| Brazilian operations | | | |
| Number of disabled employees | 251 | 237 | 236 |
| Disabled people in relation to total employees (%) | 5.2 | 5.4 | 5.0 |
| Number of disabled people trained in the Competências Básicas Profissionais (Basic Professional Skills) program | 49 | 39 | 67 |

We believe that the inclusion of these people not only takes place through contracting but also through interaction between the company, the society and other employees. In 2009 we trained 67 people within the Competências Básicas Profissionais program, which was developed in partnership with the Favalli Institute. We also have the *Padrinhos em Libras* (Sponsors in Brazilian Sign Language – Libras) program in which 43 employees are being trained in sign language to improve communication and inclusion of the hearing impaired.

DIVERSITY

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| Total employees in Brazil | 4,793 | 4,386 | 4,821 |
| Disabled employees (%) | | | |
| In relation to the total number of employees (%) | 5.2 | 5.4 | 5.0 |
| In management positions in relation to total management positions (%) | 0,0 | 0,0 | 0,0 |
| In executive positions in relation to total executive positions (%) | 0,0 | 0,0 | 0,0 |

Women

| | | | |
|---|------|------|------|
| In relation to the total number of employees (%) | 63.9 | 63.7 | 60.5 |
| In management positions in relation to total management positions (%) | 53.4 | 52.3 | 51.9 |
| In executive positions in relation to total executive positions (%) | 20.0 | 19.2 | 17.6 |

Black and multiracial women

| | | | |
|--|----|----|----|
| In relation to the total number of female employees (%) | NA | NA | NA |
| In management positions in relation to total number of women in management positions (%) | NA | NA | NA |
| In executive positions in relation to total number of women in executive positions (%) | NA | NA | NA |

Black and multiracial men

| | | | |
|--|----|----|----|
| In relation to the total number of male employees (%) | NA | NA | NA |
| In management positions in relation to total number of men in management positions (%) | NA | NA | NA |
| In executive positions in relation to total number of men in executive positions (%) | NA | NA | NA |

Above 45 years of age

| | | | |
|---|------|------|------|
| In relation to the total number of employees (%) | 9.1 | 10.5 | 12.2 |
| In management positions in relation to total management positions (%) | 7.5 | 8.2 | 11.3 |
| In executive positions in relation to total executive positions (%) | 26.7 | 38.5 | 35.3 |

In our diversity indicator, data related to comparison by race is still being consolidated; we started a reference file update campaign at the beginning of 2009, and its results will be reflected in the 2010 data.

COMPENSATION

The compensation practices adopted by Natura follow a corporate policy with guidelines that are similar in all countries in which the company operates. However, there is room for adjusting these practices to local markets.

To determine the salaries of our employees, we compare our salary grid with reference markets, such as competitors in the consumer goods segment, Brazilian multinational companies, listed companies, and companies that have compensation practices that are similar to those of Natura. In accordance with the annual survey carried out by the consultancy Hay Group on several functions and groups of employees, Natura maintains a higher average salary than the market.

We still need to make progress towards salary equality between men and women who have the same positions, whether in the production, administrative, management, or executive areas. This is a focus of attention, and solutions should be aligned with the people management processes. By means of the Caminhos (Paths) Project, we will make performance analysis of employees who are in the same positions with different salaries in order to adjust salaries over time.

In 2009 compensation in Argentina grew due to a collective bargaining agreement. The other operations reflect a salary table adjustment or increase in the local minimum wage. In the Benevides unit, on the other hand, where market compensation is lower than the average in the Brazilian market, the difference caused a reduction in the proportion between the lowest salary paid by Natura and the minimum wage.

MARKET PRESENCE – PROPORTION OF THE LOWEST SALARY COMPARED TO THE LOCAL MINIMUM WAGE, PER OPERATION

| | 2007 | 2008 | 2009 |
|------------------------|------|------|------|
| Brazil | 1.9 | 1.2 | 1.1 |
| Argentina | 1.1 | 1.5 | 2.0 |
| Chile | 1.5 | 1.4 | 1.3 |
| Peru | 1.6 | 1.6 | 1.7 |
| Mexico | 2.8 | 4.6 | 4.8 |
| Colombia | 1.5 | 1.1 | 1.6 |
| Venezuela ¹ | 1.9 | 1.9 | n.a |
| France | 1.3 | 1.1 | 1.5 |

1. Operations in Venezuela were discontinued in August 2009. Until April, the variation in the proportion of salary was 1.9.

Also, in the compensation field, in line with the growth and internationalization of Natura, we have an expatriation program that seeks to strengthen the quality relationships we have with our expatriated employees and their families, providing a package of differentiated services and benefits, as well as a career development opportunity. We currently have approximately 18 expatriated employees in the operations in Chile, Argentina, Peru, Mexico, France and Colombia.

Our differential in relation to the market is the Variable Compensation model, which is adapted to the characteristics of each group of employees, such as form of payment, targets and amounts. The distribution limit for the non-executive employees is 3% of Operating Income. In 2009, we paid professionals from the operational area, on average, three to four additional monthly salaries a year.

In 2009, collective bargaining agreements provided our employees from the Brazilian operations with an average salary increase of 6%. The female employees from the administrative area, which includes the sales force – relationship managers and sales managers – recorded an increase higher than the collective bargaining agreement due to the sales bonuses obtained throughout the year, a growth of 23% compared to 2008.

SALARY PROFILE (R\$) – AVERAGE MONTHLY SALARY IN BRAZILIAN OPERATIONS.^{1,2}

| | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|
| Women - total (R\$) | 3,815.5 | 4,352.0 | 4,755.1 |
| Average monthly salary in production positions | 1,009.3 | 1,104.5 | 1,150.0 |
| Average monthly salary in administrative positions | 4,458.9 | 5,287.9 | 6,137.4 |
| Average monthly salary in management positions | 11,307.3 | 12,341.1 | 13,105.1 |
| Average monthly salary in executive positions | 28,284.5 | 31,185.9 | 34,309.8 |
| Men - total (R\$) | 3,291.2 | 3,550.3 | 3,574.3 |
| Average monthly salary in production positions | 1,235.1 | 1,352.5 | 1,362.3 |
| Average monthly salary in administrative positions | 4,188.4 | 4,656.4 | 4,621.5 |
| Average monthly salary in management positions | 11,613.2 | 12,906.9 | 13,886.2 |
| Average monthly salary in executive positions | 32,156.4 | 38,788.7 | 42,162.5 |
| Black and multiracial women (R\$) | NA | NA | NA |
| Average monthly salary in production positions | NA | NA | NA |
| Average monthly salary in administrative positions | NA | NA | NA |
| Average monthly salary in management positions | NA | NA | NA |
| Average monthly salary in executive positions | NA | NA | NA |
| Non-black and non-multiracial women (R\$) | NA | NA | NA |
| Average monthly salary in production positions | NA | NA | NA |
| Average monthly salary in administrative positions | NA | NA | NA |
| Average monthly salary in management positions | NA | NA | NA |
| Average monthly salary in executive positions | NA | NA | NA |
| Black and multiracial men (R\$) | NA | NA | NA |
| Average monthly salary in production positions | NA | NA | NA |
| Average monthly salary in administrative positions | NA | NA | NA |
| Average monthly salary in management positions | NA | NA | NA |
| Average monthly salary in executive positions | NA | NA | NA |
| Non-black and non-multiracial men (R\$) | NA | NA | NA |
| Average monthly salary in production positions | NA | NA | NA |
| Average monthly salary in administrative positions | NA | NA | NA |
| Average monthly salary in management positions | NA | NA | NA |
| Average monthly salary in executive positions | NA | NA | NA |
| Over 45 years of age (R\$) | 6,729.6 | 7,540.2 | 8,067.5 |
| Average monthly salary in production positions | 1,547.6 | 1,676.3 | 1,712.7 |
| Average monthly salary in administrative positions | 7,021.3 | 8,161.9 | 8,961.0 |
| Average monthly salary in management positions | 14,809.8 | 15,198.0 | 17,437.9 |
| Average monthly salary in executive positions | 36,459.0 | 38,395.8 | 38,242.9 |

| | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|
| Up to 45 years of age (R\$) | 3,317.4 | 3,653.4 | 3,850.4 |
| Average monthly salary in production positions | 1,110.5 | 1,213.6 | 1,240.7 |
| Average monthly salary in administrative positions | 4,016.6 | 4,652.1 | 5,266.5 |
| Average monthly salary in management positions | 11,177.3 | 12,379.8 | 13,068.4 |
| Average monthly salary in executive positions | 29,535.9 | 36,658.4 | 41,570.5 |

1. The calculation does not take into consideration the payment of the short-term incentive (profit sharing).

2. For the purpose of the calculation of this indicator, the bonuses paid to sales managers and promoters were considered.

When the sales force employees are placed in their categories, this improves the average women's salaries due to the bonuses, excluding production jobs.

In Natura's operations in Brazil, the collective bargaining agreements signed with the unions include all our employees, as determined by legislation. In the foreign operations, this matter follows the laws of the countries where we operate.

Natura appreciates and recognizes the right of employees to be represented by their respective unions. We do not have formal processes for the identification of operations in which the right to exercise freedom of association and collective bargaining may be at risk. However, we place the Natura Ombudsman's Office at the disposal of our employees to receive any type of complaint (*learn more in Quality of Relationships*). In the Brazilian operations, the relationship with unions is coordinated by our Human Resources department by means of meetings to discuss agendas that are set in advance with union representatives.

At Natura, although procedures for the prior notification of operational changes are not specified in the collective bargaining agreements, we have always tried to communicate such changes in advance and, therefore, provide clarifications.

We have the Poupança Incentivada (Subsidized Savings Account) Program, a benefit offered to all our employees to encourage a culture of saving money. All employee decides on the amount they wish to contribute from a scale from 1% to 5% of their salary, and Natura contributes with 60% on the contribution made by the employee, up until a maximum monthly salary of R\$ 13,129.00. Except for the relationship managers and sales managers, who receive bonuses in every 12-day cycle in proportion to the results obtained, all our employees receive an annual bonus in the form of a 14th month's salary¹.

¹ All registered employees are entitled to the payment of a 13th month's salary in December of every year as required by Law No. 4,090 of July 13, 1962

In 2009 the company's contributions dropped 54.9% compared with the previous years due to a surplus in the pension fund. This favorable balance is the result of many employees who have worked at Natura for less than five years leaving the company before they had the right to redeem the contribution. (Graph 1)

BENEFITS

Natura offers a number of benefits to ensure the practice of well-being well among its employees. In 2009 we changed the system of our employee health plan, which used to be managed internally. Due to the growth of our activities and consequent increase in the level of actuarial risk, we concluded that a migration to a health insurance plan would be more sustainable.

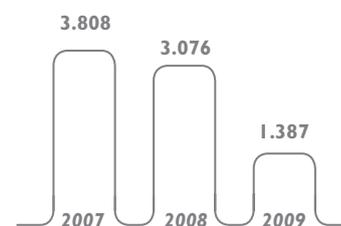
In the second half of 2009, we started to offer a six-month maternity leave to our female employees. This practice has been encouraged by the federal government. We also increase our offer of transportation to the employees from the surrounding communities. Most of the benefits are provided to permanent employees but a number of benefits are also offered to temporary workers.

We maintained the relationship actions towards pregnant workers. The program offers courses to employees, in-house outsourced employees and wives of employees, in addition to laboratory tests, without any cost to employees and wives of employees, and appointments with psychologists after birth and during the period of adaptation of their children at the nursery.

Benefits offered to employees from the Brazilian operations

- Natura Educação (Natura Education) Program
- Construindo o Futuro (Building the Future) Program (includes subsidized savings account)
- Nursery for employees' children up to 2 years and 11 months old (Until 2007, the nursery served children up to 3 years and 11 months old. The maximum age was reduced in order to meet the demand. Therefore, we managed to ensure exclusive breastfeeding up to the 6th month of life and the proximity with the mother without her having to quit her career).
- Support for employees in adoption processes

1. CONTRIBUTIONS MADE BY NATURA TO THE PENSION PLAN OF EMPLOYEES (R\$ MILLIONS)



² All registered employees are entitled to the payment of a 13th month's salary in December of every year as required by Law No. 4,090 of July 13, 1962.

- Health plan
- Dental care plan
- Psychological/social service
- Check-up for management-level employees
- Medical services in the company's facilities for the prevention of metabolic conditions (diabetes, cholesterol and triglyceride) and cardiovascular conditions (hypertension)
- Partial reimbursement of expenses with medications for cardiovascular conditions, diabetes, kidney failure, oncology, hepatic diseases, neurological disorders, work-related musculoskeletal disorders, and psychiatric alterations
- Telemedicine: electrocardiogram (EKG) via telephone in emergency cases
- Health Area: Admission, regular, laboratory and discharge health tests; general practice; gynecology, orthopedics, physiotherapy; acupuncture; global postural reeducation (GPR); nutrition, treatments for work-related diseases, collection of samples, all available at the company's premises.
- Saúde em Movimento (Health in Movement) Program: incentive to practice physical exercise. Medical, nutritional and physical check-up before starting the activities.
- Gym subsidy for Relationship Managers
- Five free products for management-level employees

In addition to these benefits, the employees are entitled, in the company's facilities to:

- Buy five Natura products per month with a 40% discount in the VIP shop
- Vacation Project (activities held in July at Natura's Cajamar unit aimed at employees' children aged between 6 and 12 years and 11 months)
- Professional guidance
- Cuidando de Quem Cuida (Taking Care of Those Who Take Care) Program: post-birth meeting, course for pregnant women
- Daycare/exceptional children subsidy
- Life insurance
- Payroll loan
- Cars for management-level employees
- Family moment (with distribution of toys)
- Pharmacy agreement for discounts on medications
- Chartered transportation
- Christmas basket
- Gifts (Mother's Day, Father's Day and birthday)
- Sale of School Materials

Benefits offered to employees and outsourced employees:

- Course for pregnant women
- Corredores (Runners) Project
- Restaurant
- Laboral gymnastics
- Toys
- Christmas basket
- Chartered transportation
- Fitness services, swimming pool and multi-purpose sports court at the Natura sports club (Cajamar and Itapecerica da Serra)
- Services: seamstress, laundry, shoe repair, eyewear shop, insurance, post office, travel agency and book and movie rental

HEALTH AND SAFETY

In 2009, even with the increase in staff, we reduced the number of work-related accidents by 20% in the Brazilian operations, with an impressive drop in the rate of serious injuries and no work-related fatalities. We increased investments in the prevention of accidents by 17.8% in relation to 2008. We also established a Health Committee and began to develop a database that will allow us to better understand the health conditions of our employees and identify new preventive practices.

We identified that approximately 60% of the work-related accidents in 2009 occurred as a result of practices that did not comply with safety rules and procedures. In total, 70% of the injuries of employees were hand injuries. For this reason, we will focus on the following measures in 2010:

- Promote an even more robust and complete management system that considers all elements that are essential to health and safety management;
- Intensify the Quase Acidentes (Near Accidents) according to which our employees are encouraged to communicate any situation or installation that may cause accidents;
- Implement a program for the evaluation and improvement of behavioral issues;
- Expand the focus of the Internal Week of Work-Related Accidents for the specific prevention of hand accidents and communicate in a more expressive manner the proper practices that provide more safety to employees.

TYPICAL WORK-RELATED INJURIES AND DAYS MISSED AND ABSENTEEISM RATE (INCLUDING OUTSOURCED EMPLOYEES) IN BRAZILIAN OPERATIONS¹

| | 2007 | 2008 | 2009 |
|--|-------|-------|-------|
| Employees – number of accidents with leave ² | 10 | 16 | 12 |
| Employees - number of accidents without leave ³ | 3 | 5 | 5 |
| Number of work-related accidents per employee | 0,003 | 0,005 | 0,004 |
| Outsourced employees – number of accidents with leave ⁴ | 8 | 11 | 4 |
| Outsourced employees - number of accidents without leave ⁴ | 9 | 2 | 4 |
| Workdays missed ⁵ | 115 | 131 | 84 |
| Frequency rate of accidents with leave ⁶ | 1,06 | 1,71 | 1,31 |
| Frequency rate of accidents with/without leave ⁷ | 1,38 | 2,24 | 1,85 |
| Investment in the prevention of illnesses per employee (R\$) | 395,7 | 479,6 | 707,4 |
| Investment in the prevention of accidents per employee (R\$) ⁸ | 465,9 | 722,8 | 851,5 |
| Number of cases reported to the National Institute of Social Security on occupational illnesses – Cajamar | 7 | 5 | 10 |
| Number of cases reported to the National Institute of Social Security on occupational illnesses – Itapecerica da Serra | 0 | 1 | 0 |

1. Only the accidents reported in the units of Cajamar and Itapecerica da Serra are considered.

2. Accidents with sick leave are those in which the employee does not return to his/her activities on the working day after the accident.

3. Accidents without sick leave are those in which the employee returns to work on the same day of the accident or on the first working day after the accident.

4. Both our "resident" and "non-resident" service providers are considered.

5. Refers to Natura employees.

6. Equivalent to the number of accidents or injured employees with leave divided by a million man-hours worked.

7. Equivalent to the number of accidents or injured employees with/without leave divided by a million man-hours worked.

8. Includes the whole budget of the Work Safety Department, expenses and the investments made by the Engineering and Manufacturing area to ensure and/or improve work safety conditions. Expenditures with training are not included.

Formal agreements with unions include labor protection measures, in addition to the use of protection equipment; practices for the prevention of accidents with machinery and equipment; communication of labor-related accidents; and the existence of an Internal Accident Prevention Commission (IAPC). All employees from the Brazilian operations are represented in formal safety and health committees and in the IAPCs.

The funds used in the prevention of illnesses increased 47.5% in 2009 compared with the previous year. This was due to investments in prevention programs, as well as in improvements in infrastructure and services. In 2009, the outpatient clinic started to operate 24 hours a day, which required the contracting of first-aid drivers for the same period.

In 2009, the number of work-related illnesses doubled. This was because last year we had a large number of new hirings in a short period of time, which resulted in employees not having enough time to receive and assimilate the information on health, work safety and ergonomics. Additionally, with the review and reactivation of the readaptation program, which was focused on musculoskeletal pathologies, it was possible to identify new cases of work-related illnesses.

One of the highlights of the year was the organization of the fourth Ergonomic Evaluation, which is one of the phases of a program for the monitoring and control of risks associated with work-related illnesses, such as Repetitive Strain Injuries and Work-Related Musculoskeletal Disorders (RSI/WMSD). Based on a previous diagnosis, it is possible to check the evolution stage in the preventive work and establish guided action plans. The first evaluation took place in 1998 when the program was launched. In 2009 we were able to eliminate job posts classified as posing high ergonomic risk.

In addition to replacing machinery for more appropriate versions, we also developed preventive measures, such as the practice of laboral gymnastics and the rotation of operational employees in the use of machines. In 2009, ten new cases of RSI/WMSD were identified in the Brazilian operations. They were all checked by multidisciplinary health teams made up of occupational health, orthopedist, physiotherapist, psychologist, ergonomist and acupuncturist doctors.

In 2009, we also established a Health Committee and began to develop a database that will allow us to better understand the health conditions of our employees and identify new preventive practices.

In 2009, we followed the recommendations of the World Health Organization with respect to the influenza H1N1, sending home for 7 days those possibly infected as well as those who work closely to the suspected cases. There was a suspected case in the nursery and, consequently, activities were suspended for some groups. For the mothers who did not have anyone to leave their children with, Natura gave them time off work or provided financial assistance for hiring baby-sitters.

COMMUNICATIONS WITH EMPLOYEES

Communication is a key part of our organizational and cultural development processes. Important changes include expanding the purposes of internal communication, causing management to play the role of communicators, engaging in dialogue with their teams, and, consequently, bringing together the internal communications of Natura's Essence.

The information disclosed, in accordance with the profile of each stakeholder, became, generally speaking, more strategic and relevant for the broad understanding of the company's main progress over the year.

An example of this new, more lively and dynamic phase of internal communication is the Canal Natura (Natura Channel) – digital broadcast television whose programming is shown at 22 points distributed at Cajamar, Itapecerica da Serra, Benevides, and also at the Natura House in Campinas. The Natura Channel was strengthened in 2009, and the satisfaction of employees with this means of communication reached 89%, a significant growth in relation to the 76% seen in 2008. Interactivity is one of the channel's characteristics. Employees may suggest agendas and are also invited to work in the shows.



CONSULTANTS AND NCAS

Natura consultants (NCs) are an essential part of our history. Since 1974, when we opted for the direct sales model, they have been responsible for taking not only our products to consumers but also our Reason for Being, our Vision, and our Beliefs. In 2009, we reached a historical figure: we exceeded the milestone of 1 million consultants working with Natura, 879,700 of which are in Brazil and 159,200 in the international operations. In Brazil, the increase in the number of NCs in 2009 was 20.5%, and abroad, 33.2%.

NUMBER OF CONSULTANTS IN BRAZIL AND FOREIGN OPERATIONS (IN THOUSANDS)¹

| | 2007 | 2008 | 2009 |
|------------------------|--------------|--------------|----------------|
| Brazil | 632.4 | 730.1 | 879.7 |
| Argentina | 30.8 | 37.3 | 46.5 |
| Chile | 12.6 | 17.5 | 24.5 |
| Mexico | 12.1 | 20.0 | 31.2 |
| Peru | 26.0 | 35.2 | 42.6 |
| Venezuela ² | 2.3 | 2.8 | n.a. |
| Colombia | 2.0 | 5.9 | 13.0 |
| France | 0.4 | 0.8 | 1.4 |
| Total | 718.6 | 849.6 | 1,038.9 |

1. This refers to the number of consultants at the end of the year.

2. Operations in Venezuela were discontinued in August 2009. Until the 2009 cycle, Venezuela had 2,300 consultants available. The other foreign operations refer to the closing position of cycle 17.

In Brazil, an important part of this significant increase was the establishment of the Natura Consultant Adviser (NCA) model, which was launched in 2008 and in the following year implemented in the entire Brazilian operation. The design of this model starts with our Relationship Managers (RMs) further supporting the activities of the NCAs. The NCAs, who also work as consultants, play an important role in attracting, advising, and developing consultants. (Graph 1)

We ended 2009 with approximately 9,000 NCAs in Brazil, each of them serving as many as 150 consultants. The NCA model meets the needs of our regionalization strategies (learn more on page 28). They are a significant part of our commercial model because they contribute to the strengthening and cultivation of relationships and leverage the growth of our business.

The income distributed to consultants increased by approximately R\$ 300 million, from R\$ 2 billion in 2008 to R\$ 2.3 billion in 2009. However, we saw a reduction in the average income per head for these stakeholders in the same period. This was due to an acceleration in the increase in the number of new NCs, who at first show lower productivity. When the length of time of the relationship with Natura is considered, both the group of NCs active for less than one year and the group that has been with the company for longer showed an increase in productivity in nominal terms in relation to the previous year. However, in the composition mix, which establishes a productivity average among all NCs, the average was reduced since there is a larger number of new consultants.

AVERAGE ANNUAL INCOME GENERATED (R\$)

| | 2007 | 2008 | 2009 |
|-----------------------------------|--------|-------|--------------------|
| Natura Consultant Advisers (NCAs) | 10,908 | 3,380 | 9,841 ¹ |
| Consultants (NCs) | 4,247 | 4,097 | 3,987 |

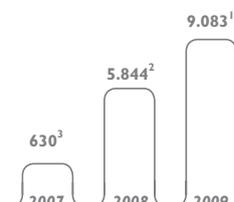
1. The increase in the income per head of the NCAs is related to the new regions that adopted the model and the number of cycles in which these NCAs worked during the year.

TRAINING

We recorded 583,000 participations in training courses for consultants in 2009, training 527,000 NCs (the same consultant can participate in more than one course). As a result, we exceeded our target, which was to have the participation of 436,000 NCs in training courses in 2009.

In 2008, approximately 30% of the NCs took some kind of training course and, in 2009, this rate increased to 40%. We also started a pilot project to offer advanced courses to these

1. NUMBER OF NATURA CONSULTANT ADVISERS IN BRAZIL



1. The increase in the number of NCAs is related to the expansion of the model in the city of São Paulo and in the Northern and Southern regions.

2. This takes into consideration the Midwestern, Interior of São Paulo, Northeastern, Rio de Janeiro, and Minas Gerais regions.

3. Pilot project in the Midwestern region.

stakeholders. The first, developed in partnership with the National Service for Commercial Education (Senac), took place in São Paulo, with the offer of courses in entrepreneurship and makeup technique to 2,000 NCs.

The new NCs take a training course called *Boas-Vindas* (Welcome), through which they are monitored from the time they join Natura to the receipt of their first order. In this activity, they become familiarized with the work of consultants and Natura, receiving basic information on our value proposal, which involves the relationship with the sales channel, our products, and our Values and Beliefs. In 2009, we reached nearly 100% in support and training to NCs who started the activity between January and December, whether by means of in-person training courses or by the distribution of 70,000 self-instruction kits (containing a book, a DVD, and samples of products), which were sent to the new NCs last year.

In 2009, we completed the roll out of the Social Security Education Program in Brazil. The initiative, which started in 2006, aims to stimulate the inclusion of Natura's consultants in the Social Security system by means of raising awareness of the importance to contribute to the social security system. Over four years, we trained 956 sales promoters and relationship managers from across Brazil in 44 groups to work as agents to raise the awareness of the NCs of the importance of the protection offered by Social Security. Since the beginning of the program, we have also prepared and distributed approximately 880,000 folders and raised the awareness of over 55,000 consultants. Only in 2009, 115 relationship managers from Rio de Janeiro were trained and around 115,000 folders were distributed.

NC TRAINING

| | 2007 | 2008 | 2009 |
|---|---------|---------|---------|
| New NCs | 266,762 | 303,958 | 430,229 |
| Initial training | 95,673 | 164,927 | 354,415 |
| Participations in training courses ¹ | 350,496 | 458,217 | 583,000 |

1. Takes into consideration the participation of the same NC in different training courses.

A good indicator of the quality of the relationships that we establish with the NCs is the turnover rates, which are among the lowest in the world among direct selling companies, according to a survey by Natura. This reflects the positive results of our strategies to retain and train these stakeholders.

As a signatory of the Direct Sales Conduct Code before Direct Sellers and between Companies of the Brazilian Direct Selling Association (ABEVD), Natura prepares its NCs to work in the field in accordance with the company's ethical standards.

In 2009, as in previous years, we did not record any legal or administrative case that implied violation of data on consultants or loss of their privacy. Neither was there any record of legal cases on issues such as child, dangerous, or slave labor involving the NCs.

NATURA HOUSES

Still in the experimental stage, the Natura Houses are aligned with our strategy to bring our consumers and consultants together. In 2009, we inaugurated five new Natura Houses in Brazil, in the Greater São Paulo region (in the districts of Paraíso, Santo Amaro and Itaquera – in the city of São Paulo – and in the cities of Osasco and Guarulhos). In Latin America we have another 10 Natura Houses in Mexico, Argentina, Colombia, Chile, and Peru.

These facilities support the activities of consultants. There both consultants and consumers can test our entire portfolio; courses and events also take place, such as the *Encontros Natura* (Natura Meetings), which are carried out at the beginning of each cycle to introduce the new products to our sales force.

COMMUNICATION CHANNELS

Natura seeks to provide well-structured communication channels to consultants. In 2009, by means of the *Conectividade* (Connectivity) Project, we invested in increasing the number of orders made via the Internet, an efficient channel that allows NCs to make contacts digitally. The *Conectividade* Project encourages the gradual migration of orders to the

virtual channel, including discounts and promotions exclusively offered via the Internet. To make access easier, all Natura Houses have computers available for the NCs to place their orders electronically.

In 2009, 71% of our orders were placed on the online channel, totaling 8.94 million virtual orders, compared to 53% in 2008. (Graph 1)

The NCA model contributed to the increase in online orders, as the NCAs educate NCs on the use of this channel. Our website for the end consumer also allows the faster and more effective registration of new consultants.

Another communication channel with the NCs is the Natura Service Center (NSC), through which communication is made via a toll-free number. The NSC provides a wide range of services, such as the receipt of orders, the answering of queries related to products and promotions and handling compliments, criticisms, and suggestions. In each cycle the service staff are trained to provide accurate information and to communicate significant changes. The queries that are classified as critical are forwarded to the Ombudsman's Office, which works to re-solve these cases (*learn more on page 34*).

In 2009, we recorded 25% more queries received by the service center compared to the previous year. The average monthly number of queries through this channel, however, fell 14.5% in the same period, closing 2009 with a daily average of 28,000 calls. This drop is directly related to the increase in the number of orders placed via the Internet. (Graph 2)

QUALITY OF SERVICES

We identified a great opportunity for improving our services to NCs, in product availability, and in delivery deadlines. Last year our consultants faced these problems again. Due to the significant increase in sales far above our projection in some periods of the year, the Non-Service Rate (NSR) increased again.

The NSR is a central issue for Natura. One of its main points concerns the lack of products related to miscalculation of demands and training along the production chain. In 2009, we created a working group composed of the company's leaders, who adopted short, medium, and long-term solutions, such as offering more advantageous alternative products to the NCs, maintaining promotions, resizing stocks, managing portfolios, and reviewing the logistics model.

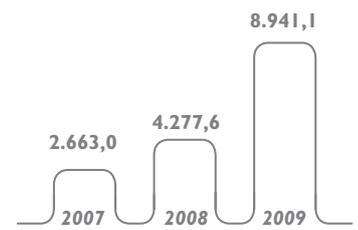
This will continue to be a strong focus point in 2010. We undertook to improve this situation with a number of strategic actions that are already in progress, such as investing in infrastructure, logistics, and information systems, and focused on increasing the flexibility and robustness of the chain and the quality of demand forecasting.

RECOGNITION AND INCENTIVES

The results of the surveys on the quality of our relationship with our consultants and on their satisfaction remained high, 90% and 88% respectively, reaching the target set for 2009 and showing the consistency of our performance at the time. The level of satisfaction of NCAs increased two percentage points to 95% in 2009.

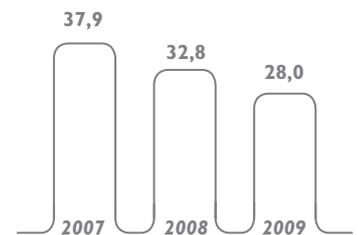
In the satisfaction surveys with NCs, NCAs, and consumers (*learn more on page 45*) we included the loyalty rate, which combines the level of satisfaction with our company, the intention to continue the relationship with the company, and the intention to recommend Natura. The loyalty of the NCAs, for example, rose six percentage points between 2008 and 2009 to 37%. The loyalty of the NCs, on the other hand, remained stable compared to the previous year.

I. NUMBER OF ORDERS PLACED VIA THE INTERNET¹ (IN THOUSANDS)



1. Orders received by consultants through the Internet billed in the respective years.

2. AVERAGE DAILY CALLS RECEIVED BY NSC – NATURA SERVICE CENTER¹ (IN THOUSANDS)



1. Calls related to the Brazilian Operation.

CONSULTANTS (%)

| | jan/08 | jan/09 | jan/10 |
|--|--------|--------|--------|
| Satisfaction ¹ | 90 | 88 | 88 |
| Loyalty ² | n.a | 16 | 17 |
| Quality of relationship (Climate) ³ | 90 | 90 | 90 |

NATURA CONSULTANT ADVISERS – NCAs (%)

| | jan/08 | jan/09 | jan/10 |
|--|--------|--------|--------|
| Satisfaction ¹ | 87 | 93 | 95 |
| Loyalty ² | n.a | 31 | 37 |
| Quality of relationship (Climate) ³ | 93 | 96 | 96 |

1. Percentage of consultants and NCAs in Brazil who are "satisfied" and "totally satisfied" (top 2 boxes).

2. Percentage of loyal consultants and NCAs in Brazil. The loyalty rate is calculated based on the Top Box (% of consultants who attributed the highest score) for satisfaction, intention to continue and recommend. There is no historical data for January 2008.

3. Average of climate category attributes, which includes issues related to training and development, work conditions, compensation, quality of life, and motivation.

Natura rewards consultants for their services, dedication, and good performance. NCs who have been with Natura for 15 years are invited to visit the Espaço Natura (Natura Plant) in Cajamar, spending two days with us and being welcomed at a gala dinner, where they receive a souvenir directly from the vice presidents and senior vice presidents, showing our gratitude and recognition. In 2009, 64,030 NCs were rewarded for their length of service and 10,572 for good performance, in both sales volume and in the sales of refills and products of the *Crer para Ver* (Believing is Seeing) line (learn more on page 61). There are rewards for the NCs who have been with Natura for five and 10 years, and awards for outstanding performance.

We believe in strengthening personal relationships, and through the reward program we invest in the loyalty of our sales force. This is a spontaneous action of Natura that is adjusted to our operational strategy.

NCS RECOGNITIONS

| | 2007 | 2008 | 2009 |
|--|--------|--------|--------|
| Total NCs recognized for length of service | 51,703 | 65,000 | 64,030 |
| Total NCs recognized as Outstanding (Destaque) | 14,150 | 14,493 | 10,572 |
| Number of Awards distributed to Outstanding (Destaque) NCs | 1,120 | 1,120 | 473 |
| Number of Outstanding (Destaque) NCs Recognition Events | 49 | 56 | 43 |

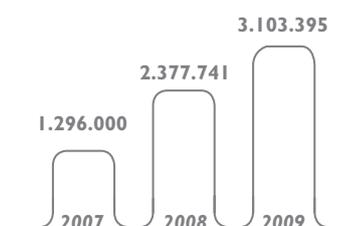
We also use incentive campaigns, which have become an important marketing tool aligned with our strategy. In addition to stimulating sales, the campaigns strengthen the relationship with our sales people, increasing the connection with the brand, recognizing the work of our NCs, and helping them to increase their income. One of the main events is the *Chronos* Convention, which in 2009 was held in Cabo de Santo Agostinho (State of Pernambuco). At the time, we rewarded 300 NCs, who excelled in the sale of products from the *Chronos* line during the year. (Graph 1).

MOVIMENTO NATURA (NATURA MOVEMENT)

The Natura movement was created in 2005 to raise awareness and mobilize our consultants in actions and projects, through which they can work as social change agents. In 2009, we had 13 projects in the different regions of Brazil. We involved 45,467 NCs in the following projects: *Crer para Ver* (Believing is Seeing) Program, *Água de Viver* (Water to Live), *A Mata Atlântica é Aqui* (The Atlantic Forest is Here), *Reciclagem de Produtos Natura* (Natura Product Recycling), *Mulheres da Paz* (Women of Peace), *Papo de Resposta* (Serious Talk), self-esteem actions, and income generation in low-income communities, among others. For 2010, the target will be to engage 100,000 NCs.

In the *Reciclagem de Produtos Natura*, for example, the NCs are encouraged to request the empty packaging of our products when they visit their customers, and then return it to the transportation company that delivers it to cooperatives of partner garbage collectors. As a result, we not only ensure the proper destination of materials but also generate income for the cooperatives.

I. TOTAL OF PRIZES AWARDED IN INCENTIVE CAMPAIGNS TO NCS¹



1. The volume does not take into account products from regular cycle promotions.

In 2009, this project, which was already run in the cities of São Paulo (state of São Paulo) and Recife (state of Pernambuco), was extended to the coast of the state of São Paulo and Rio de Janeiro lowlands (state of Rio de Janeiro), as well as to the state of Espírito Santo and to Salvador (state of Bahia). In total, 18,141 NCs took part in the project and they collected 118 metric tons of post consumption packaging.

RECYCLING PROJECT

| | 2007 | 2008 | 2009 |
|--|------|-------|-------|
| Penetration of participating consultants (%) | 10.0 | 2.3 | 2.4 |
| Total metric tons collected ² | 90.8 | 118.0 | 120.0 |

1. Percentage of consultants participating in the project (delivery of box with waste) divided by total consultants who are active in the cycle.

2. Embalagens e produtos Natura pós-consumo.

Last year, we also started a partnership with the NGO SOS Mata Atlântica in the A Mata Atlântica é Aqui (The Atlantic Forest Is Here) project, which aims to inform and raise people's awareness of the importance of this biome. Our consultants were invited to participate in itinerant exhibits on the Atlantic Forest held in 28 Brazilian cities in the states of São Paulo, Rio de Janeiro, Santa Catarina, Paraná and Rio Grande do Sul. Between May and December 2009, 1,010 NCs visited the exhibits.

Another project created in 2009, also in partnership with *SOS Mata Atlântica*, was the *Água de Viver* (Water to Live) pilot program, which aims to engage and mobilize the Natura sales force and the children from their respective communities on the water issue. Last year, 63 monitoring stretches were chosen in rivers of the three Brazilian southern states. By means of this project, Relationship Managers (RM) were trained to become "water guardians", learning to conduct the monitoring. In the program, each RM was responsible for monitoring a given stretch of the river. In total, in addition to the RMs, 243 consultants and 270 children were involved in the *Água de Viver* program.

Natura also supports the *Papo de Resposta* (Serious Talk) project conducted by the Rio de Janeiro Civil Police and the *Grupo Cultural AfroReggae* (AfroReggae Cultural Group). By means of lectures at schools in the state of Rio de Janeiro, the project aims to raise awareness on human rights, violence, peace culture and of responsibility and the value of human life. We participate through financial support and the institutional strengthening of the project, and our consultants work as agents of the proposal and appoint the schools where the lectures will be held. In 2009, 1,224 NCs were involved in the *Papo de Resposta* project.

Another highlight in the year was the partnership signed between Natura and the United Nations Development Programme (UNDP). We mobilized and encouraged our consultants to participate in the *Brasil Ponto a Ponto* (Brazil from End to End) campaign, which also involved other partners of the UNPD and aims to work towards (shaping) a better country. In total, 72,127 NCs from all over Brazil were involved, being encouraged to express their opinions during the *Encontros Natura* (Natura Meetings) and virtually on Natura websites by answering the question: "What needs to be changed in Brazil for your life to really improve?" The contributions of the NCs will help to support the UNDP in the preparation of the Brazil's Human Development Report.



CONSUMERS

Millions of people all over Brazil use Natura's products, which are developed with the intention of awakening the senses and promoting well-being well. We work to maintain a portfolio of choices that can go beyond functional needs. Accordingly, we believe that we can contribute to increasing individuals' awareness of themselves, of others, and of the world.

Natura continuously strives to be closer to consumers, and 2009 was important for the strengthening of these ties. We have opened new channels so that consumers' opinions and ideas are ever more present in our daily lives, directly influencing our innovation process right from the start, in the creation of new products, and taking care not to lose either the essence of our brand or our ability to surprise.

In 2009, our consumers participated in two dialogue panels with representatives of all our stakeholders. In January 2010, we also held a panel for consumers in which there were 22 representatives of these stakeholders from different regions of Brazil.

During this meeting, they offered opinions on our products, our sales channels, and our corporate behavior, indicating areas for improvement and sharing their expectations of Natura for the future. A diverse set of actions were suggested, such as creating more products for men, intensifying the training of consultants to improve customer service, and increasing the number of Natura Houses, thus offering more places to test products.

We intended to disclose Our Relationship Principles with Consumers in 2009, but we only succeeded in doing this at the beginning of 2010. The principles address topics such as dialogue channels, relationship, quality of products and services, sustainability, and satisfaction. They are available at www.natura.net/principios.

SURVEYS AND APPROACH

In 2009 we increased the volume of surveys and studies carried out with consumers by approximately 200%. We created a Consumer Insight area to collect and increase our information on the market, further understand the behavior of consumers, and identify trends. This structure was reproduced in the Business Units, allowing us to collect even more qualified information, separated by categories and products. The Regional Units have also been contributing to the identification and collection of information on local needs.

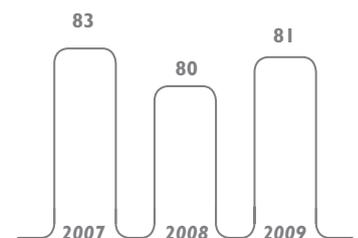
A good example of this was the Oscar Freire Project, launched for the celebration of Natura's 40th anniversary. Through an Internet channel, consumers could choose which products they would like to see back in our portfolio. The ones with the most votes were returned to production and named "Natura Classics." The project had more than 20,000 registered users and has attracted 15,000 requests to restore favorite products. Another initiative was the *Bela* (Beautiful) Project, in which over 1,000 consumers tested the new version of Chronos product before its launch, thus ensuring that we had the proper product for the skin of Brazilian women.

As a result of our work in the market, the constant innovations, product portfolio, and communication strategies, we maintained competitive investments in marketing, reaching R\$ 204 million cumulatively in 2008 and 2009, in addition to those in 2007, financed by productivity gains of R\$ 252 million in the same period.

We have been achieving positive results in terms of our brand acceptance, which continued to show high rates: according to the Brand Essence/Ipsos image survey, the overall evaluation reached 81% and our consumer preference reached 46%, 30 percentage points higher than the second place. (Graph 1)

In order to improve the monitoring of the quality of relationships with our stakeholders, in 2009 we included in the loyalty indicator, which was measured previously only by the level of satisfaction, two new evaluation indicators: intention to continue the relationship with the company and intention to recommend Natura. We achieved a 46% loyalty rate with the consumers. This indicator is also being measured for suppliers and consultants (*learn more on page 43*). (Graph 2)

1. GLOBAL EVALUATION OF BRAND IMAGE SURVEY (%)^{1 2 3}



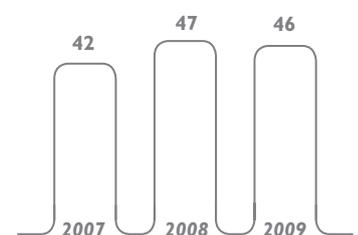
1. Source: Brand Essence..

2. The 2009 global evaluation indicator was measured based on a quantitative sample of 1,200 personal and home interviews distributed over 3 markets: 400 in São Paulo; 400, Recife; 400, Porto Alegre.

3. The survey was conducted with men and women of classes A, B, C and D (using the Brazil Economic Classification Criteria of the Brazilian Association of Research Companies – ABEP I), between 14 and 70 years of age, using a minimum of three cosmetic or personal hygiene products. The sample included both Natura and non-Natura users.

The top box measure considers the respondents who attributed the highest score to the brand in a range of 0 to 5 points. The entire quantitative survey has a margin of error that corresponds to a confidence level of 95%.

2. BRAND PREFERENCE (%)



In 2009, we increased our penetration in Brazil, reaching 3.5 million new homes, which were added to the more than 20 million homes where the Natura brand is already present. (Graph 3)

CUSTOMER SERVICE

Customers have different ways to interact with Natura. One of the main communication channels is the Natura Customer Service Center (NCS), which provides clarifications and receives criticisms, compliments, and suggestions. In 2009, the NCS received 1.48 million calls, 76% of which were answered within 30 seconds.

With respect to unanswered calls, they increased from 60,000 in 2008 to 109,000 in 2009. This reflects an extra and unexpected demand for customer service resulting from an increase in orders placed in February and March (49% and 48%, respectively, compared with the same months of 2008), thus increasing the number of unanswered calls. After this period, the unanswered call rate dropped by half in May 2009.

NCS – NATURA CUSTOMER SERVICE (CALLS IN THOUSANDS)

| | 2007 | 2008 | 2009 |
|------------|--------------------|--------------------|-------|
| Total | 1,984 ¹ | 1,531 ² | 1,484 |
| Answered | 1,854 ¹ | 1,471 | 1,375 |
| Unanswered | 130 | 60 | 109 |

1. Calls related to the Brazilian operations

2. The sum was corrected and the data for 2008 changed.

In order to improve the service, in August 2009 we updated our customer service policy. The main change was in the product complaint service. In some cases, we collect and analyze the product about which there was a complaint, and, after verifying the defect, we make an exchange. This change speeds innovation and contributes to the study and continuous improvement of our products and services.

The cases of allergic reactions to products are analyzed, and solutions are adopted on a case-by-case basis. This analysis further improves our formulations. In the second half of 2009, our indicator that measures customer complaints per items billed per million dropped 69% from the first half, and, at the end of 2009, it was 28% lower than in 2008.

The training of NCS employees is continuous, with programs staged in every cycle. In 2009, we provided a special training course to all NCS employees to prepare them to serve customers during the Christmas campaign, a period in which the demand for the service channel increases.

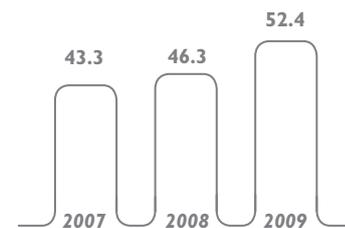
As we are concerned with the privacy and confidentiality of customers, all customers who contact us via the Internet or NCS are protected by policies and systems that ensure data security. In 2009 we did not record any legal or administrative cases related to violation of privacy or loss of data of our consumers.

CLEAN CITY

In July 2009 we were assessed by the city hall of São Paulo as it understood that we had disrespected the Municipal Law No. 14,223, which is known as the Clean City Law. This resulted from the fact that Natura supported the “Concrete Poetry” exhibit. As soon as we received the assessment, the agency responsible for the campaign immediately removed the exhibit from the streets.

At the time, we clarified that Natura did not act in bad faith or mean to disrespect the law at any moment. Natura has not made any billboard campaigns for over a decade, even before this was made illegal, because it believed it was necessary to reduce visual pollution in large urban centers. Although we regret the embarrassment, we believe that there is a need to discuss, with society as a whole, the opportunities and limits for using and intervening in the urban area.

3. PENETRATION IN BRAZILIAN HOMES^{1 2 3 4} (%)



1. Source: LatinPanel.

2. The penetration is the percentage of homes represented in the survey that bought the brand in the specified period.

3. The survey represents 81% of the domiciled population and 90% of the potential consumption in Brazil (according to the Target Index).

4. Due to updates in the population profile, the information from Natura was adjusted and the numbers for the previous years were reviewed.

CONSUMER HEALTH AND SAFETY

The safety and health of our consumers guides all our processes, from the development of product concepts to the final disposal of packaging, including research and development, certification, manufacturing, marketing and promotion, storage, distribution, supply, and product use itself. We have a Product Safety Management Department that is responsible for evaluating and ensuring the safety of all of our ingredients and finished products.

Before adopting a new ingredient or new formula, we use the precautionary principle as a guideline. If there are any questions by international medical and scientific communities with respect to a possible adverse effect on health, we choose not to use it. In the case of raw materials that have some limitation with respect to the volume allowed, we adopt the standards of the country in which sanitary legislation is strictest. We maintain our target to eliminate parabens and phthalates as ingredients in our products by the end of 2010. All new ingredients and formulas are rigorously tested by dermatologists.

We maintain a Cosmetic Vigilance System, which monitors possible adverse effects of products, protects the end consumer, and drives the innovation process. All communications on health or safety effects received by the Natura Customer Service are investigated.

This care meant that in 2009, as in previous years, there were no convictions or questions by the Brazilian National Agency of Sanitary Vigilance (Anvisa). Nor were there any fines related to our products with respect to impacts on consumer health and safety or significant fines related to product labeling.

We received in 2009 352 complaints to the Consumer Protection and Advisory Program (Procon), most referring to requests to negotiate debts of consultants; third-party questions related to undue inclusion on the list of customer credit protection agencies as a result of registration fraud; and complaints from consumers who were dissatisfied with an unperformed product exchange or refund. All complaints are analyzed by the proper departments and the resulting information is used to make improvements in our processes. Natura also works in accordance with the rules of the Advertising Self-Regulation Council (CONAR), and the codes of conduct of the Brazilian Association of Advertisers (ABA), Brazilian Association of Consumer Protection (Pró-Teste), and Brazilian Direct Selling Association (ABEVD).

PRÓ-TESTE

A survey reported by the media in 2009, which was conducted by the NGO Pró-Teste (Brazilian Association for Consumer Protection), had announced that the substance Oxybenzone is prohibited in other countries, but this is not true. The use of this substance was one of the criteria adopted by the NGO to “fail” a series of well-known sunscreen brands, among which was Natura’s Fotoequilíbrio Emulsão Protetora Hidratante FPS30 (SPF30 Photoequilibrium Emulsion Moisturizing Sunscreen).

Natura assures the public that none of the ingredients used in its products is harmful to health or carcinogenic. The ingredient Oxybenzone is safe and can be used in a concentration approved by the strictest international control bodies, such as the Brazilian National Agency of Sanitary Vigilance (Anvisa), the United States Food and Drug Administration, and the European Cosmetics Association. Together with trade associations and other manufacturers, we challenged the reliability of the tests due to a number of irregularities, including the use of a methodology that is not approved by Anvisa. We consider this survey as harmful for the general population, as the use of sunscreens decreases the risks of skin cancer.

CONTROVERSIAL INGREDIENTS

Parabens

Parabens are a group of preservatives made up of short-chain and long-chain compounds. The long-chain parabens are claimed to be harmful to human health, although there is no scientific consensus on the topic. Although Natura does use the short-chain parabens, which are not harmful to health, in some of its products, it chose to replace them in its new creations, eliminating them from its entire portfolio by December 31, 2010. In 2009, we made progress in the research of new preservatives and continued with the gradual replacement of this ingredient.

Triclosan

The greatest concern about triclosan refers to the fact that it is widely used in the world, increasing its concentration in nature with possible impacts on the environment, as the substance affects water microorganisms because it is a synthetic antimicrobe that acts against the proliferation and growth of microorganisms. Consistently with Natura's sustainable stand, we have since July 2008 we have replaced the use of this ingredient in new products with plant origin alternatives and constantly seek to develop new less harmful antimicrobes.

Phthalates

Phthalates are a family of compounds used for many different purposes, including as additives in the manufacture of plastics and in the cosmetic industry. Natura used a compound from this family, diethyl phthalate, as a solubilizer of fragrances, bittering agent, and alcohol denaturizer. When used in low concentration, there are no indications that diethyl phthalate can damage health. Nevertheless, this ingredient may be mistaken for the controversial versions of phthalates and so we have eliminated this substance from our new products since June 2008. At the end of 2009, Natura banned the use of phthalates in PVC packaging that is in contact with products.



SUPPLIERS

Efforts to maintain a sustainable company necessarily include a focus on the quality of our relationships with suppliers. They are fundamental links in our value chain, providing inputs, finished products, services, equipment, and indirect materials necessary to our business processes. Our supplier base is located mainly in Brazil, although a few suppliers are abroad.

In 2009, we had relationships with 4,500 suppliers. Of this total, 5% are suppliers of finished products and production inputs (ingredients from biodiversity, raw materials, and packaging materials). The remaining 95% are suppliers of services and indirect ingredients or materials.

We work constantly to establish long-term partnerships because we understand that our suppliers are an essential part in the accomplishment of our value proposal. In 2009 we started to work to reverse the descending trend in the level of satisfaction of suppliers, which had dropped from 84% in 2007 to 74% in 2008. To this end, we designed a two-year action plan started in 2009, and we established five priority actions based on a detailed analysis of the 2008 satisfaction survey with suppliers.

These actions are focused on: awareness by employees of the critical aspects that may affect the relationship, based on the relationship principles and processes with these stakeholders; a closer relationship with strategic suppliers of finished products and production inputs; improvement of the product innovation funnel process; improvement in the payment process, particularly to the suppliers of services; and the extension of the Qlicar Program to other categories of service suppliers. (Qlicar is a corporate program for the development of suppliers. See below for more details.)

We had a significant increase in the level of supplier satisfaction for the Brazilian operations from 74% in 2008 to 82% in 2009, although we have not yet achieved the target of 85%. We obtained high levels of satisfaction from suppliers of finished products and production inputs, to whom we have been closer in 2009 and among whom we recorded a 90% satisfaction level. (Graph 1)

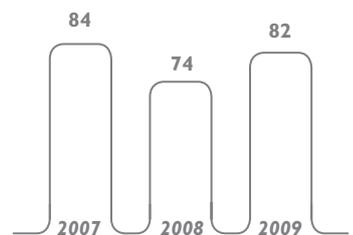
In the process of working more closely with the suppliers of production inputs and in-house outsourced workers, we have established relationship processes that improve the communication between Natura and partners at operating, tactical, and strategic levels. We systematized the meetings of the Qlicar program, implemented the *Cafés da Manhã com Fornecedores* (Breakfast with Suppliers) and *Encontro da Aliança* (Alliance Meeting), programs that ensure Natura's contact with all the organizational levels of our partners.

Of the three dialogue panels held during the year involving suppliers, one was specifically for suppliers and gathered around 30 partners, while in the other two suppliers exchanged experiences with representatives from other Natura stakeholder groups. In the panel for suppliers, important questions were raised, such as the challenge of decentralized relations; the benefit of a dialogue on the action plan for improving the quality of relationships; and the new environment for a lead role that may be generated by designing relationships (*learn more in Quality of Relationships, page 34*). We also made progress in increasing transparency in the processes for negotiating production inputs through the use and improvement of cost models per category.

Some other initiatives that enhanced the collaboration from our suppliers are also worth noting. Seven transportation companies, for example, were critical to the success of the Trilhas (Trails) Project of the Crer para Ver (Believing is Seeing) Program. They are: Rapidão Cometa; Dias Entregadora; TNT Mercúrio; Patrus; Rodofly; Utilissimo; Expresso Araçatuba. They voluntarily transported the teaching materials that were distributed to schools from 210 Brazilian municipalities. The in-house outsourced workers and suppliers of production inputs engaged in the internal project for the improvement in the level of service to our consultants.

Despite the progress, we know that we still have opportunities for improvements. For this reason, in 2010 we will continue with the existing plan and will increase communications with these stakeholders with respect to sustainability and further integration of the chain.

I. GENERAL SATISFACTION¹ - BY SUPPLIER COMPANY (%)



1. Percentage of satisfied and totally satisfied suppliers (top 2 box).

QLICAR PROGRAM

Since 2004, Natura has Qlicar (acronym for Quality, Logistics, Innovation, Competitiveness, Service, and Relationship in Portuguese), a corporate program for the development of suppliers based on performance indicator management. In 2009 78 production input and service suppliers participated in the program.

Last year, we focused on stabilizing the program with finished product and production input suppliers, searching for a greater integration of the chain and inclusion of initiatives for mutual value generation and the reduction of water consumption and GHG emissions. We verified that the quality audit process needs to increase its scope of work. We created new indicators to measure the level of logistics service and determined innovation indicators for the fragrance, packaging, and raw material categories. We also re-evaluated the order cycle supplier program to make it stronger in 2010.

Our suppliers are subject to self-evaluation and audit exams related to quality, environment, and social responsibility issues, the latter including aspects related to human rights, such as risks involving child, forced, or the equivalent of slave labor. In 2009, the 78 suppliers who participate in Qlicar went through audit exams and self-evaluations; 48% of productive suppliers were subject to audit exams. No cases of human rights violations were found.

The same human rights aspects are taken into consideration in the Natura Supplier Qualification process. In 2009, we signed 2,500 such contracts, 30% more than in 2008. This increase in the number of new contracts with suppliers is directly related to the increase in business volume.

AUDITED OR SELF-EVALUATED SUPPLIERS WITH RESPECT TO QUALITY, ENVIRONMENT AND SOCIAL RESPONSIBILITY¹

| | 2007 | 2008 | 2009 |
|---|------|------|------|
| Self-evaluated productive suppliers (%) | 100 | 100 | 100 |
| Audited productive suppliers (%) | 36 | 48 | 48 |
| Qlicar audited suppliers (%) | n.d. | 100 | 100 |

1. The human rights aspects considered are child, forced, or the equivalent of slave labor.

HUMAN RIGHTS CLAUSES IN CONTRACTS^{1 2}

| | 2007 | 2008 | 2009 |
|--|------|------|------|
| Significant investment contracts with clauses related to human rights (%) | 100 | 100 | 100 |
| Significant investment contracts with clauses related to human rights (in thousands) | 2,2 | 2,0 | 2,5 |

1. Among the criteria to determine whether a certain contract is significant are: a) amount (contracts over R\$ 5 million); b) whether the contract is related to a strategic project; c) whether the contract is essential for Natura's business; d) whether the replacement of the contracted party by another supplier is difficult; e) whether the contract poses risks to the company's image. 2. The clauses refer to child, forced, or the equivalent of slave labor.



SUPPLIER COMMUNITIES

The sustainable use of ingredients from the Brazilian biodiversity is the main technological platform of Natura. We recognize that the communities that form our network of ingredient suppliers play a key role in preserving environmental heritage. A priority for us, they provide us with the genetic heritage and traditional knowledge used in the development of our products.

We ended 2009 with relationships with 26 communities. These include a total of 2,084 families located in the North, Northeast, Southeast, and South of Brazil, and also in Ecuador. This group of communities is characterized by great diversity, both cultural and socioeconomic. They are located in different ecosystems and have different forms of social and institutional organization. These stakeholders range from an extractivist community in the North of Brazil, comprising approximately 400 families, to a small group of five families of farmers in the Vale da Ribeira region in the interior of the state of São Paulo.

SUPPLIER COMMUNITIES

| | 2007 | 2008 | 2009 |
|--|-------|-------|-------|
| Communities with which Natura relates | 19 | 23 | 26 |
| Benefited families from the supplier communities | 1,684 | 1,895 | 2,084 |

1. The increase is due to the inclusion of four communities that are under the responsibility of the team from the Industrial unit of Benevides (Cart, Coomar, Unidos Venceremos (United We Stand) Association and Juará Association). We stopped including the community of Maninaltepec (Mexico), which was establishing a project that did not continue.

In Benevides, state of Pará, our industrial unit of oils and soap mass receives inputs from eight supplier communities with which we relate directly. Our supply chain also includes processing companies, which transform the inputs arising from the communities into raw materials.

Establishing and maintaining this network of relationships and inserting them into the business model are challenges that Natura assumed a few years ago to encourage environmental preservation and appreciation of traditional knowledge. . Despite good progress, we know that this is an ongoing learning process.

We have an internal team made up of a multidisciplinary group, as well as management and governance mechanisms established to meet the complexity that involves supply logistics, the group of laws that governs the many aspects of this relationship and the cultural and social diversity of the communities involved. This structure allows us to internalize the challenges, such as those that involve costs, quality and traceability of inputs, and incorporate them into the strategic and daily decisions of our innovation projects and processes. . Despite good progress, we know that this is an ongoing learning process.

LOCAL DEVELOPMENT

In 2009, we started to implement three projects that contribute to sustainable local development: *Reflorestamento Econômico Consorciado e Adensado* (Consortiated and Densified Economic Reforestation, RECA), located on the border between the states of Rondônia and Acre, which supports the operation of the *Escola Família Agrícola Jean Pierre Mingan* (Jean Pierre Mingan Agricultural Family School), *Cooperativa de Produtos Agroecológicos, Artesanais e Florestais de Turvo* (Cooperative of Agro-Ecological, Handmade, and Forest Products of Turvo, Copaflo), in the state of Paraná, which supports institutional development; and *Cooperativa Mista dos Produtores Extrativistas da Reserva de Desenvolvimento Sustentável do Rio Iratapuru* (Mixed Cooperative of the Extractivist Producers of the Sustainable Development Reserve of the Iratapuru River – Comaru), in the state of Amapá, to improve the infrastructure of the village and Brazil nut extraction.

These represent a target for the year that we achieved. The projects strengthen the groups socially, promoting goals such as environmental preservation and cultural appreciation, in addition to improving the communities' production infrastructure. Prepared with the participation of the communities, the projects demonstrate Natura's desire to extend its relationships with its partners beyond a strictly commercial level.

Comaru: Improvements in the Village of Iratapuru and in the production chain of the Brazil nut.

The role of Natura in this project is to support the community in the decision on the use and management of the communities' own funds, which are provided in the agreement established with the company in 2004. Since that time, the community has proposed actions for improvements in their quality of life, which were agreed on a case-by-case basis with Natura. In 2009, the following actions started to be implemented:

- Renewal of the Brazil nut oil plant
- Implementation of improvements in the village's infrastructure
- Equipment and infrastructure for the collection of the Brazil nut
- Investments in the Cooperative's management

In this project, we also made available consulting services to support the community in the implementation of the Iratapuru Fund and prioritization of the use of funds for investments in infrastructure and management.

Reca: Support to the Escola Família Agrícola Jean Pierre Mingam (Jean Pierre Mingam Agricultural Family School)

The role of Natura is to supplement the investments made by other organizations in the school's infrastructure and equipment, making available resources for the school's operation and training and mobilization of the students' families. This is the beginning of a multi-institutional partnership that aims to promote the autonomy of the school in the medium term. This school is a 20-year long dream of RECA that will now allow the youngsters from the community to use their technical education to remain in the community, advancing the social, environmental and economic sustainability of these families.

Coopaflora: Support for the institutional strengthening of the Cooperative

Natura's role in this project is to strengthen Coopaflora and the Instituto Agroflorestal Bernardo Hakvoort (Bernardo Hakvoort Agroforestry Institute – IAF), which work on the preservation of araucaria forests, which are typical in the state of Paraná. Natura's efforts in the region supplement partnerships established by the IAF and Coopaflora with many other different state-owned organizations, companies and NGOs. The main actions focus on:

- Support for institutional planning
- Implementation of a business plan for the cooperative for its financial autonomy
- Mobilization of youngsters for the appreciation of family farming
- Training in good processing practices to improve the quality of products
- Promotion of environmental preservation actions

ASSOCIATED TRADITIONAL KNOWLEDGE AND CULTURAL HERITAGE

In 2009, we signed agreements to share the benefits from access to traditional knowledge associated with the Brazil nut and Buriti Palm. The first agreement was signed with Brazil nut producers from the community of Iratapuru (state of Amapá), and the second with Buriti Palm oil producers from Palmeira (state of Piauí). Natura is proud of these agreements because they represent the consolidation of parts of our policy for the sustainable use of biodiversity and cultural heritage (*learn more on page 64*). Both provide financial resources that will be invested in projects in accordance with local priorities, which will help the communities to implement their development strategies.

Also, as part of the efforts to value traditional knowledge and the Brazilian cultural heritage, in 2009, we maintained a relationship established in the previous year to provide institutional support to projects for the improvement of the Escola Municipal Indígena Pamáali (Pamáali Indian Municipal School) of the Baniwa and Coripaco indigenous peoples. The school is attended by native Brazilian groups from the Alto Rio Negro (Upper Negro River) region in the municipality of São Gabriel da Cachoeira in the state of Amazonas. The project directly benefits 150 people and, indirectly, around 3,000 people, including students, teachers, employees and leaders of the school communities. The funding allows for the continuity of the research carried out by students; the publication of teaching and publicizing materials; the organization of the network's meetings, continued education workshops for teachers, and sustainability activities in the field of food safety.

STRATEGIES AND PRIORITIES

We started to disseminate the Relationship Principles with Communities, described in the Policy for the Sustainable Use of Biodiversity and Traditional Knowledge. As part of our dialogue process, we gathered together in 2009 14 representatives from supplier communities, and mapped the opportunities for improving the relationships and determined joint commitments. Members of the communities also participated in two other engagement panels of representatives from all our stakeholders, and in a panel of specialists that discussed the challenges and the opportunities for the sustainable use of Brazilian biodiversity.

We define work strategies and priorities based on the point of view of these supplier communities and on the lessons learned over the past few years. The main highlights were:

- Improvement in the planning of demands and purchase of inputs;
- Sharing of information on projects in progress;
- Need to support administrative management;
- Incentive to establish networks for the exchange of experiences and technical knowledge between communities;
- Reinforcement of the process for the collaborative establishment of input prices;
- Support to the structuring of productive chains and production and processing techniques.

In 2009, we planned and developed, with the communities, several training actions.

- Technical agreement for the development of the cocoa chain at the plantation;
- Training on Good Handling Practices of Sapucainha (*Carpotroche brasiliensis*) – Cooprocac;
- Training of cooperative members in “basic understanding of accounting” – Iratapuru;
- Training of the cooperative’s officers in financial and administrative management – Iratapuru;
- Training in administrative management – Middle Juruá River;
- Course in Good Processing Practices – Turvo;
- Program for the training of youngsters in the management of cooperatives in partnership with the NGO FASE as part of the Valoração das Oleaginosas (Appreciation of Oil Trees) Program – surrounding communities of Benevides;
- Organization of four technical exchange programs, which included the sharing of experiences and lessons learned between the communities on social organization, establishment of partnerships, business management (Palmeira do Piauí, state of Piauí, visited Coopaesp, state of Maranhão; Boa Vista, state of Pará, went to Cotijuba, state of Pará; and Campo Limpo, state of Pará, went to Boa Vista, state of Pará), in addition to a visit to the agricultural family school of Amapá by youngsters from the Iratapuru community, state of Amapá;
- Perna culture course for representatives from different communities.

In 2010, we intend to make progress in the implementation of the relationship management tools that were established in 2009. They include the improvement of action planning and projects developed with communities, the field measurement of sustainability and supply performance indicators, and the conduction of a survey to evaluate the quality of the relationship.

RESOURCES AT THE COMMUNITIES

Our relationship with the 26 supplier communities involves the transfer of different types of resources. They receive funds from the sale of the raw materials produced, through contracts to share the benefits from access to the genetic heritage or associated traditional knowledge; from use of image; and through direct investments in local sustainable development.

In 2009, we recorded a 30% increase in resources to supplier communities. The increase in the resources allocated to suppliers has been growing due to, among other reasons, the increased production in the communities that supply the Benevides Industrial Plant. The launch of the Natura Ekos soap line, which contains a higher concentration of natural oils, was the main reason for this increase.

The resources from the sharing of benefits remained practically stable compared to 2008. In total, including the two agreements signed in 2009 related to the Brazil nut and Buriti Palm, Natura has six agreements for sharing benefits from access to traditional knowledge associated to native species in Brazil. There are another 28 contracts related to access to genetic heritage entered into with communities. For 2010, our target is to increase by 44% the resources to the supplier communities.

RESOURCES TO THE SUPPLIER COMMUNITIES (R\$ THOUSANDS)

| | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|
| Supply | 863,6 | 2,238.2 | 2,756.1 |
| Sharing of benefits from access to genetic heritage or associated traditional knowledge ¹ | 324.7 | 1,136.0 | 1,056.3 |
| Funds and sponsorships ² | 755.1 | 671.9 | 1,137.7 |
| Use of image | 38.4 | 10.2 | 14.5 |
| Training ³ | 49.9 | 18.0 | 151.8 |
| Certification and stewardship ⁴ | 41.7 | 23.3 | 27.8 |
| Studies and assistance ⁵ | 396.1 | 129.5 | 371.9 |
| Total | 2,469.6 | 4,227.2 | 5,516.1 |

1. Although the amount of the sharing of benefits is lower than in 2008, the amounts for 2009 refer to only 12 months, whereas the amount for 2008 represents the cumulative payment of previous contracts. 2. Includes resources donated to the Escola Municipal Indígena Pamáali (Pamáali Indian Municipal School). 3. Includes workshops and courses paid for by Natura for the communities to improve their sustainable production techniques. 4. Includes the amounts invested in the certification of cultivation areas at the supplier communities. 5. Studies and assistance: Includes studies and consulting services provided by specialized professionals and NGOs contracted by Natura to work at the supplier communities.

THE MURUMURU CASE

The Public Attorney's Office of the state of Acre filed, in 2007, an action in order to investigate whether there was any irregular use of and access to the traditional knowledge associated with the use of the murumuru palm plant developed by the native Brazilian community Ashaninka, in the state of Acre. According to the case, a researcher obtained this knowledge and unduly transferred it to other companies. We were included in this proceeding because we use the murumuru palm in our products.

In addition to the fact that the use of this ingredient has been documented in scientific bibliographies since 1941, we clarify that we never worked with the researcher in question or with the knowledge of the Ashaninka community. Additionally, we filed the request to access the genetic heritage of the murumuru palm with the Management Council of Genetic Heritage (CGEN) by means of the Middle Juruá Extractivist Reserve located in the municipality of Carauari, state of Amazonas. We signed a previous agreement in November 2008.

We recognize the importance of the indigenous peoples and traditional communities as guardians of this knowledge. We were the first Brazilian company, even without the existence of a law, to compensate Brazilian traditional communities for their knowledge of biodiversity.



SURROUNDING COMMUNITIES

Natura believes that one of its roles is to pay special attention to and be effectively involved with the communities surrounding its units. This relationship is most comprehensive and direct with the people from Cajamar (state of São Paulo), Itapecerica da Serra (state of São Paulo), and Benevides (state of Pará), where the main operating activities are carried out in Brazil.

We work on this relationship by seeking to encourage the community's potentials and identify its needs by conducting programs that may contribute to local development. However, we believe that this should not be an isolated effort by Natura. We want to work more like an agent in this process, in partnerships that involve other social players for the development of projects that have lasting results and can change these communities.

In 2009, we discussed and approved the Principles of Relationships with the Surrounding Communities, which were presented to the representatives of the communities in two engagement panels. These principles better determine the scope of our work and result from the lessons learned during these years of relationships.

In 2009, we invested more than R\$ 410,000 in projects involving the surrounding communities of Cajamar and Itapecerica da Serra, R\$ 407,900 of which were the company's own funds and the remaining R\$ 2,500 were funds from the Crer para Ver (Believing is Seeing) Program used in the printing of newspapers for teachers associated with the Municipal Board of Education. The objective of the publication is to encourage the exchange of experiences between teachers and maintain parents and the school community well-informed.

INVESTMENT IN INFRASTRUCTURE AND SERVICES FOR PUBLIC BENEFIT (R\$ THOUSANDS)¹

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| Investments in the communities surrounding Natura's plants – Natura's resources | 391.5 | 342.8 | 407.9 |
| Investments in the communities surrounding Natura's plants – Resources from the Crer para Ver (Believing is Seeing) Program | n.a | 249.2 | 2.5 |
| Total | 391.5 | 592.0 | 410.4 |

1. The investments refer to the municipalities of Itapecerica da Serra and Cajamar. 2. This amount does not include indirect resources, which reached the communities by means of the Trilhas (Trails) Project in Cajamar, and the Encontros de Leitura (Reading Meeting) Project in Itapecerica da Serra, both related to the Crer para Ver (Believing is Seeing) Program. As these projects are developed and implemented in many municipalities of Brazil, they have not been calculated separately for the surrounding communities.

We are increasing the scope of our work to Santana do Parnaíba and working with a broader surrounding community concept. This has already been reflected in the hiring of 297 employees from the municipalities of Santana do Parnaíba, Várzea Paulista, and Campo Limpo, the equivalent of 9.1% of the 3,249 permanent employees at the Cajamar plant. We also have many temporary workers and in-house outsourced workers who live close to the Cajamar and Itapecerica da Serra plants. In Benevides, however, of the 51% directly contracted employees, 98% are from the state of Pará. (Graph 1 e 2)

In 2009 there was an increase in the business volume with partners from the surrounding communities at the two plants that have production processes: Cajamar and Benevides. Expenses of purchases from the surrounding communities of the Itapecerica da Serra unit remained stable.

PURCHASES FROM SUPPLIERS FROM THE SURROUNDING COMMUNITIES (R\$ MILLIONS)

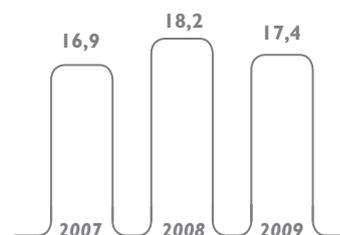
| | 2007 | 2008 | 2009 |
|-----------------------------------|-------------|-------------|--------------|
| Cajamar ² | 46.0 | 52.0 | 69.9 |
| Itapecerica da Serra ² | 0.8 | 1.2 | 1.2 |
| Benevides ³ | 6.5 | 34.4 | 44.6 |
| Total | 53.3 | 87.6 | 115.7 |

1. The method for consolidating this indicator was changed; this is why historical data have been restated. The amounts include taxes.

2. Purchases from suppliers in the municipalities of Cajamar and Itapecerica da Serra, metropolitan region of São Paulo.

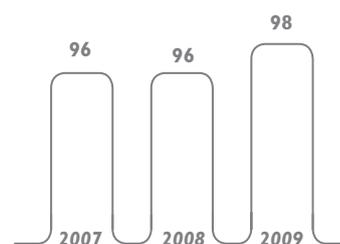
3. Purchases from suppliers from the state of Pará made exclusively for the soap plant in Benevides, Pará.

1. EMPLOYEES FROM CAJAMAR (%)¹



1. In Itapecerica da Serra, only administrative activities are carried out and, therefore, the unit does not have any employee from the surrounding community

2. EMPLOYEES FROM THE REGION OF BENEVIDES (%)



ITAPECERICA DA SERRA

In Itapecerica da Serra, our relationship is strongest with the district of Potuverá, where approximately 9,000 people live, but we have been working on projects that will be extended to a broader area of the municipality. The program for the expansion of selective garbage collection in the municipality is one example. Our work is carried out on two fronts: to support the work of the Municipal Environment Department (Green Division), which is co-responsible for implementing the program; and to support the structuring of the Cooperativa de Recicladores de Itapecerica da Serra (Cooperative of Recyclers of Itapecerica da Serra, CRIS). We believe that this project may be used as a model for selective garbage collection campaigns in other Brazilian municipalities.

The first step was to better understand the dynamics of waste production in the city, which has different districts, some highly populated and some with rural characteristics. In January 2009, the Socio-Environmental Diagnosis was completed. This was a study carried out in the districts of Potuverá and Branca Flor by the Institute of Socio-Environmental Projects and Research (Ipesa), with the support of Natura, the City Hall and the Cooperative of Recyclers. Based on this study, it was possible to design a medium-term collection program taking into consideration the differences between the districts. Our objective is to extend the selective garbage collection program to the whole municipality by 2012.

The local cooperative increased the volume of collected recyclable materials to around 50 metric tons/month thanks to the systematization of collection in the district of Potuverá. In 2008, the monthly average collection was 16 metric tons of recyclable materials from schools, public bodies and companies. In the second half of 2009, we also signed an agreement for sending the recyclable materials generated at our Itapecerica da Serra unit to CRIS. In total, 96.1 metric tons of materials were sent to CRIS over a period of six months.

In 2009 the municipality of Itapecerica da Serra started to benefit from the Encontros de Leitura (Reading Meetings) project of the Crer para Ver (Believing is Seeing) program carried out by Natura in partnership with the Education and Documentation Center for Community Action (Cedac). This program is aimed at raising the awareness of teachers who work with children between four and six years old on the importance of actions that help the development of children's reading and writing capabilities. The project lasts two years and involves 50 teachers from 29 schools and 37 technical professionals and directors of schools, benefiting 1,461 students.

CAJAMAR

In the municipality of Cajamar we followed a different process in 2009. After more than a decade running and supporting projects such as the one to implement a Master Plan in the municipality and the one organizing discussions on Agenda 21, which involved over 4,000 participants in different activities between 2004 and 2009, we saw the public sector taking over the lead role.

We see this as positive, but we admit that we did not progress the way we wanted to in Cajamar in 2009. Some of the projects scheduled for the year, such as the one to establish a sapling nursery in partnership with the NGO Mata Nativa and local authorities, did not materialize. The same happened with the review of the Decennial Education Plan to be conducted with the Municipal Education Board. Given our commitment to work with the local community, Natura intends to resume discussing these projects with local players in 2010.

Last year, we continued to support the NGO Mata Nativa in the implementation of Agenda 21. Within the project, we had 47 meetings in the districts, with an average of 32 participants per meeting. For the third consecutive year, we sponsored the publication "Cajamar em Verso e Prosa" (Cajamar in Verse and Prose) organized by the Municipal Board of Education, a project that involves the school community in writing activities that aim to celebrate the memory and identity of the people from the city of Cajamar, as well as its local culture.

We were also involved in a discussion that we consider extremely important: the renewal of the agreement for the supply of water and sewage services between the City Hall of Cajamar and Sabesp, the São Paulo state water utility). We have participated in the meetings and public hearings that aim to develop a sanitation plan that is more appropriate for the region.

In 2009, Cajamar participated in the *Trilhas* (Trails) Project, which involved all public schools and involved children between 4 and 6 years of age in Elementary and Middle or Early Education Schools. A total of 16 municipal schools, 125 teachers, and 2,863 students participated in the project.

BENEVIDES

The industrial plant of Benevides, in the state of Pará, has been operating since 2006. We have been consistently strengthening our ties with the local communities over these years. This has been happening mainly with the extractivist and small farming communities that supply some of the ingredients used at the plant.

We work with 11 community ventures that involve 610 families, from which in 2009 we bought 394 metric tons of inputs, a significant increase from the 152 metric tons acquired in 2008. These producers are in many towns and cities in the state, and not limited to the municipality of Benevides. At the moment, we do not intend to work with new producers, but instead to strengthen links to those we already work with.

Despite the progress we have made, we know we have a long way to go. We are in a region that has suffered for decades from environmental degradation and economic pressure. Our challenge, in addition to overcoming socio-environmental and cultural barriers, is to encourage more action by the local public authorities. In 2009, we conducted several initiatives promoting local development and strengthening partnerships, such as tax consulting and organizing meetings on harvest planning and evaluation.

Among these initiatives are: the organization of the First Forum of Agricultural and Extractivist Cooperativeness and its Insertion in the Market, the development of programs for training youngsters in the management of cooperatives; the announcement of results in seminars for the exchange of experiences; the organization of workshops to raise awareness on work safety and health; tax consulting; the promotion of knowledge of permaculture techniques; and the organization of meetings for harvest planning and evaluation.

With the continuity of these actions, we intend to strengthen the relationship with the community of Benevides in 2010 and our challenge for the coming years will be to strengthen our relationship with the local government.



SHAREHOLDERS

Since 2004, when we went public, we have been investing in the development of a transparent and first-class relationship with shareholders, investors, and market analysts. We try to keep these stakeholders well informed, and we follow the recommendations of the Brazilian Securities Commission (CVM), as well as the rules of the BM&FBovespa, where the shares issued by Natura are listed in the New Market segment.

Tools of communication with these stakeholders include quarterly teleconferences for the disclosure of results and regular updating of the Investor Relations website with information on performance and results previously approved by our Audit Committee, Executive Committee (Comex), and by the Board of Directors.

The website contains accounts of events in which we participate, presentations we make, and information on our capital structure and on the distribution of dividends, among other things. The website provides for direct communications by means of the "Speak to Investor Relations" channel.

Every year, we hold a public presentation, an event that is structured by the Association of Investment Analysts and Professionals of Capital Markets (Apimec – state of São Paulo), with our CEO, Senior Vice President of Financial and Legal Affairs, and the Investor Relations team all present.

In 2009 we also participated in 15 conferences for investors in Brazil and abroad, and in road shows in Brazil, the United States, and Europe on the secondary offering of shares.

Another highlight was a first-ever Meeting with Analysts and Market Professionals (Natura's Day) held at our plant in Cajamar, state of São Paulo, in which presentations by our senior management helped more than 60 Brazilian and foreign investors and analysts get to know Natura.

PROFILE OF SHAREHOLDERS

In 2009, the secondary offering of shares increased Natura's free-float – available-for-trading shares – from 26.2% to 39.5%, which positively affected the shares' liquidity and, together with the positive results for the year, the company's value itself (*learn more on page 17*). (Graph 1)

At the end of 2009, we had 8,927 shareholders, 7,699 of which were individuals and 1,228 were Brazilian and foreign legal entities.

PROFILE OF SHAREHOLDERS

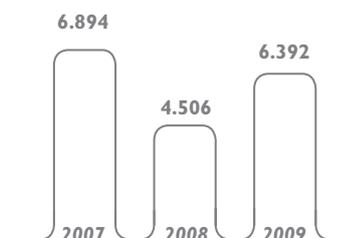
| | 2007 | 2008 | 2009 |
|--------------------------|---------------|---------------|--------------|
| Individuals | 19,813 | 9,993 | 7,699 |
| Brazilian legal entities | 633 | 396 | 560 |
| Foreign legal entities | 352 | 538 | 668 |
| Total | 20,798 | 10,927 | 8,927 |

With respect to the number of outstanding shares, at the end of 2009 foreign corporate investors held 84.8% of the shares, while Brazilian corporate investors held 8%, and individuals, 6.3%.

CAPITAL STRUCTURE

| SHAREHOLDERS | INTEREST | NUMBER OF SHARES |
|-----------------------|---------------|--------------------|
| Majority shareholders | 60.0% | 258,017,219 |
| Treasury shares | 0.0% | 655 |
| Management shares | 0.5% | 2,323,878 |
| Outstanding shares | 39.5% | 169,932,709 |
| Total shares | 100.0% | 430,274,561 |

I. TOTAL VOLUME OF SHARES TRADED (R\$ MILLIONS)^{1 2}



1. The 2007 and 2008 amounts were adjusted because there was a change the historical price of shares due to the distribution of dividends.
2. The information was updated in accordance with the history of *Econômica*.

CONTROL GROUP

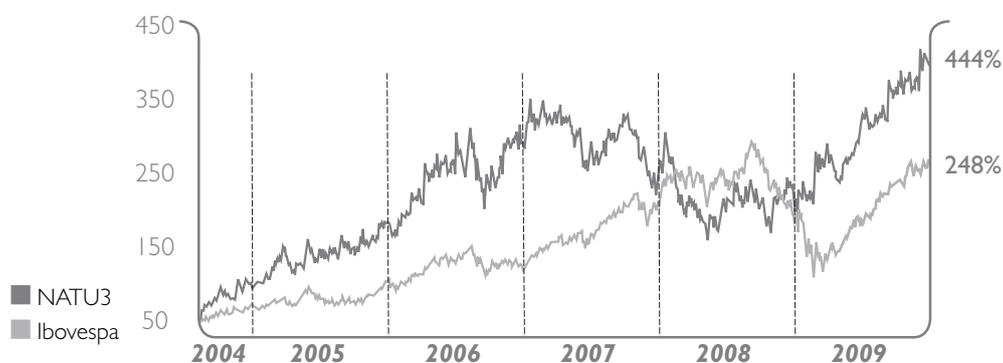
Our capital stock is mainly composed of common shares. The table below shows the number of shares of our capital stock held by shareholders that own 5% or more of our capital stock and by the members of our Board in 2009.

| Shareholder ¹ | Number of common shares | (%) |
|---|-------------------------|-------|
| Lisis Participações S.A. Controlled by Antonio Luiz da Cunha Seabra | 95,946,968 | 22.3% |
| Utopia Participações S.A. Controlled by Guilherme Peirão Leal | 91,557,964 | 21.3% |
| Passos Participações S.A. Controlled by Pedro Luiz Barreiros Passos | 22,606,809 | 5.3% |
| ANP Participações S.A. Controlled by Anizio Pinotti | 22,583,608 | 5.2% |
| RM Futura Participações S.A. Controlled by Ronuel Macedo de Mattos | 15,918,754 | 3.7% |
| Antonio Luiz da Cunha Seabra | 3,628,920 | 0.8% |
| Guilherme Peirão Leal | 3,462,917 | 0.8% |
| Pedro Luiz Barreiros Passos | 855,038 | 0.2% |
| Anizio Pinotti | 854,160 | 0.2% |
| Ronuel Macedo de Mattos | 602,081 | 0.1% |

(1) They all participate in the shareholders' agreement.

RESULTS

Natura's shares (Natu3) have appreciated since the beginning of 2009, and their price at the end of the year was R\$ 36.31. Whereas the main index of the São Paulo Stock Exchange (Ibovespa) appreciated 82.7%, Natura's shares rose 101.6%. Since going public, Natura's shares have appreciated 444%, whereas the Ibovespa rose 248% in the same period.



We remained listed on the leading Brazilian share market indexes – Ibovespa, IbrX-50 (which list the 50 most liquid shares on the stock exchange), the Special Tag Along Stock Index (Itag), the Special Corporate Governance Stock Index (IGC) and the Corporate Sustainability Stock Index (ISE), which uses sustainability criteria to select shares of listed companies. Natura is also part of the Morgan Stanley Composite Index (MSCI), a reference for foreign investors.

PAYMENT OF DIVIDENDS

On February 24, 2010, the proposal for the payment of R\$ 554.5 million in dividends and R\$ 43.3 million as gross profit on capital (R\$ 36.8 million net of income tax) related to the results for 2009, was approved by Natura's Board of Directors and submitted to the Annual Shareholders' Meeting (ASM).

Of the amount above, dividends amounting to R\$ 215.2 million and interest on capital amounting to R\$ 21.3 million (net of withholding tax) related to the results accrued in the first half of 2009 were paid on August 12, 2009. The remaining balance will be paid after the approval of the ASM in April 2010. The aggregate of these dividends and interest on capital related to the results for 2009 represent net earnings of R\$ 1.37 per share (R\$ 1.15 per share in 2008), corresponding to 86.5% of net income¹ for 2009.

1. Net income in accordance with Law No. 6,404/76.

GOVERNMENT

Natura's relationship with the government is guided by open, transparent, and unbiased dialogue with the three branches. We want to be recognized as an important party in efforts to develop public policies to influence the direction of society on matters related to our business and our vision of the world.

We also engage through trade associations, in particular the Association of Personal Hygiene, Perfumery, and Cosmetics Industry (Abihpec) and the Brazilian Direct Selling Association (ABEVD) to join forces and advance the collective needs of our industry.

This relationship has well-defined processes and information management tools. Over the past few years we have formalized our positions and conduct in documents that we delivered to those attending our meetings. These documents are the Relationship Principles with the Government, which contain the basic guidelines; the Integrity Policy against Corruption and Bribery, in which we condemn all illicit practices; and the Campaign Donation Policy, in which we clarify the option of our company not to make donations to candidates or political parties, in or out of election periods.

Also, since 2008, we have a Position on the Practice of Political Lobbying, a document in which we align ourselves with those favorable to lobbying, provided it is done ethically and transparently. We support the regulation of this activity, which is lawful and legitimate, but which also needs established rules and limits. The following employees perform lobbying activities on behalf of our company: Daniel Serra, Denis Oliveira, Kassia Reis, Rodolfo Guttilla, and Thais Chueiri.

The main focus of our process for managing governmental relations, which includes knowledge management tools and a program for approaching members of Congress, is the Priority Agenda of Governmental Relations. Set annually, it establishes focus areas linking the Brazilian political and institutional world and Natura's Strategic Planning. In 2009, our agenda was guided by discussion around four topics: tax reform; taxation in different states; the regulatory environment of the personal hygiene, perfumery, and cosmetics industry; and Brazilian legislation on access to resources from biodiversity and associated traditional knowledge.

With respect to tax policies, we continue to work under the leadership of the main entities that represent us: the Association of Cosmetics, Toiletry and Fragrance Industry (Abihpec) and the Brazilian Direct Selling Association (ABEVD). In 2009, although the progress we expected on tax reform was not made, we continue to make our position clear and closely monitor discussions.

Particularly with respect to taxation in different states, we supported the efforts of ABEVD with the São Paulo State Finance Department to determine a new methodology for determining a Value Added Margin (VAM) that reflects the difference between the many different distribution channels for cosmetic and personal hygiene products. The methodology was determined and a survey on the calculation of the margin in each state was conducted by the Getúlio Vargas Foundation to determine the VAMs in 2010. In the states of Paraná and Mato Grosso do Sul, as well as in the Federal District, where an agreement regarding the methodology for determining the VAM was not reached, we are trying to settle the matter in court. In all states, the parties in issues related to taxation are state finance departments.

In the regulatory environment we collaborate with the efforts of the Council of Latin American Cosmetic Industry Associations (Casic) to standardize sanitary laws in Latin American countries. The Brazilian National Agency of Sanitary Vigilance (Anvisa), sympathetic to the industry's concerns, continues to negotiate alternatives with peer institutions from other countries in the region.

We took steps to promote a new legal framework for access to biodiversity and associated traditional knowledge that ensures sustainable conditions for the exploration of Brazilian genetic heritage and the traditions associated with it. The cosmetics and personal hygiene industry participated in all formal public processes for the discussion of a new legislation, trying to make contributions on environmental and sustainable development issues and presenting these to members of Congress. In 2009, there were reports that some of the main ministries involved had come to a consensus on a new draft bill whose wording had been developed by the Chief of Staff of the Republic of Brazil to be submitted to

the National Congress. The industry established dialogues with many players to reaffirm its interest in making contributions and to request that, given its importance, the text be submitted to the Congress immediately (*learn more about biodiversity on page 64*). The main parties to this topic were the Environment and Science and Technology ministries, the Chief of Staff of the Presidency of the Republic of Brazil, and the Office of the Attorney General.

Our efforts brought results: we were the first company to obtain special authorization from the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) to access genetic resources for scientific research. This type of license, which simplifies the development of technologies based on biodiversity, represents important institutional progress.

Together with Abihpec, we intensified our dialogue with the Municipal Administration of São Paulo to discuss ways of improving the Municipal Law on Solid Waste of São Paulo, which was enacted last year. Natura and a number of other companies in 2009 received notification from the municipal government about non-compliance with the waste law, which requires the performance of reverse logistics for the post-consumption packaging of our products in the city of São Paulo. We would like to collect all this material and give it the proper treatment, but this would require creating a complex chain involving manufacturers, authorities, and consumers. We consider the current law unconstitutional and advocate its improvement and the creation of a National Policy for Solid Waste, so that reverse logistics can actually be implemented in Brazil.

Through Abihpec, Natura is part of the *Dê a Mão para o Futuro* (Give Your Hand to the Future) project, which is working toward the implementation of reverse logistics projects in several cities. In 2009 Abihpec signed an instrument for technical cooperation with the Rio de Janeiro State Environment Department.

Natura is not a party to any litigation involving matters of competition law nor does it have a history of significant fines or non-monetary sanctions arising from non-compliance with laws and regulations. In the sphere of trade associations, such as Abihpec and ABEVD, we have a harmonious relationship with competitors and an established openness for discussions related to the business and to contributing to increasing competition in both the industry and the sector.

In 2009, we received financial assistance from the government by means of tax incentives in the total amount of R\$ 19.2 million. An example was the deduction of taxes, totaling R\$ 10 million, by means of the federal government's Lei do Bem (Law of Good), which provides tax benefits to companies that develop technological innovations.

SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT (R\$ MILLIONS)

| | 2007 | 2008 | 2009 |
|--|-------------|-------------|-------------|
| Tax incentives for Support and Sponsorships ¹ | 6.6 | 5.2 | 6.1 |
| Lei do Bem (income tax deductions on up to twice the spending on technological Research and Innovation) ² | 14.7 | 15.6 | 10.0 |
| ICMS value-added tax subsidy in Itapecerica da Serra | 2.8 | 1.8 | 3.1 |
| Urban Real-Estate Tax (IPTU) exemption in Itapecerica da Serra and Cajamar ³ | 0.1 | 0.0 | 0.0 |
| Total | 24.2 | 22.7 | 19.2 |

1. Legal entity's income tax (IRPJ) incentives granted through the Rouanet Law, the Audiovisual Law, the Children's Rights Fund and the Workers' Meal Program, and ICMS value-added tax incentives in the state of Minas Gerais through the Natura Musical (Musical Natura) program.

2. The tax benefit related to the Lei do Bem was changed in 2007 and 2008 due to the review/audit in the Technological Research and Innovation projects that are eligible for the tax incentive.

3. Tax incentive referring to the reimbursement of IPTU tax paid in Itapecerica da Serra, as a result of investments made in the region.

LEADERSHIP AND SOCIAL INFLUENCE

Natura seeks to positively influence its stakeholders by means of open and transparent dialogue. We want to take the lead in the transformation of our society. This is why we actively participate in socializing opportunities, discussions, and collaboration events in Brazil and abroad. In 2009, we were formally represented in 47 trade associations, entities, and organizations.



REPRESENTATION IN TRADE ORGANIZATIONS AND ASSOCIATIONS

| Trade Organization/Association | Natura Representative | Type of Representation |
|---|------------------------|---|
| ABERJE - Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication) (www.aberje.com.br) | Rodolfo Guttilla | Chairman of the Decision-Making Council |
| ABEVD - Associação Brasileira de Empresas de Vendas Diretas (Brazilian Association of Direct Selling Companies) (www.abevd.org.br) | 1. Rodolfo Guttilla | 1. Vice-chairman |
| | 2. Lucilene Prado | 2. Coordinator of the Committee of Legal Affairs and Government Relations |
| | 3. Leandro Machado | 3. Chairman of the Ethics Committee |
| ABIFRA – Associação Brasileira das Indústrias de Óleos Essenciais, Produtos Químicos Aromáticos, Fragrâncias, Aromas e Afins (Brazilian Association of Essential Oils, Aromatic Chemical Products, Fragrances, Aromas and Similar Industries) | Sérgio Gallucci | Representative |
| ABIHPEC - Associação Brasileira das Indústrias de Higiene Pessoal, Perfumarias e Cosméticos (Brazilian Association of the Personal Hygiene, Perfume and Cosmetic Industry) | 1. Rodolfo Guttilla | 1. Vice Chairman |
| | 2. Lucilene Prado | 2. Director |
| | 3. Oriana Rey | 3. Representative of the Environment Committee |
| | 4. Elizabete Vicentini | 4. Representative of the Technical and Regulatory Committee |
| | 5. Luiz Felipe Moreira | 5. Representative of the Human Resources Committee |
| ABNT - Associação Brasileira de Normas Técnicas (Brazilian Association of Technical Standards) (www.abnt.org.br) | Luciana Villa Nova | Representative |
| ABRASCA - Associação Brasileira das Companhias Abertas (Brazilian Association of Listed Companies) (www.abrasca.org.br) | Helmut Bossert | Representative |
| ABRH - Associação Brasileira de Recursos Humanos (Brazilian Association of Human Resources) | Denise Asnis | Representative |
| ABPI - Associação Brasileira da Propriedade Intelectual (Brazilian Association of Intellectual Property) (www.abpi.org.br) | Lucilene Prado | Representative |
| AIPPI - Association Internationale pour la Protection de la Propriété Intellectuelle (International Association for the Protection of Intellectual Property) (www.aippi.org) | Lucilene Prado | Representative |
| AMVD - Asociación Mexicana de Ventas Directas (Mexican Direct Selling Association) | Maria Teresa Sterling | Representative |
| ANPEI - Associação Nacional de Pesquisa, Desenvolvimento e Engenharia das Empresas Inovadoras (Brazilian Association of Research, Development and Engineering of Innovative Companies) (www.anpei.org.br) | Luciana Hashiba | Director |

| Trade Organization/Association | Natura Representative | Type of Representation |
|---|-----------------------|--|
| ASIPI - Asociación Interamericana de la Propiedad Industrial (Interamerican Association of Industrial Property) (www.asipi.org) | Lucilene Prado | Representative |
| Asociacion Civil Argentina de Empresas Brasileñas (Argentine Civil Association of Brazilian Companies) (www.grupobrasil.com.ar) | Heriovaldo Silva | Pro-treasurer |
| ASPI - Associação Paulista da Propriedade Intelectual (São Paulo Association of Intellectual Property) (www.aspi.org.br) | Lucilene Prado | Representative |
| CAPA - Cámara Argentina de la Industria de Cosmética y Perfumería (Argentine Chamber of the Cosmetics and Perfumery Industry) | Heriovaldo Silva | Deputy member of the Comision Revisora de Cuentas (Accounts Review Commission) |
| Cámara de Comercio de Lima (Chamber of Commerce of Lima) | José Ramon | Representative |
| CANIPEC - Cámara Nacional de la Industria de Perfumaria, Cosmetica y Articulos de Tocador e Higiene (Mexican National Chamber of the Perfumery, Cosmetics and Beauty and Personal Care Products Industry) | Maria Teresa Sterling | Representative |
| CAVEDI - Cámara de Venta Directa de Argentina (Direct Selling Chamber of Argentina) | Heriovaldo Silva | Pro-treasurer |
| Cámara de Venta Directa de Chile (Direct Selling Chamber of Chile) | Axel Moricz | Director |
| Cámara Peruana de Venta Directa (Peruvian Chamber of Direct Selling) | José Ramon | Representative |
| CAMBRAS - Cámara de Comercio Argentino Brasileña (Argentine Brazilian Chamber of Commerce) (www.cambras.org.ar) | Heriovaldo Silva | Representative |
| CASIC - Consejo de Asociaciones de la Industria de Cosméticos Latinoamericana (Council of the Latin American Cosmetics Industry Association) | Rodolfo Guttilla | Representative |
| CEMEFI - Centro Mexicano para la Filantropía (Mexican Center for Philanthropy) | Maria Teresa Sterling | Representative |
| CIESP - Centro das Indústrias do Estado de São Paulo (Center of Industries of the State of São Paulo) (www.ciesp.org.br) | Rodolfo Guttilla | Director |
| ETHOS - Instituto Ethos de Empresas e Responsabilidade (www.ethos.org.br) | Guilherme Peirão Leal | Member of the Decision-Making Council |
| FNQ – Fundação Nacional da Qualidade (Brazilian National Foundation on Quality) (www.fnq.org.br) | Pedro Luiz Passos | Vice Chairman of the Board of Trustees |
| FUNBIO - Fundo Brasileiro para a Biodiversidade (Brazilian Fund for Biodiversity) (www.funbio.org.br) | Guilherme Peirão Leal | Member of the Advisory Board |

| | | |
|--|---|--|
| Fundação SOS Mata Atlântica (SOS Atlantic Forest Foundation) | Pedro Luiz Passos | Member of the Board |
| GIFE - Grupo de Institutos Fundações e Empresas (Group of Institutions, Foundations and Companies) | Maria Lucia Guardia | Representative |
| GRI - Global Reporting Initiative (www.globalreporting.org) | Rodolfo Guttilla | Member of the Stakeholder Council and Co-chair of the Brazilian National Annex |
| IBGC - Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Investor Relations) (www.ibri.org.br) | Moacir Salztein | Representative |
| IBRI - Instituto Brasileiro de Relações com Investidores (www.ibri.org.br) | Helmut Bossert | Representative |
| IEDI - Instituto de Estudos para o Desenvolvimento Industrial (Institute of Studies for Industrial Development) (www.iedi.org.br) | Pedro Luiz Passos | Chairman of the Board |
| Instituto Empreender Endeavor Brasil (Endeavor Brazil Entrepreneur Institute) (www.endeavor.org.br) | Pedro Luiz Passos | Member of the Board |
| Instituto São Paulo Contra a Violência (São Paulo Institute Against Violence) (www.spcv.org.br) | Rodolfo Guttilla | Representative |
| INTA - International Trademark Association | Lucilene Prado | Representative |
| IPT - Instituto de Pesquisas Tecnológicas (Institute of Technological Research) (www.ipt.br) | Pedro Luiz Passos | Member of the Board |
| MBC - Movimento Brasil Competitivo (Competitive Brazil Movement) (www.mbc.org.br) | Pedro Luiz Passos | Member of the Board |
| Movimento Nossa São Paulo (Our São Paulo Movement) (www.nossasaopaulo.org.br) | Guilherme Peirão Leal | Chairman of the Decision-making Council of the Sustainable São Paulo Institute |
| PCPC Council - Personal Care Products Council (www.personalcarecouncil.org) | Elizabete Vicentini | Representative |
| Rede Social São Paulo (São Paulo Social Network) | Maria Lucia Guardia | Member of the Management Committee |
| SIPATESP - Sindicato da Indústria de Perfumaria e Artigos de Toucador do Estado de São Paulo (Perfume and Beauty Products Industry Union in the State of São Paulo) | 1. Rodolfo Guttilla 2. Lucilene Prado | 1. Vice Chairman 2. Deputy Director |
| The Arthur W. Page Society (www.awpagesociety.com) | Rodolfo Guttilla | Representative |
| UEBT - Union For Ethical Biotech | Marcos Vaz | Vice-chairman |
| WBCSD - World Business Council for Sustainable Development (www.wbcsd.org) | Julio Moura | Member of the Board |
| WFDSA - World Federation of Direct Selling Associations | 1. Alessandro Carlucci 2. Rodolfo Guttilla | 1. Bursar 2. Member of the Board |
| WWF Brasil (www.wwf.org.br) | Guilherme Peirão Leal | Member of the Advisory Board |

WHAT FOOTPRINT WE LEAVE

CREATION OF SOCIAL VALUE

In 2009, we once again increased the creation and distribution of wealth to our stakeholders: employees, suppliers, consultants, shareholders and government - to the latter by paying taxes.

The increase in the amounts distributed is the result of several factors that arise from the strength of the market in which we operate, the consistent results due mainly to our strategy of growth in Brazil, and the more robust development of our operations in Latin America.

DISTRIBUTION OF WEALTH (R\$ MILLIONS)¹

| | 2007 | 2008 | 2009 |
|---------------------------|---------|---------|---------|
| Shareholders ² | 391.1 | 425.9 | 551.9 |
| Consultants | 1,722.1 | 2,023.8 | 2,302.5 |
| Employees | 390.3 | 556.4 | 643.0 |
| Suppliers | 2,329.7 | 2,357.2 | 2,687.6 |
| Government | 948.3 | 1,276.7 | 1,547.3 |

1. Due to changes in many accounting practices by various bodies, we recalculated the amounts for government in 2007, and for other stakeholders, except for consultants, in 2008.

2. The amounts reported correspond to dividends and interest on capital that were effectively paid to shareholders, that is, calculated on a cash basis. As a result, the historical data was changed.

According to a survey carried out by Ipsos Insight in 2009, 46% of the NCs belong to the social-economic class B and 43% to the C social class. For 70% of the NCs, the activity of Natura consultant represents an income supplement and, for 22%, it is the only source of income. Most of NCAs, however, most of them, 53%, are from the B social class. For 49% of the Natura Consultant Advisers, the activity represents the only source of income.

INVESTMENT MATRIX

In 2009, we maintained the same proportion of 1.2% of investments in corporate responsibility in relation to Natura's Net Revenues. Among the benefiting stakeholders who recorded a more significant increase are consultants, with an increase in investments in education and training (*more information on page 41*), and society, particularly due to the increase in investments in sponsorships and projects of civil society partners (*see the next page*). In environment, the highlights were once again the projects for offsetting greenhouse gas emissions selected by the Carbon Neutral Program.

On the other hand, we saw a reduction in the resources used in management due to the restructuring process Natura undergone in 2009.

MATRIX FOR INVESTMENT IN CORPORATE RESPONSIBILITY¹ (R\$ THOUSANDS)

| | 2007 | 2008 | 2009 |
|--|-----------------|-----------------|-----------------|
| Employees, families, and third parties | 19,084.0 | 18,729.3 | 17,251.3 |
| Consultants | 1,801.4 | 2,566.8 | 3,563.4 |
| Consumers | 468.3 | 270.9 | 480.3 |
| Suppliers | 232.3 | 212.8 | 243.8 |
| Supplier communities ² | 1,993.1 | 647.0 | 1,424.6 |
| Surrounding communities | 391.5 | 342.8 | 407.9 |
| Society ³ | 7,058.7 | 8,777.4 | 15,672.0 |
| Environment | 1,849.09 | 5,467.2 | 8,073.6 |
| Total invested in stakeholders | 32,878.2 | 37,014.2 | 47,117.0 |
| Management expenses | 9,591.9 | 7,148.3 | 4,045.7 |
| Total Natura funds | 42,470.1 | 44,162.5 | 51,162.7 |

| | 2007 | 2008 | 2009 |
|--|-----------------|-----------------|-----------------|
| Percentage of net revenues | 1.4% | 1.2% | 1.2% |
| in the <i>Crer para Ver</i> (Believing is Seeing) program ⁴ | | | |
| Invested tax incentives – Roaunet Law | 2,484.8 | 3,767.0 | 3,768.2 |
| Incentivos fiscais investidos Lei Roaunet | 2,059.5 | 2,852.8 | 2,422.2 |
| Audiovisual Law | 1,098.0 | 400.0 | 920.0 |
| ICMS (state Value-Added Tax) in Minas Gerais | 2,101.6 | 2,000.0 | 645.0 |
| ICMS (state Value-Added Tax) in São Paulo | 814.3 | 540.7 | 0 |
| 1% Income Tax to CMDCA ⁵ | 227.0 | 0 | 938.0 |
| 1% Income Tax to Condeca ⁶ | 445.0 | 1,015.0 | 0 |
| Grand total | 51,700.3 | 54,738.0 | 59,856.0 |

1. The amounts invested in support and sponsorships are also taken into consideration in this matrix, but they are split among the benefited stakeholders. The matrix includes investments in projects or actions that are not intrinsic to Natura's business and go beyond legal requirements.

2. The amount for 2007 was recalculated, excluding the amount related to the sharing of benefits, which is presented in the table on page 50.

3. We verified that, in general, the end stakeholder benefiting from these investments is society. The amounts allocated to the government are listed as tax investments in this table and also in the distribution of wealth table.

4. For further information, please see the text on the *Crer para Ver* (Believing is Seeing) Program.

5. CMDCA - Municipal Council for the Rights of Children and Adolescents of the municipalities of Cajamar, Itapeverica da Serra, Matias Barbosa, Canoas, Benevides and Jaboatão dos Guararapes. Since 2008, 1% of income tax has been transferred to Condeca.

6. Condeca - State Council for the Rights of Children and Adolescents of São Paulo.

CRER PARA VER (BELIEVING IS SEEING)

Considered one of our high priority sustainability topics, education is a decisive factor for the development of a fairer society and one of the most effective mechanisms to change our world. To improve the quality of public education, we created in 1995 the *Crer para Ver* program.

Our consultants actively participate in the program as they sell, without making any profit, exclusive products of the *Crer para Ver* line. The total amount raised is invested in educational projects developed in public schools that focus mainly on encouraging reading and writing.

In 2009 we reached our target for funds raised in Brazil, which was R\$ 3.744 million, and we added R\$ 3.768 million that were allocated to the fund of the *Crer para Ver* program.

INVESTMENT IN EDUCATION FOR PUBLIC BENEFIT IN BRAZIL (R\$ THOUSANDS)

| | 2007 | 2008 | 2009 |
|---|---------|---------|---------|
| Net funds raised from the <i>Crer para Ver</i> ¹ | 2,487.8 | 3,767.0 | 3,768.2 |
| Total amount from the projects developed and supported by the <i>Crer para Ver</i> ² | 4,330.0 | 3,381.0 | 4,075.6 |
| Penetration of the <i>Crer para Ver</i> (% cycle) ³ | 8.2 | 9.9 | 7.1 |

1. Net funds raised refers to the net income of the program after deducting income tax.

2. The total amount from the projects refers to the total actually invested in the year (withdrawn from the fund and used in the projects).

3. Penetration is the indicator of the percentage of consultants who participate in the program divided by total potential consultants. Penetration data was considered until Cycle 18.

At the end of the year, our penetration was 7.1%. The drop in this rate led us to make some adjustments. In order to mobilize consultants, we started in 2009 to implement a new strategy to reposition the brand and develop products, making the *Crer para Ver* line more attractive, which will bear fruit in 2010.

In 2009 we extended the *Crer para Ver* program to the other Latin American operations, directing the focus of private social investment actions to education, and benefiting non-governmental organizations and local institutions. The net funds raised from the sale of products from the *Crer para Ver* line in Latin American operations totaled R\$ 430,000.

In Argentina, where the program has been carried out since 2008, we expanded our work to 12 education institutions, 10 more than in the previous year. The countries that started to receive the *Crer para Ver* (Believing is Seeing) Program's portfolio of products and to support educational causes include Peru, Colombia and Mexico. The Chilean operations, which were initially focused on the Consultora Natura Empreendedora Social (Social Entrepreneur Natura Consultant) program, will start to prioritize education from 2010. We will maintain the investment in the *Empreendedora Social* program, but independently from the *Crer para Ver* program.

TRILHAS (TRAILS) PROJECT

In 2009 we launched the Trilhas Project, which for its scope is considered the boldest initiative of the *Crer para Ver* Program since its creation. The project is an educational technology consisting of a set of materials developed to support the work of teachers and directors of public schools for children from 4 to 6 years of age.

The purpose of this project is to give teachers tools to train students to be readers and writers. The materials include children's books available in the Brazilian market. Indirectly, the Trilhas Project helps to reduce functional illiteracy in Brazil.

We reached our target of taking the Trilhas Project to 210 Brazilian municipalities in 2009. The project already serves 2,923 municipal schools, involves a group of 10,000 teachers and benefits 207,000 students. Trilhas is the result of an investment of two years of development. In the preparation of the materials and the development of the project methodology, we relied on the participation of leading educators. Transportation companies that distribute our products voluntarily distributed the materials to schools.

In a preliminary analysis, where we asked teachers to grade, from 0 to 10, the importance of the material for their work, the average grade was 9.2. We are developing qualitative surveys regarding the use of the material and the results of the project, which will be completed in 2010.

OTHER PROJECTS OF THE *CRER PARA VER* (BELIEVE IS SEEING) PROGRAM

In addition to the 210 municipalities included in the *Trilhas (Trails)* project, the other initiatives of the *Crer para Ver* program reach 40 Brazilian municipalities. The funds are invested in projects such as the *Encontros de Leitura (Reading Meetings)*, *Formar em Rede (Networking)*, and the *Chapada Project*. In 2009, we also supported the publication of newspapers of the Municipal Education Department of Cajamar, where our head office is located, and the donation of literature books to schools for youngsters and adults in partnership with the Bahia State Education Department.

ENCONTROS DE LEITURA (READING MEETINGS)

In 2009 the *Encontros de Leitura* project involved 226 schools from ten Brazilian municipalities, 1,200 teachers and 14,000 students. Carried out in partnership with the Education and Documentation Center for Community Action (Cedac), the initiative consists of person-to-person meetings between teachers and specialists to discuss and develop activities that provide the first contacts of children with reading. The initiative seeks to develop quality readers. It is aimed at pre-school professionals who work with children between four and six years old.

The project lasts two years and, in 2009, a new cycle for ten new cities was initiated. The project serves all the schools from the cities chosen. In 2009, 27 person-to-person meetings were held followed by the distribution of children's and adult's literature books to schools and teachers. The project will continue to be developed in the same cities through the end of 2010.

FORMAR EM REDE

The project is the result of a partnership with the *Avisa Lá* Institute and the *Razão Social* Institute, and is made possible by means of the support of many companies. It is present in 15 Brazilian cities. Natura supports the *Formar em Rede* project in the schools of six municipalities with funds from the *Crer para Ver* program.

The project consists of the establishment of a virtual community composed of specialists and professionals from the municipalities (directors, educational coordinators, teachers and technicians), by means of in-person and remote actions to improve the quality of education to children between zero and six years old.

At the beginning of 2009, an in-person seminar was held with the participation of representatives from the municipal education departments of the cities and schools served. At the time, the diagnoses were prepared that gave rise to the institutional projects that are currently being implemented at the schools. In total, 486 school, 1,000 teachers and around 10,000 students benefit from the *Formar em Rede* project.

CHAPADA PROJECT

The *Crer para Ver* program has been supporting the Chapada Project, which is developed by the Chapada Institute of Education and Research, for 12 years. The project aims at improving the quality of education by means of the training of elementary and middle school teachers. The activities include training in the areas of reading, mathematics and science to specific groups of directors, educational coordinators, technical supervisors and teachers, and also meetings with officials. The project serves 24 municipalities, 571 schools, 4,800 teachers and around 86,000 students from an area that covers the interior of the state of Bahia, the region of Chapada Diamantina and the semi-arid region of Bahia.

INITIATIVES OF THE CRER PARA VER PROGRAM IN 2009

| | Work front/ Project | Name of partner organization | Municipal- ties served | Nº of schools served | Nº of participating teachers, coordinators and directors | Nº of students benefited | Amount invested by the program in 2009 (R\$) |
|-----------------------|---|---|---------------------------|-------------------------|--|-----------------------------|---|
| Projects developed | CE - <i>Encontros de Leitura</i> Project | Education and Documentation center for Community Action (Cedac) | 10 | 226 | 1.201 | 14,236 | 933,498.33 |
| | EI - <i>Trilhas</i> Project | Education and Documentation center for Community Action (Cedac) | 210 | 2,923 | 10,115 | 207,702 | 2,537,168.32 |
| Projects supported | EMS - Chapada Project | Chapada Institute of Education and Research | 24 | 571 | 4,855 | 86,255 | 470,400.00 |
| | CE - <i>Formar em Rede</i> Project | Avisa Lá Institute and Razão Social Institute | 6 | 486 | 1,076 | 10,792 | 109,550.00 |
| Other sponsorships | EYA - Incentive for reading in the State of Bahia | Bahia State Department | - | - | - | - | 22,130.81 |
| | Surrounding Communities | Municipal Education Department of Cajamar | - | - | - | - | 2,850.00 |
| | | | 250 | 4,206 | 17,247 | 318,985 | 4,075,597.46 |

PS: Pre-School
EMS: Elementary and Middle School
EYA: Education of Youngsters and Adults

SUPPORT AND SPONSORSHIPS

Natura supports and sponsors initiatives in three main areas: Brazilian culture, focused on music; sustainable development, and the strengthening of civil society organizations. These topics are an expression of our Reason for Being, well-being well, and reinforce the beliefs that guide our corporate behavior.

Our main Brazilian culture initiative is the *Natura Musical* (Musical Natura) Program. Created in 2005, the program supports efforts that represent the diversity and richness of Brazilian music with projects from many artistic areas and from different levels of the production process. The projects are chosen through invitations to bid (a national one and a regional one, in Minas Gerais) and funded through tax incentive laws and by Natura. Some projects are also directly chosen by Natura.

In 2009 we supported 11 *Natura Musical* initiatives, which were added to the other 110 already supported since the beginning of the program. Among them were tours of the singers Arnaldo Antunes and Céu, the organization of the Dorival Caymmi Collection (www.dorivalcaymmi.com.br) and support for the *Grupo Ponto de Partida* and *Meninos de Araújo* and *Meninas de Sinhá* projects, both from Minas Gerais.

We also held the *Natura Nós About Us* festival to use music and other arts to awaken the vision and raise the awareness of the audience on issues related to sustainability.

HIGHLIGHTS OF THE 2009 NATURA MUSICAL (MUSICAL NATURA)

Dorival Caymmi Collection

Consists of the documentation of the life and work of one of the most important Brazilian musicians. The complete works and personal collection of this artist from the state of Bahia were organized and made available for free consultation on the Internet (www.dorivalcaymmi.com.br). Part of the collection was included in an exhibition on Caymmi held in Sala Tom Jobim at the Botanical Gardens of Rio de Janeiro. The project was selected by means of the national invitation to bid of *Natura Musical*.

Concerts and tours

The singer from São Paulo, Céu, presented her album “Vagarosa” in a tour sponsored by Natura in the five regions of Brazil. The project, selected by means of the national invitation to bid of *Natura Musical*, included 14 concerts in 12 cities. In total, 15,000 people saw the concerts, paying low-price tickets.

We also sponsored the musician Arnaldo Antunes for the tour of his new album “Iê Iê Iê”. The work was inspired by the the 60s Brazilian beat music of the same name), which gave rise to pop rock, but with contemporary lyrics, language and arrangements. The project consisted of a tour around the five regions of Brazil, totaling 16 concerts in 13 different cities.

Grupo Ponto de Partida and Meninos de Araçuaí

The People’s Center of Culture and Development (CPCD) and the *Ponto de Partida* Theater jointly carry out education and musical initiation initiatives for the children who live in the city of Araçuaí, located in the Jequitinhonha Valley, state of Minas Gerais. The project grew and, in contact with the fantasy of the theater and the songs from the region, the “*Meninos do Araçuaí*” choir was born. In 11 years of existence, the group performed five times, launched two albums and a DVD and developed community projects in the city. The most recent performance, “*Pra Nhá Terra*”, pays homage to our Earth in a poetic and musical way and was sponsored by Natura in 2009. In addition to the performance in four cities, the sponsorship included the maintenance of the training activities, rehearsals and professional preparation and the maintenance of the *Casa da Morada*, the headquarters of the project.

Meninas de Sinhá

The group is made up of women between 45 and 90 years and works on the preservation of traditional *cirandas* and *cantigas de roda* folk songs from the state of Minas Gerais. Selected by means of the regional invitation to bid in the state of Minas Gerais, the project sponsored by Natura involves a new print run of the album “*Semeando e Colhendo*” and the promotion of performances in seven cities of Minas Gerais.

Natura About Us

In 2009 we promoted the *Natura About US* festival for the purpose of providing experiences that reveal the power we all have to build a better world through music. With a two-day duration, the event gathered 18,500 people who watched concerts and participated in workshops such as the ones that were provided by the *Grupo Cultural AfroReggae* (AfroReggae Cultural Group). Among the Brazilian attractions, the highlights were the groups *Palavra Cantada*, *Grupo Ponto de Partida* and *Meninos do Araçuaí*, Arnaldo Antunes, Lenine and Carlinhos Brown. The international attraction was Sting.

SUSTAINABLE DEVELOPMENT

In our efforts to promote sustainable development, we tried to have an enlarged view of the issue. In 2009, we supported projects to raise awareness of the role of each of us in the development of a better world and in social entrepreneurship.

The main highlights were strengthening our partnership with the Grupo Cultural AfroReggae (AfroReggae Cultural Group); the final stage of the sponsorship of the expansion of the DNA Bank of Brazilian Flora Species conducted by the Botanical Gardens of Rio de Janeiro; and the exhibition on *Mulheres do Planeta* (Women of the Planet), of contemporary women from all parts of the world, displaying their power, diversity, and beauty. We present below some of the highlights of this initiative in 2009:

Grupo Cultural AfroReggae

Since 2006, Natura has been the institutional sponsor of the NGO *Grupo Cultural AfroReggae* headquartered in Rio de Janeiro. In 2009, Natura's sponsorship contributed to the improvement in the quality and the expansion of the impact of the roughly 70 social projects carried out by the NGO with the communities where it works. Directly and indirectly, over 10,000 people who live in the communities of Vigário Geral, Parada de Lucas, Complexo do Alemão, Cantagalo-Pavão-Pavãozinho and Nova Iguaçu were benefited.

Estúdio Natura Musical no Centro Cultural Wally Salomão (Natura Musical Studio at the Wally Salomão Cultural Center)

We sponsored the installation of a professional recording studio in the Wally Salomão Cultural center located in the community of Vigário Geral, Rio de Janeiro. Called *Estúdio Natura Musical*, the studio has state-of-the-art equipment that allows for professional audio recording. The studio will make possible the training of poor youngsters in the music recording business and, by selling its services, may also generate funds for the maintenance of the activities of the cultural center.

DNA Database of Species from Brazilian Flora

In 2009, we completed our support to the project that allowed for the inclusion of 2,000 new species in the DNA Database of Species from Brazilian Flora of the Botanical Gardens of the city of Rio de Janeiro. The objective of this project is to gather information on the genetics of the diversity of Brazilian flora. The DNA of relevant species from Brazilian ecosystems, particularly from the Atlantic Forest biome, is stored and preserved.

"Glaziou e os Jardins Sinuosos" (Glaziou and the Sinuous Gardens) Exhibition

Between November 2009 and January 2010, we sponsored the exhibition of the French landscaper Auguste François Marie Glaziou, who lived in Brazil in the second half of the 19th century and contributed to the urbanization of the city of Rio de Janeiro. The exhibition, held in the historical building of the *Museu do Meio Ambiente* (Environment Museum), at the Botanical Gardens of Rio de Janeiro, showed low plants, 180°-degree digital film projections and models of landscaping projects that value the relationship of man with his environment.

Mulheres do Planeta (Women of the Planet) Exhibition

Between May and July 2009, the French artist Titouan Lamazou presented his *Mulheres do Planeta* exhibition sponsored by Natura and held at Oca, in São Paulo. The exhibition was focused on a work on contemporary women presented by means of photography, painting, video, text and drawings made by the artist during seven years of traveling around the five continents of the world. The exhibition also had profiles of 19 Brazilian women. Titouan's project was recognized by Unesco thanks to his engagement with the protection of women's rights.

ENTITIES AND ASSOCIATIONS

We seek to enhance dialogue with organizations that distinguish themselves by work on issues relevant to our industry, aligned with our business models, and to contribute to the development of our vision of the world and of a sustainable society.

Together with the Institute of Technological Research (IPE), for example, we have been contributing since 2006 to the project for the construction and development of the Escola Superior de Conservação Ambiental e Sustentabilidade (Higher School of Environmental Preservation and Sustainability) in Nazaré Paulista, state of São Paulo.

The school was created to offer a master's degree in Preservation of Biodiversity and Sustainable Development approved and recognized by the Federal Coordination Office for the Improvement of Higher Education Personnel (CAPES). The course was created to make up for the lack of professionals who are skilled to create and disseminate innovative preservation models of biodiversity and sustainable development. The completion of the construction work is expected for 2010 and the course, which is given in other locations, is already in its third year. In 2009 we participated in the Global Entrepreneurship Week, organized in Brazil by the Endeavor Institute. The event took place simultaneously in 60 countries, and Brazil's participation stood out.

We also continued to support the Global Reporting Initiative (GRI), which works in the preparation of international guidelines and standards for the preparation of sustainability reports. We sponsor the organization of the GRI Stakeholders Council in Brazil and the GRI certification training processes for Latin America.

For the Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Companies and Social Responsibility), with which we have been partners since its foundation in 1998, we granted funding for activities related to the practice of corporate responsibility. We sponsored meetings of chairmen of companies associated with the institute, who discussed the principles of the Earth Letter for the construction of sustainable companies and societies

SUPPORT AND SPONSORSHIP - FUNDS INVESTED BY NATURA (R\$ THOUSANDS)

| | 2007 | 2008 | 2009 |
|--|-------------|-------------|-------------|
| Sustainable development | 2,519.80 | 2,782.00 | 1,500.00 |
| Brazilian culture appreciation with focus on music | 780.79 | 1,327.40 | 4,844.00 |
| Strengthening of civil society organizations | 1,270.78 | 1,771.88 | 2,102.07 |
| Support and sponsorship – funds from incentives (R\$ thousands) | 2007 | 2008 | 2009 |
| - Federal Cultural Incentive Law (Rouanet Law) | 426.00 | 450.00 | 474.00 |
| - Law on investment in production and co-production of cinematographic and audiovisual projects, and in infrastructure for production and exhibition (Audiovisual Law) | 643.00 | 100.00 | 100.00 |
| - Federal Cultural Incentive Law (Rouanet Law) | 546.00 | 475.27 | 623.50 |
| - Federal Cultural Incentive Law (Rouanet Law) | 1,087.52 | 2,227.54 | 1,524.00 |
| - Minas Gerais State Cultural Incentive Law | 2,101.62 | 1,600.00 | 645.00 |
| - São Paulo State Cultural Incentive Law | 814.27 | 540.74 | 0.0 |
| - Law on investment in production and co-production of cinematographic and audiovisual projects, and in infrastructure for production and exhibition (Audiovisual Law) | 455.00 | 300.00 | 820.00 |
| Support and sponsorship - funds from incentives – summary (R\$ thousands) | 2007 | 2008 | 2009 |
| - Federal Cultural Incentive Law (Rouanet Law) | 3,588.80 | 3,332.00 | 2,621.50 |
| - Minas Gerais State Cultural Incentive Law | 2,101.62 | 1,600.00 | 645.00 |
| - São Paulo State Cultural Incentive Law | 1,816.78 | 2,247.14 | 0.0 |
| - Lei de investimento na produção e co-produção de obras cinematográficas, audiovisuais e infraestrutura de produção e exibição (Lei do Audiovisual) | 1,098.00 | 400.00 | 920.00 |
| Support and sponsorship – investment by theme (R\$ thousands) | 2007 | 2008 | 2009 |
| - Sustainable development | 3,588.80 | 3,332.00 | 2,074.00 |
| - Brazilian culture appreciation with focus on music | 5,239.20 | 5,995.69 | 7,833.00 |
| - Strengthening of civil society organizations and governmental organizations | 1,816.78 | 2,247.14 | 2,725.57 |

CREATION OF ENVIRONMENTAL VALUE

Our commitment to environmental issues is based on the belief that the continuity of our business necessarily involves reducing impacts along our entire value chain.

In 2009, we took important steps to improve our environmental performance: internally, we disseminated our Policy for the Sustainable Use of Biodiversity and Traditional Knowledge; we achieved a 5.2% reduction in our relative greenhouse gas (GHG) emissions; we increased to 79.2% the percentage of renewable raw materials in our formulas; and we progressed in the development of lower impact packaging.

CARBON NEUTRAL

Natura supports an urgent review of the current production and consumption processes to manage climate change. This requires reducing greenhouse gas emissions. Our Carbon Neutral Program, created in 2007, has different work fronts that encompass social, economic, and environmental approaches to minimize the impacts of our activities.

We have set a target of reducing our relative emissions by 33% between 2007 and 2011, based on the inventory we carried out in 2006. Since 2007, we have been offering products that are GHG neutral. This has been possible thanks to efforts on three fronts: carrying out an inventory of our emissions in all stages of our value chain, projects for reducing emissions, and investments in socio-environmental projects to offset the emissions that we are not able to avoid.

At the end of 2009, we achieved a reduction of 5.2% of relative emissions of CO₂ equivalent per kilo of product billed, exceeding our target of 3% for the year. With respect to the volume of total emissions, we recorded an increase of 22% in 2009, to 245,796 metric tons of CO₂e compared to 2008, when our CO₂e emissions totaled 201,493 metric tons. (Graph 1 e 2)

These calculations took into consideration the total volume of our emissions from the extraction of raw materials to the final disposal of the product.

INVENTORY OF EMISSIONS

The revisions are a result of the implementation of the improvements that, every year, we try to include in our inventory, which follows the standards of the Greenhouse Gas Protocol (GHG Protocol) and the ABNT NBR ISO 14064-1 Standard. They both establish rules of conception, development, management and preparation of GHG emission inventories. Our 2009 inventory was verified by the independent consulting firm PricewaterhouseCoopers.

We also tried to improve our knowledge and exchange experiences on the calculation of emissions. We participated in a series of initiatives, such as the Brazilian GHG Protocol Program, of which we are founding members, and the workgroup coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). This workgroup is developing international protocols for inventories of emissions for the supply chain of companies.

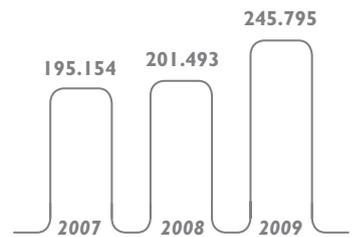
In 2009 we made progress in the construction of methodologies that will allow us to identify the carbon footprint of each of our products, that is, the GHG emissions of every item in our portfolio.

Natura does not issue or use substances that deplete the ozone layer and, as emissions of the NO_x and SO_x gases are not significant, we do not monitor these emissions.

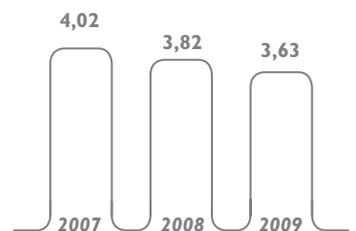
REDUCTION INITIATIVES

We reduced our relative GHG emissions through a number of initiatives. In 2009, we contracted a consulting company that helped those responsible for our internal processes and the Natura Business Units identify new opportunities to reduce emissions. At the same time, we tried to increase our management's understanding of climate change.

1. TOTAL CO₂e EMISSIONS
(IN METRIC TONS)^{1 2}



2. RELATIVE EMISSIONS
(KG OF CO₂e/KG OF BILLED
PRODUCT)^{1 2}



1. CO₂e (or CO₂ equivalent): measure used to express greenhouse gas emissions, based on the global warming potential of each one.

2. The model of inventory calculation was improved in 2009. The bases for 2007 and 2008 were recalculated.

In 2009 we joined the World Wildlife Fund's (WWF) Climate Savers project, through which we took on the target of reducing by 10% our absolute GHG emissions related to the so-called scope 1 and 2, in the period between 2008 and 2012. Scope 1 is related to the company's direct emissions (fixed and mobile sources of energy), and scope 2 accounts for indirect emissions deriving from energy purchases. In 2009 we reduced emissions in these two scopes by 3%.

Among the 2009 reduction projects, we highlight the optimization of resources from the road network and delivery of products, based on a more productive use of our regional distribution centers. This was possible due to developing new calendars with delivery dates and frequencies at the different Regional Units. Accordingly, we were able to streamline the transportation of products, eliminating trips with smaller loads. This generated cost savings and a 9% relative reduction of GHG per kilo of transported product.

Another significant action to reduce the environmental impacts of product transportation was the change from air to sea transport in the operations in Mexico and Peru. Since 2007, coastal shipping has also been used to supply the Distribution Center in Jaboatão dos Guararapes (state of Pernambuco) with finished products, partially replacing road transportation.

OFFSETTING PROJECTS

The emissions that cannot be reduced by Natura are offset by projects that are selected throughout Brazil by means of invitations to bid. The social effects of the projects also play a role in their selection.

Last year, four were chosen: *Carbono, Biodiversidade e Comunidade no Corredor Ecológico Pau-Brasil* (Carbon, Biodiversity and Community in the Pau-Brasil Ecological Corridor); *Uso de Biomassa Renovável em Indústrias Cerâmicas* (Use of Renewable Biomass in Ceramic Industries); *Carbono Socioambiental do Xingu* (Socio-environmental Carbon of Xingu); and *Fogões Eficientes no Recôncavo Baiano* (Efficient Stoves in the Recôncavo Baiano).

For an analysis of the candidates and selection of the projects, we had the support of a consulting firm that is specialized in climate change and of a panel of specialists including both Natura employees and experts, such as Dr. José Goldemberg, professor of the University of São Paulo (USP), member of the Science Academy, former minister of Science and Technology and former São Paulo State Environment secretary; Thelma Krug, coordinator of the National Institute of Space Research (INPE), member of the Board of the Intergovernmental Panel on Climate Change (IPCC) and former secretary of Climate Change of the Ministry of Environment; and Marcos Buckeridge, professor of the Bioscience Institute of USP and member of the IPCC. All projects work with the promotion of recovery of forests in devastated areas and the replacement of fossil fuels with renewable energy.

Learn about the GHG emission offset projects that are supported by Natura.

Carbono, Biodiversidade e Comunidade no Corredor Ecológico Pau-Brasil (Carbon, Biodiversity and Community in the Pau-Brasil Ecological Corridor)

BioAtlântica Institute (Ibio)

Forest recovery project that is carried out at the Pau-Brasil National Park and at the Monte Pascoal National Park (Porto Seguro, state of Bahia). The target is to offset 79,050 metric tons of CO₂e in 30 years.

Uso de Biomassa Renovável em Indústrias Cerâmicas (Use of Renewable Biomass in Ceramic Manufacturing Companies)

Carbono Social Consulting Firm

It aims to replace native wood in the burning process for firing roof tiles and bricks with renewable biomass such as bamboo, sawdust, coconut shells and sugarcane bagasse. The target is to offset 60,000 metric tons of CO₂e in up to one year.

Carbono Socioambiental do Xingu (Socio-environmental Carbon of Xingu)

Socioambiental Institute (ISA) and Centro de Vida Institute (ICV)

It provides for the recovery of 116 hectares of devastated riverbank forests and springs that form the Xingu River in the state of Mato Grosso. The target is to offset 40,000 metric tons of CO₂e in 30 years.

Fogões Eficientes no Recôncavo Baiano (Efficient Stoves in the Recôncavo Baiano)

Ambiental PV Consulting Firm

It provides for the replacement of rudimentary wood stoves of the families that live in rural communities in the region of the Recôncavo Baiano with more efficient stoves, reducing the volume of burnt wood and improving the quality of people's lives. The target is to offset 18,880 metric tons of CO₂e in eight years.

We also monitor projects from previous years by means of telephone contacts and annual visits to check on their progress. Currently, there are two projects, started in 2007 that are still in progress.

Forest Carbon - Recovery and preservation of natural resources in rural settlements

Ecológica Institute

One hundred and seventy thousand seedlings of native species are being produced in the region of Cantão, state of Tocantins. The Institute is also encouraging other income generating activities, such as the production of handicrafts, honey, sweets, liqueurs and vegetable oils. At the end, the project will have offset 60,000 metric tons of CO₂e in 20 years.

Recompositioning of landscape and agroforestry systems

Ecologic Research Institute

It aims at recovering the forest with native species. In 2009, the program recovered 55 hectares of forest and implemented 129 hectares in agroforestry systems. The final offset will be 60,000 metric tons of CO₂e in 30 years.

At the end of 2009, we invited new bids on projects that will offset, starting in 2010, emissions for the 09-10 biennium. A total of 82 proposals were received and are being analyzed; the results will be disclosed in the mid-2010.

Our Carbon Neutral Project helped strengthen our leading role in national and international debates on voluntary programs on climate change. Among these programs, we highlight the Carta Aberta ao Brasil (Open Letter to Brazil) on climate change, an initiative organized by the Ethos Institute and the Sustainable Amazon Forum, and the Empresas pelo Clima (Companies for Climate - EPC) project of the Center of Studies on Sustainability of the Getulio Vargas Foundation. We signed the Position Paper of the Brazilian Business Council for Sustainable Development (CEBDS). In the international sphere, we joined the Copenhagen Communiqué of the Corporate Leaders Group on Climate Change (CLGCC), and Caring For Climate of the Global Compact. Natura is also a member of the Climate Neutral Network of the United Nations Environment Programme (UNEP).

To learn more about the details of the carbon offsetting projects we support, please visit www.natura.net/carbononeuro

BIODIVERSITY

We have been working on a wide variety of fronts related to biodiversity. We are close to the supplier communities of these inputs, and our Legal and Government Relations departments strive to influence the development of a legal framework for access to traditional knowledge and wild genetic resources. We have been responsible in our use of biodiversity, as shown in Natura's Policy for the Sustainable Use of Biodiversity and Traditional Knowledge, which was approved at the end of 2008 and includes guidelines for the sharing of benefits and supply of inputs from biodiversity. This is done through sustainable extraction, sustainable stewardship and extractivist systems, and systems based on family farming (*learn more on page 50*).

The Policy results from our experience as part of a group that has tackled complex topics and relatively unexplored principles of the Convention on Biological Diversity.

It brings together guidelines and parameters for action for all of the company areas involved in the research and development of products based on genetic resources and/or their associated traditional knowledge. Externally, especially for our network of relationships, it serves, among other things, as an instrument of support for decision-making on the dissemination of our values and the way we work.

The Policy contains six additional documents, which establish guidelines for the sharing of benefits from access to the genetic heritage and associated traditional knowledge; supply of inputs from biodiversity; relationships with the communities; technology development; product development; and marketing and communication. Its implementation is regulated and explained by means of the Natura Management System.

In 2009, we disseminated the Policy internally in training courses to all areas and all employees who work, directly or indirectly, in the process of the sustainable use of biodiversity.

In 2009, we carried out a person-to-person meeting with 22 experts on biodiversity and also virtual debates on this topic. Natura's process of engagement in biodiversity won first place in the Eco Amcham Award, in the sustainable business model category. The success of this model, as well as its continuous improvement, depends on the engagement and participation of several partners with whom we work and on the quality of the relationships we establish with them. None of the links in this chain can manage the challenges of sustainability alone. In 2010, the International Biodiversity Year, our objective is to disseminate the Policy externally, especially to the supplier communities.

Natura is a founding member and a vice president of the board of the Union for Ethical BioTrade (UEBT). This is an international association, created in 2007 in Geneva to promote the ethical trade of products from biodiversity. Natura will host the 2010 meeting of UEBT. In 2010 we will also support a project of the UN Conference on Trade and Development, whose work includes issues related to trade in items harvested from nature.

CERTIFICATION OF INGREDIENTS

We work carefully with respect to the ecological limits of the production of inputs from biodiversity that we purchase from our supplier communities. We seek to ensure that production is within the capacity of the environment. When we need to increase the volumes produced, we take care to look for new areas and other suppliers who will meet Natura's assumptions.

Natura does not use invasive or habitat conversion species, which would imply, for example, the transformation of a natural environment to meet production interests. We search for raw materials at places where they occur naturally, avoid monoculture and prefer productions that are pesticide-free, in accordance with the organic production models.

To ensure sustainable and proper stewardship practices in our processes of cultivation, extraction and production of ingredients, we implemented, in 2008, the Program for the Certification of Plant Raw Materials. It covers family farmers and traditional communities whose production is certified based on three different models: organic, forestry and sustainable farming.

Except for the *Frutifera* (Fruitful) organic tea line, for which the final product is certified, in our cosmetic items, the focus of the certification is on the origin of inputs and not on finished products.

The organic certification takes place by means of four entities: Biodinâmico Institute (IBD), Ecocert, International Agricultural and Farming Organization (OIA) and Ecological Market Institute (IMO). The forest stewardship certification is issued by the Forest Stewardship Council (FSC). With respect to sustainable agriculture, the certifying body is the Sustainable Agriculture Network (SAN). Among the many requirements for obtaining the certification is the traceability of production, a process in which the producer documents and provides accountability on the origin of all volumes produced to the certifying entity.

Currently 31 Natura ingredients are certified, eight of which were included in 2009, 19.2% more than in 2008. Of the new certifications, four were obtained for raw materials for the perfumery and cosmetics areas, among which were Lemon Basil (*Ocimum americanum*) and Açai berries (*Euterape oleraceae*). The other four – Lemon Balm (*Melissa officinalis*), Carqueja (*Baccharis trimera*), Peppermint (*Mentha piperita*) and Fennel (*Foeniculum vulgare*) – are products used in our *Frutifera* (Fruitful) line.

Last year, we excluded three ingredients from the list of certified ingredients: Guarana and Pariparoba, due to the discontinuation of the products that use them, and Buriti Palm (*Mauritia flexuosa*), which was no longer certified because of a change of supplier area.

We are on the lookout for other certified areas to meet the demand (*learn more on page 50*).

TOTAL NUMBER OF CERTIFIED INGREDIENTS¹

| | 2007 | 2008 | 2009 |
|--|------|------|------|
| Total certified ingredients (unit) | 24 | 26 | 31 |
| Percentage of total certified species ² (%) | 51 | 54 | 58 |

1- Only inputs in the form of waxes, oils, extracts, and essential oils (cosmetics and teas) are considered natural inputs.

2- The calculation of the percentage of raw materials certified was readjusted on account of the changes in the scope of the calculation basis used, which started to include, besides the raw materials obtained for the production of cosmetics, the inputs acquired for the Frutifera line products.

Of all the inputs used by Natura, only two are developed from species that are on the list of endangered species compiled by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) and the International Union for the Conservation of Nature and Natural Resources (IUCN). They are Brazil's nut (*Bertholletia excelsa*) and yerba mate (*Ilex paraguariensis*). For this reason, we financed studies in partnership with Embrapa Genetic Resources and Biotechnology for the preservation of these species. These raw materials are acquired exclusively from areas certified by the FSC.

STATUS DO PROGRAMA DE CERTIFICAÇÃO DE ATIVOS - NATURA 2009^{1 2}

| Ingredients/Ekos | State | STAGE I ³ | | FASE II ⁴ | | FASE III ⁵ | | Production System | Certification* |
|---|--------------------|----------------------|-----|----------------------|-----|-----------------------|-----|-------------------------------------|----------------|
| | | Begining | End | Begining | End | Begining | End | | |
| Andiroba <i>Carapa guianensis</i> | Amazonas | X | X | X | | | | Traditional stewardship | |
| Açaí Berry <i>Euterpe precatoria</i> | Rondônia / Pará | X | X | X | X | X | X | Agroforestry System | SAN |
| Lemongrass (F) <i>Cymbopogon citratus</i> | Paraná/ São Paulo | X | X | X | X | X | X | Cultivation | ECOCERT |
| Brasil Nut <i>Bertholletia excelsa</i> | Amapá | X | X | X | X | X | X | Traditional stewardship | FSC |
| Cacao <i>Theobroma cacao</i> | Bahia | X | X | X | X | X | X | Agroforestry System | IBD |
| Breu <i>Protium pallidum</i> | Amapá | X | X | X | X | X | X | Traditional stewardship | FSC |
| Cupuaçu <i>Theobroma grandiflorum</i> | Rondônia | X | X | X | X | X | X | Agroforestry System | SAN |
| Passion Fruit <i>Passiflora edulis</i> | Minas Gerais | X | X | | | | | Cultivation | |
| Yerba Maté <i>Ilex paraguaiensis</i> | Rio Grande do Sul | X | X | X | X | X | X | Traditional stewardship | FSC |
| Murumuru Palm <i>Astrocaryum murumuru</i> | Amazonas | X | X | X | | | | Traditional stewardship | |
| Surinam Cherry <i>Eugenia uniflora</i> | São Paulo e Paraná | X | X | X | X | X | X | Organic cultivation and stewardship | ECOCERT |
| Jointed Flatsedge <i>Cyperus articulatus</i> | Pará | X | X | X | X | X | X | Cultivation | IBD |

| Ingredients/ Other lines | State | STAGE I | | STAGE II | | STAGE II | | Notes | Certification* |
|--|--------------------------|-----------|-----|-----------|-----|-----------|-----|-------------------------------------|----------------|
| | | Beginning | End | Beginning | End | Beginning | End | | |
| Açaí Berry <i>Euterpe oleracea</i> | Pará | X | X | X | X | X | X | Organic cultivation and stewardship | OIM/IMO |
| Arabian Coffee <i>Coffea arabica</i> | Minas Gerais | X | X | X | X | X | X | Cultivation | SAN |
| Fragrant Granadilla <i>Passiflora alata</i> | São Paulo | X | X | X | X | X | X | Cultivation | IBD |
| Paramela <i>Adesmia buronioides</i> | Patagônia / Argentina | X | X | X | X | X | X | Stewardship | OIA/IMO |
| Palo Santo <i>Bursera graveolens</i> | Equador | X | X | X | X | X | X | Stewardship | ECOCERT |
| Copaíba <i>Copaifera spp</i> | Amazonas | X | X | X | X | X | X | Organic cultivation | ECOCERT |
| Green Tea (F) <i>Camelia sinensis</i> | Paraná | X | X | X | X | X | X | Stewardship | ECOCERT |
| Candeia <i>Eremanthus erythropappus</i> | Minas Gerais | X | X | X | X | X | X | Stewardship | FSC |
| Lemon Balm (F) <i>Melissa officinalis</i> | Paraná | X | X | X | X | X | X | Organic cultivation | ECOCERT |
| Carqueja (F) <i>Bacharis genisteloides D.C.</i> | Paraná | X | X | X | X | X | X | Organic cultivation | ECOCERT |
| Peppermint (F) <i>Mentha piperita L.</i> | Paraná | X | X | X | X | X | X | Organic cultivation | ECOCERT |
| Chamomile (F) <i>Chamomilla recutita</i> | Paraná | X | X | X | X | X | X | Cultivation | ECOCERT |
| Fennel (F) <i>Foeniculum vulgare Miller</i> | Paraná | X | X | X | X | X | X | Organic cultivation | ECOCERT |
| Toothache Plant <i>Spilanthes oleracea</i> | São Paulo | X | X | X | X | X | X | Organic cultivation | IBD |
| Lemon Brasil <i>Ocimum americanum</i> | Pará | X | X | X | X | X | X | Organic cultivation | IBD |

1. We have seven ingredients certified in phase III that are part of the portfolio of products that have not yet been launched in the market. Therefore, they are not listed in this table.

2. The raw materials followed by an (F) are part of the Frutífera (Fruitful) organic tea line.

3. Phase I: Internal process of identification and selection of a potential supplier area. This phase is characterized by the typology of producers, the organization of the community and the existing type of stewardship (agricultural or forest).

4. Phase II: Preparation of certification strategies, with discussion of the processes with plant product suppliers, choice of the certifying body and preliminary analysis of the supplier area by this body (when necessary).

5. Phase III: Inspection of certification in the supplier areas, implementation of the action plan to meet the compliance requirements of the certifying bodies and opinion of the certifying body to obtain the seal.

* Forest Certification by the FSC (partner certifying entity – IMAFLORA)

Sustainable Agriculture Certification, SAN seal (partner certifying entity - IMAFLORA)

Organic Certification, IBD seal (partner certifying entity - IBD)

Organic Certification, Ecocert seal (partner certifying entity - ECOCERT)

Organic Certification, OIA/IMO seal (partner certifying entity in Argentina)

AREAS OF OPERATION

Natura has areas that supply inputs of species from biodiversity from all over Brazil. Some of these raw material suppliers are located in areas protected by the National System of Preservation Units (SNUC). They are the Extractivist Reserve of Middle Juruá, in the state of Amazonas, and the São Francisco Community, located in the Sustainable Development State Reserve of Iratapuru, in the state of Amapá.

The Extractivist Reserve of Middle Juruá covers an area of 253,000 hectares of protected area, the stewardship of andiroba and murumuru palm takes place in an area of less than 1% of the total reserve. The sustainable stewardship of Brazil's nut, copaiba and breu branco takes place in area of approximately 4,000 hectares of the 842,000 hectares of the Extractivist Reserve of Middle Juruá. All the work has the approval of these Preservation Units.

Natura's headquarters, located at km 30.5 of the Anhanguera Highway, in the municipality of Cajamar, state of São Paulo, is in an area of 646,000 sq. m in an Environmental Protection Area. We have developed a project for the recovery of the native forest in Cajamar by means of which, in 2009, 5,000 seedlings of 114 species from the Atlantic Forest biome were planted.

The Itapecerica da Serra Unit, on the other hand, is at Régis Bittencourt Highway in an area of 96,543 sq. m in the Protection and Recovery Area of the Springs of the Guarapiranga Water Basin. In 2008 we completed a project for the recovery of the riverbank forest and, since 2009, we have been handling the maintenance of the area.

The recovery projects developed in Cajamar and Itapecerica da Serra are monitored by the State Department for the Protection of Natural Resources (DEPRN), a governmental body that is responsible for this issue. Both units include permanent preservation reserves. We carry out administrative activities, in both these units, but our production plant is located in Cajamar. These operations are in compliance with the applicable legal requirements. Together, the two units cover an area that is equivalent to 90 soccer fields.

IMPACT OF PRODUCTS

In order to monitor the impacts of the packaging of our products, we use the Life Cycle Assessment (LCA) tool. This methodology, which has been applied since 2001, allows us to quantify the environmental impacts of packaging within a complete cycle, from the extraction of raw materials through production and use, to final disposal.

In 2009, the indicator that measures the environmental impact of packaging was at 69.5 mPt/KG (millipoints per kilo of product content), lower than in 2008, when this indicator was 71.3 mPt/kg. We attribute this primarily to the reduction of the mass of support materials used by consultants, such as the Revista Natura (Natura Magazine). (Graph 1)

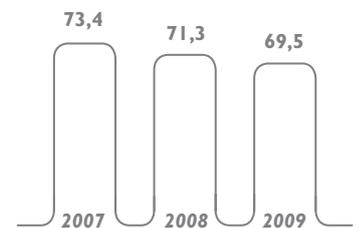
We look for innovative technologies for the development of our packaging. We still use the concepts of ecological design to guide for the design and choice of our new packaging; these include reducing the mass of packaging and using raw materials that have a lower negative impact.

Since 2007 we have been providing an environmental table for our products, giving consumers information on the origin, processing and percentage of certified raw materials, in addition to percentages on the use of recycled and recyclable materials and the number of refills. The table has an educational purpose, contributing to our customers' awareness of the environmental impacts of our products.

We comply with all legal requirements to provide information on the ingredients used. Our labels are in accordance with the legislation in effect and respect all resolutions related to cosmetics determined by the National Agency of Sanitary Vigilance (Anvisa).

In 2009 the weight and the volume of the materials we use in our production process increased for both packaging and raw materials. This growth was proportional to the increase of our production, of around 23%.

1. ENVIRONMENTAL IMPACT OF PACKAGING PER QUANTITY OF PRODUCTS (MPT/KG)



TOTAL USE OF MATERIALS PER TYPE (EXCEPT WATER) IN THOUSANDS ¹

| | 2007 | 2008 | 2009 |
|-----------|----------|----------|----------|
| Kilograms | 24,454.0 | 22,434.4 | 27,991.3 |
| Liters | 8,274.6 | 8,792.0 | 10,813.9 |

1. Refers to the Cajamar unit.

In 2009 we recorded a drop in the percentage of recycled materials, from 13% in 2008 and to 10.4%. This result is related to the decision to use paper certified by the FSC instead of recycled paper to manufacture the Natura Magazine, which also resulted in an important reduction in the amount of GHG emissions. (Graph 1)

In 2009, the share of products with refills in sales was below the target set for Brazil, which was 19% of total items billed. At the end of the year, it stood at 18.4%, despite the fact that we maintained our efforts to educate and raise awareness.

PERCENTAGE OF REFILLS ON BILLED ITEMS (%)¹

| | 2007 | 2008 | 2009 |
|------------------------|------|------|------|
| Brazil | 21.3 | 19.9 | 18.4 |
| Argentina | 21.1 | 20.7 | 15.9 |
| Chile | 16.1 | 16.1 | 11.7 |
| Colombia | 8.1 | 12.1 | 12.2 |
| France | 9.9 | 9.3 | 8.5 |
| Mexico | 11.2 | 11.6 | 11.5 |
| Peru | 21.3 | 21.4 | 18.6 |
| Venezuela ² | 6.0 | 8.1 | n.a |

1. Corresponds to total refills billed divided by total items billed.

2. Operations in Venezuela were discontinued in August 2009.

We explain this result to the many launches of commemorative and perfume boxes that do not have refills. However, we have noticed that refills are well accepted by our consumers. Today, among the products that offer this option, the choice for the refill reaches 50 of sales revenues%. Of the 685 products in our portfolio at the end of 2009, 114 – 15.4% of the total – offered this choice.

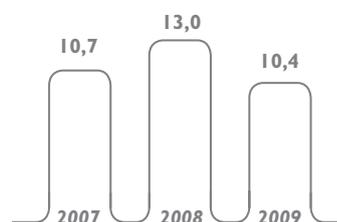
In the foreign operations, we recorded a significant drop in the use of refills in Argentina, Chile and Peru. In Colombia, France and Mexico, on the other hand, the use of refills remained stable in comparison with the previous year; and in France and Mexico it declined slightly. This is because we reduced the number of promotions that are focused on refills only, seeking to increase the balance between promotions and the sale of regular products. As a result, we increased the possibility of new users taking advantage of the special conditions of a promotion as the channel is frequently renewed.

WATER AND EFFLUENTS

In order to make the data on our impacts more accurate and manage these impacts more rigorously, we included the data of outsourced companies that manufacture our products in our indicators. This explains the increase of 8.7% in the consumption of water per unit billed in 2009 in relation to the previous year. In the same period that we had an increase of 14.4% in the volume of units billed, our absolute consumption of water was 24.3% higher than in 2008. In addition to the relative consumption by outsourced companies, which totaled 34.2%, the inclusion of new sites in the calculation, such as the Natura Houses and Advanced Logistic Centers, also contributed to the increase in absolute consumption. (Graph 2)

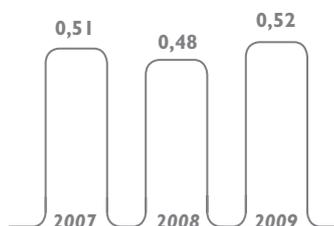
All water used in the facilities in Cajamar and Itapeperica da Serra come from artesian wells due to the lack of a public supply system for both plants. The underground water source is the water table of a crystalline aquifer. The extraction of water meets the regulations of the permits granted by the State Department of Water and Electric Energy (DAEE). In the mid 2009, we obtained a permit for a second well.

1. RECYCLED MATERIALS¹(%)



1. The indicator takes into consideration packaging materials and distribution materials (magazines, distribution boxes, and bags) recycled post consumption.

1. WATER CONSUMPTION PER UNIT BILLED (GRAMS/UNIT)¹



1. This year, the amounts generated by outsourced companies that manufacture our products were included to better portray the reality of the indicator. As a result, the historical data were changed.

WATER CONSUMPTION PER WORK UNIT (CUBIC METER)

| | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|
| Cajamar and Itapecerica da Serra plants | 114,694 | 112,342 | 123,012 |
| Other Natura plants in Brazil ² | 2,757 | 11,894 | 27,813 |
| Natura's outsourced manufacturing companies ³ | 28,549 | 37,090 | 49,783 |
| Total water consumption⁴ | 146,000 | 161,326 | 200,608 |

1. The water consumption in Cajamar and Itapecerica da Serra is measured by water meters.

2. The consumption of water in other Natura plants refers to the plants in Alphaville and Benevides, Natura Houses, and Advanced Centers. This information started to be gathered in 2007. In 2009 we included in the calculations the water consumption of another five Natura Houses, all of which were inaugurated last year.

3. With respect to the consumption by outsourced companies that manufacture our products, they are advised to apportion total water consumption in proportion to the production volume for Natura.

4. Until 2008, the outsourced companies were not included. However, they are now included to better portray the reality of the indicator. As a result, the historical data were changed.

At the end of last year, we carried out a study on the water sources at the Cajamar unit and its surrounding areas to identify risks of contamination and find out the real supply capacity. The result of this study, still incomplete, will direct preventive actions over the course of 2010.

We know that reducing water consumption is a challenge we have to face, and we are trying to work on many fronts to streamline our production and reduce consumption. With a view to understanding and adopting increasingly better water use practices, we joined in 2009 the Dutch Water Footprint program, which involves a number of international companies and specialists from around the world to determine a methodology that can help calculate the water footprint of our products (it measures how much of the water available on our planet is necessary to meet the production and consumption demand of a certain company or a certain product). The model takes into consideration the complete analysis of the product lifecycle, from the extraction of the raw material to the final disposal of the waste.

Our effluents go through the Effluent Treatment Station (ETE) before being discharged. The quality after treatment fully meets the legal applicable requirements, respecting all discharge conditions and standards provided for in the Brazilian legislation. In Cajamar, the effluents are discharged into the Juqueri river, which is considered a class III river; that is, its water can be used in household supply after conventional treatment. The Effluent Treatment Station of Itapecerica da Serra, on the other hand, since it is in an area for the protection of springs, infiltrates its effluents in the soil after treatment in a conventional station, the organic load removal efficiency of which is, on average, 91%. (Graph 1)

PERMEATED CAJAMAR

| | Legal parameter | 2007 | 2008 | 2009 |
|------------------------|-----------------|------|------|------|
| DBO (mg/l) | 60 | 3.0 | 5.5 | 6.0 |
| DQO (mg/l) | 150 | 40.0 | 43.6 | 43.0 |
| Oils and grease (mg/l) | 120 | 5.0 | 7.8 | 7.1 |

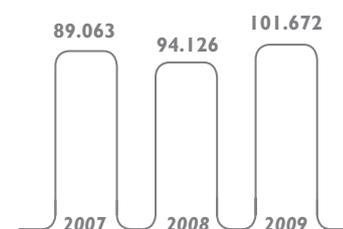
TREATED EFFLUENT ITAPECERICA DA SERRA

| | Legal parameter | 2007 | 2008 | 2009 |
|------------------------|-----------------|-------|------|------|
| DBO (mg/l) | 60 | 41.0 | 19.6 | 20.2 |
| DQO (mg/l) | 150 | 107.0 | 73.2 | 69.0 |
| Oils and grease (mg/l) | 120 | 10.0 | 8.1 | 7.5 |

In 2009, we spilled liquid soap waste in the Juqueri River in April, which produced a large amount of foam. The incident took place at the Prata River Basin plant in Cajamar. We notified the state environmental control agency (Cetesb), which drew an assessment notice. After the incident, we established more rigorous routines for unloading liquid materials, such as raw materials and waste from the production process. We also conducted surveys of the entire network of industrial and house effluents of Natura, and we found ways to improve the installation of equipment in our plants.

The volume of recycled and reused water in 2009 was 35,800 cubic meters, remaining stable in comparison with the previous year. However, we verified a reduction in the amount of reused water as a percentage of all the water treated at our effluent treatment stations at the Cajamar and Itapecerica da Serra units, from 38% in 2008 to 35% in 2009. There was a 7.42% increase in the volume of effluents generated and treated last year in comparison with 2008.

I. SIGNIFICANT DISCHARGES TO WATER (CUBIC METERS)¹



1. Refers to the Cajamar and Itapecerica da Serra units.

PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED

| | 2007 | 2008 | 2009 |
|--|--------|--------|--------|
| Recycled and reused water (cubic meters) ¹ | 29,773 | 35,824 | 35,838 |
| Reused water as a percentage of all the water treated at the effluent treatment station ¹ (%) | 36 | 38 | 35 |

1. Refers to the Cajamar and Itapecerica da Serra units.

ENERGY

In 2009, we were able to reduce the total consumption of energy of the operations in Cajamar and Itapecerica da Serra by 1.55%, even in an environment that recorded an increase in average temperature of 0.4°C and an increase of 14.4% in the volume of units billed. There was a reduction of 19% in the consumption of energy per unit billed. This was possible thanks to the work of the multidisciplinary energy committee and to a series of initiatives and projects to reduce consumption and improve the quality of the energy used, with an investment of approximately R\$ 450,000. (Graph 1)

TOTAL ENERGY CONSUMPTION (JOULES X 10¹²)

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| Energy consumption in the Cajamar and Itapecerica da Serra plants (joules) ¹ | 135.9 | 126.4 | 124.4 |
| Other Natura plants in Brazil ² | 8.2 | 13.4 | 14.5 |
| Consumption of energy by Natura's outsourced manufacturing companies ³ | 27.7 | 45.3 | 32.5 |
| Total energy matrix (joules)⁴ | 171.8 | 185.0 | 171.5 |

1. The energy consumption in Cajamar and Itapecerica da Serra is measured by transducers and software monitors.

2. The consumption of energy in other Natura plants refers to the plants in Alphaville and Benevides, Natura Houses, and Advanced Centers. This information started to be gathered in 2007. In 2009 we included in the calculations the energy consumption of another five Natura Houses, all of which were inaugurated last year.

3. With respect to the consumption of outsourced companies that manufacture our products, they are advised to apportion total energy consumption in proportion to the production volume for Natura.

4. Until 2008, the outsourced companies were not included. However, they are now included to better portray the reality of the indicator. As a result, the historical data were changed.

One of the actions was to implement enthalpy wheels in the refrigeration system of the plants in Cajamar. Through this mechanism, when the external temperature is lower than the internal one, the system allows the cold air to be sucked back inside the unit, promoting the cooling of the room. This technology, developed in India, is innovative among Brazilian companies. Also, the roofs received thermal paint; hybrid filters were installed; utility systems were automated; new luminotechnical technologies were implemented; and more efficient equipment in the utility and plant processes was acquired.

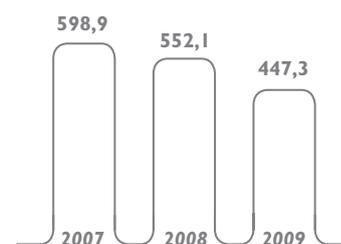
We verified a drop of 41.3% in the consumption of diesel oil in generators, arising from three factors: improvement in the quality of the electric network, resulting in less power failures and, consequently reducing the need to use diesel-powered generators; greater assertiveness in the preventive maintenance of generators; and diesel oil consumption automation, reducing leakages and overflowing of tanks.

In contrast, we reported an increase of 3.8% in the consumption of liquefied petroleum gas (LPG), a non-renewable energy. This was because, historically, the consumption of this gas is proportional to the growth in the volume of units billed. In 2010, we expect to replace a good part of the LPG by alcohol in the boilers.

DIRECT ENERGY CONSUMPTION, BY PRIMARY SOURCE SEGMENT (JOULES X 10¹²)

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| Primary electricity source | 104.1 | 95.9 | 94.0 |
| Self-generated electricity (diesel-powered generator) | 0.03 | 0.03 | 0.03 |
| Diesel oil used in generators | 2.3 | 2.7 | 1.6 |
| Consumption of LPG | 29.5 | 27.8 | 28.9 |
| Total | 135.9 | 126.4 | 124.5 |

I. ENERGY CONSUMPTION – ENERGY MATRIX PER UNIT BILLED (KJOULES/UNIT)¹

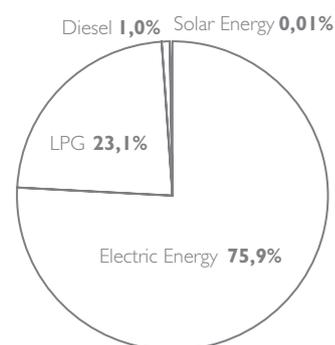


1. For 2009 calculations were adjusted, and the numbers generated by outsourced companies that manufacture our products were included to better portray the reality of the indicator. As a result, the historical data were changed.

In 2009 we also signed a three-year agreement with a new supplier to ensure that all the electric energy consumed at the Cajamar and Itapecerica da Serra plants comes from a renewable source: small hydroelectric plants. The agreement, signed with Light Esco, became effective at the beginning of 2010. In 2011, the Benevides unit will be included in this agreement.

Moreover, we are developing the largest private project in Brazil for the consumption of solar energy. In 2009, new solar panels were acquired to increase Natura's use of alternative energy. The solar energy used in the lighting of the parking lot and heating the water in the changing rooms and kitchen generates a savings of 19.96×10^9 joules. It corresponds to just 0.01% of the company's energy matrix, totaling 3 GWh/month, but it is equivalent to the consumption of one of the four administrative floors of the Cajamar complex. We saved an additional 1.95×10^{12} joules of energy through the implementation of new technologies, procedures, and policies. (Graph 1)

1. 2009 ENERGY MATRIX (CAJAMAR AND ITAPECERICA DA SERRA)



WASTE

Natura manages the solid waste from its operations by means of processes that include stages of separation, classification, storage, collection, transportation, and final disposal, always for the purpose of reducing the volume of waste generation, increasing the percentage of recycled waste, and using extra care with hazardous waste.

In 2009, solid waste generation increased 16.1% compared to 2008, in line with the growth in Natura's activities. This calculation includes not only the waste from the production process but also the waste generated in the administrative areas, laboratories, and service areas (restaurant, outpatient clinic, etc.).

This increase relates to the fact that in 2009 we included in the calculations the weight of the waste generated by the outsourced companies that manufacture our finished products. In total, they generated 37.8% more solid waste compared to 2008. For 2010, our challenge is to manage this data more accurately. In the Cajamar and Itapecerica da Serra plants, the increase was 7%, and the total amount of waste per unit billed increased 1.5% to 31.5 grams/unit in 2009.

We reduced by 18.7% the volume of waste produced at the Cajamar and Itapecerica da Serra plants that were disposed of in landfills compared to 2008. This means that last year we avoided sending 117.5 metric tons (volume necessary to fill up 20 garbage trucks) to landfills.

TOTAL WEIGHT OF WASTE PER UNIT BILLED (GRAMS/UNIT)¹

| | 2007 | 2008 | 2009 |
|--|------|------|------|
| Total weight of waste per unit billed (grams/unit) | 34.9 | 31.0 | 31.5 |

1. This year, the amounts generated by outsourced companies that manufacture our products were included to better portray the reality of the indicator. As a result, the historical data were changed.

TOTAL AMOUNT OF WASTE PER TYPE (METRIC TON)^{1,2}

| | 2007 | 2008 | 2009 |
|---|---------|----------|----------|
| Class I | 1,395.5 | 1,348.3 | 1,436.6 |
| Class II-A | 4,043.3 | 4,330.7 | 4,817.8 |
| Class II-B | 1,180.9 | 1,444.6 | 1,390.5 |
| Waste related to the Cajamar and Itapecerica da Serra plants | 6,619.7 | 7,123.6 | 7,618.9 |
| Waste related to the other Natura plants ³ | 180.2 | 224.5 | 251.4 |
| Waste at Natura's outsourced manufacturing companies ⁴ | 3,200.0 | 3,039.0 | 4,189.0 |
| Total weight of waste disposed of | 9,999.9 | 10,387.1 | 12,059.3 |

1. In accordance with the Brazilian Association of Technical Standards NBR standard No. 10,004/2004: Class I waste: hazardous waste (obsolete cosmetic products, medical and laboratory waste, and alcohol); Class II-A waste: non-inert waste (physicochemical and biological sediments from the Effluent Treatment Station (ETE), paper, cardboard); Class II-B waste: inert waste (metals, plastic).

2. Natura does not include in this indicator the waste generated in civil construction works carried out in its plants.

3. Refers to the generation of waste from its industrial plants in Benevides – state of Pará, inaugurated in May 2007, and the Administrative Plant in Barueri (Alphaville).

4. Companies that manufacture (or that are involved in the last stage of production) items with the Natura brand.

This was possible thanks to recycling initiatives such as the program for the separation of recycled materials from obsolete cosmetic products. An expired cream, for example, is considered hazardous waste. But instead of also sending the packaging for hazardous waste treatment, we have started to separate it and send it for recycling after subjecting it to a crushing process to remove characteristics of the bottle's original usage.

With this and other initiatives, we were able to increase by 10.1% the volume of waste sent for recycling (638.8 metric tons more) in 2008 in relation to 2007, and achieved the rate of 91.5% of waste sent for recycling last year.

DESTINATION OF WASTE¹

| | 2007 | 2008 | 2009 |
|------------------------------|---------|---------|---------|
| Incinerated | | | |
| (%) | 2.8 | 2.5 | 1.9 |
| (metric tons) | 186.9 | 176.3 | 142.4 |
| Disposed in landfills | | | |
| (%) | 9.2 | 8.8 | 6.6 |
| (metric tons) | 605.5 | 627.8 | 510.3 |
| Recycled | | | |
| (%) | 88.0 | 88.7 | 91.5 |
| (metric tons) | 5,827.2 | 6,319.5 | 6,958.3 |

1. Refers to the Cajamar and Itapeceirica da Serra plants.

The weight of the organic waste sent for composting, on the other hand, such as food leftovers, for example, increased 36.3% last year.

Hazardous waste, meanwhile, is transported within the strictest safety standards and sent for treatment and proper final disposal. The volume of hazardous waste transported and treated in 2009 totaled 1,400 metric tons, 6.5% more than in 2008.

WEIGHT OF WASTE CONSIDERED HAZARDOUS UNDER THE TERMS OF THE BASEL CONVENTION^{1 2 3} (METRIC TONS)

| | 2007 | 2008 | 2009 |
|--------------------|---------|---------|---------|
| Transported | 1,395.5 | 1,348.3 | 1,436.6 |
| Imported | 0.0 | 0.0 | 0.0 |
| Exported | 0.0 | 0.0 | 0.0 |
| Treated | 1,395.5 | 1,348.3 | 1,436.6 |

1. In accordance with Brazilian Association of Technical Standards NBR standard No. 10,004/2004: Class I waste: hazardous waste (obsolete cosmetic products, medical and laboratory waste, alcohol, lubricating oil and maintenance waste).

2. All waste not directly mentioned in the Basel Convention, such as hazardous waste, but which is classified as hazardous based on local legislation, is also covered by the Convention.

3. Refers to the Cajamar and Itapeceirica da Serra units.

RECYCLING OF WASTE BY DESTINATION (METRIC TONS)¹

| | 2007 | 2008 | 2009 |
|-----------------------|---------|---------|---------|
| Composting | 784.3 | 942.5 | 1,284.8 |
| Coprocessing | 802.8 | 727.8 | 1,288.1 |
| Transformation | 4,160.0 | 4,649.2 | 4,385.4 |

1. Refers to the Cajamar and Itapeceirica da Serra units.

In our operations, we have developed, by means of the Movimento Natura (Natura Movement), the reverse logistics project Reciclagem de Produtos Natura (Natura Product Recycling), through which we have mobilized our consultants to send the support materials and packaging collected from their customers to collection centers. We also have an experience with the collection of products for recycling in our operations in Colombia, where we support the Association of Recyclers of Bogotá. In 2009, 32 metric tons of recyclable waste was collected in that country.

IMPACT OF MAIN SUPPLIERS

Estamos progredindo, ano a ano, para ampliar o monitoramento dos nossos consumos de água e de energia, bem como da geração de resíduos, para além da nossa própria atuação. Temos a ambição de integrar cada vez mais os cálculos de toda a nossa cadeia de valor. Em 2009, consideramos, ao todo, 62 empresas nos cálculos sobre os impactos ambientais dos nossos principais fornecedores. No ano anterior, havíamos reportado os dados de um total de 49 fornecedores. A inclusão dessas empresas explica, em grande parte, o incremento que visualizamos nos números, na comparação com 2008.

LEADING SUPPLIERS OF PACKAGING AND RAW MATERIALS OF NATURA

| | 2007 | 2008 | 2009 |
|--|---------|---------|---------|
| Number of suppliers analyzed | 57 | 49 | 62 |
| Energy consumption (joules x 10¹²)¹ | | | |
| Primary electricity source – consumption of electric energy | 215.1 | 129.0 | 216.8 |
| Self-generated electricity - diesel-powered generator | 0.2 | 4.6 | 4.2 |
| Consumption of LPG | 9.1 | 1.8 | 4.8 |
| Other – natural gas | 120.5 | 113.8 | 140.4 |
| Total energy used | 344.8 | 249.2 | 366.2 |
| Water consumption (cubic meters) | | | |
| Total water consumption | 251,093 | 124,667 | 166,528 |
| Generation of waste by the leading suppliers of Natura (mt)¹ | | | |
| Total waste generated | 2,846 | 1,752 | 2,947 |

1. The leading Natura suppliers of inputs belonging to other categories (accessories, packaging, printing services, fragrances, chemicals and distribution centers). The data is obtained by means of estimates: Suppliers are instructed to apply apportionments to their consumption of energy and water and waste generation, taking into consideration the production percentage for Natura.



CREATION OF ECONOMIC VALUE

Consolidated net revenues totaled R\$ 4.2 billion, 18.6% higher than in 2008. EBITDA totaled R\$ 1.0 billion, growing 17.2% in relation to 2008. The EBITDA margin of 23.8% was above the guidance for a minimum of 23%, which remains in place for 2010.

At the end of 2009, our cash balance amounted to R\$ 500.3 million and our net indebtedness corresponded to 0.2 times EBITDA for the year. (Graph 1)

COSTS AND EXPENSES

The operating efficiency initiatives continued to bring results and the Cost of Sales dropped from 31.1% in 2008 to 30.5% in 2009.

Selling expenses were practically unchanged, in line with our strategy and consistent with the competitive environment, increasing from 35.2% in 2008 to 35.3% in 2009. In the expense mix we invested more in the implementation of the Natura Consultant Adviser (NCA) model, which was mitigated by efficiency gains in logistics and distribution, as well as in marketing expenses.

Administrative expenses dropped from 10.8% in 2008 to 10.6% in 2009. Over the year, we invested in a number of projects for the development of leadership, strengthening the organizational culture, and tax requirements, among other things.

EBITDA AND NET INCOME

In 2009, EBITDA totaled R\$ 1.0 billion, a growth of 17.2% in relation to the R\$ 860.1 million seen in 2008, with a margin of 23.8% in the year, above the guidance of 23% we established for the 2008-2010 triennium, and which will be maintained. In 2008, the EBITDA margin was 24.1%. Excluding the extraordinary effect of the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) tax credits in 2008, the EBITDA margin would have been 23.2%. (Graph 2)

In 2009, consolidated net income was R\$ 683.9 million compared with R\$ 517.9 million in 2008, a growth of 32.1%. The net margin increased from 14.5% in 2008 to 16.1% in 2009. The higher increase in net income in relation to the EBITDA is due to the lower income tax rate in the year of 21.8% due to the acceleration of the goodwill amortization in 2009, a fact that will not be repeated in 2010.

SUMMARY OF CASH FLOWS

Free cash generation totaled R\$ 430.6 million in 2009 compared with R\$ 484.4 million in 2008. Excluding the extraordinary effects of the sales credit policy in Christmas 2007 (in the amount of R\$ 122 million) reflected in 2008, free cash generation in 2009 would have increased by 18.9%.

SUMMARY OF CONSOLIDATED CASH FLOWS¹ (R\$ MILLIONS)

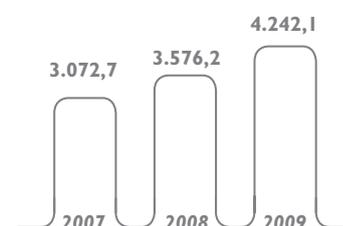
| | 2008 | 2009 | Var % |
|---------------------------------------|---------|---------|---------|
| Net income for the year | 517.9 | 683.9 | 32.0 |
| (+) Depreciation and amortization | 90.0 | 92.4 | 2.7 |
| (+) Non-cash items ² | (65.7) | 28.0 | (142.6) |
| Internal cash generation | 542.2 | 804.4 | 48.3 |
| Changes in working capital | 45.0 | (233.1) | (617.8) |
| Cash provided by operating activities | 587.2 | 571.2 | (2.7) |
| Additions to intangible assets | (102.8) | (140.6) | 36.7 |
| Free cash generation ³ | 484.4 | 430.6 | (11.1) |

1. This summary of cash flows was not prepared based on the indirect cash flow method as required by Brazilian accounting standards. With respect to cash flows, we present free cash generation determined in accordance with the following description => (Internal cash generation) +/- (changes in working capital and long-term liabilities) - (acquisition of property, plant and equipment).

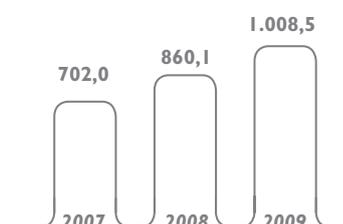
2. Due mainly to the effects of foreign exchange variation and the marking to market of derivative instruments.

3. (Internal cash generation) +/- (changes in working capital and long-term liabilities) - (acquisitions of property, plant and equipment).

1. CONSOLIDATED NET REVENUES (R\$ THOUSANDS)



2. CONSOLIDATED EBITDA (R\$ MILLIONS)



In 2009, internal cash generation was R\$ 804.4 million, 48.4% higher than the R\$ 542.2 million recorded in 2008. The investment in operating working capital in 2009 was mainly due to a higher investment in inventories in order to improve the service level of our consultants in the second half of the year. This short-term policy generated good results, reducing the non-service rate of the orders placed by our consultants at the end of the year. In addition to the investments in inventories, there was an increase in taxes recoverable arising from the new method for paying the State-Value Added (ICMS) tax substitution in the state of São Paulo.

Investments in property, plant, and equipment in 2009 totaled R\$ 140.6 million and were mainly concentrated in information technology, improvements, and expansion of production capacity. Investments in property, plant and equipment in 2010 will total R\$ 250 million. This additional investment will be made mainly in the Brazilian operations to improve the information technology that supports our commercial and logistics processes and to increase logistics capacity (storage, separation and distribution).

PRO FORMA RESULTS PER OPERATION BLOCK

With respect to the pro forma results shown below, we present the profit margin accrued from the exports from Brazil to foreign operations less the Cost of Sales of the respective operations, showing the real impact of these foreign subsidiaries* on the company's consolidated result. Accordingly, the pro forma Statement of Income Brazil shows only total sales in the domestic market.

PRO FORMA FINANCIAL HIGHLIGHTS BRAZIL

| | 2008 | 2009 |
|--|-----------|-----------|
| Total number of consultants – end of period* (thousands) | 730.6 | 875.2 |
| Product units for resale (in thousands) | 299.1 | 345.1 |
| Gross revenues | 4,582.6 | 5,418.5 |
| Net revenues | 3,363.5 | 3,949.5 |
| Gross profit | 2,331.8 | 2,761.4 |
| Selling expenses (%) | 69.3% | 69.9% |
| Selling expenses | (1,107.8) | (1,300.5) |
| Administrative and general expenses | (325.7) | (376.5) |
| Employee profit sharing | (56.9) | (55.8) |
| Management compensation | (13.9) | (14.1) |
| Other operating income (expenses), net | 28.4 | (15.8) |
| Financial income (expenses) | (16.7) | (40.9) |
| Income before taxes on income | 839.2 | 957.8 |
| Net income for the year | 616.2 | 778.6 |
| EBITDA | 942.3 | 1,085.9 |
| EBITDA margin (%) | 28.0% | 27.5% |

In 2009, EBITDA from Brazilian operation totaled R\$ 1,085.9 million compared with R\$ 942.3 million in 2008, a growth of 15.2%. The margin was 27.5% in 2009 and 28.0% in 2008.

PRO FORMA EBITDA PER OPERATION BLOCK (R\$ MILLIONS)

| | 2008 | 2009 |
|------------------------------|--------------|----------------|
| Brazil | 942.3 | 1,085.9 |
| Argentina, Chile e Peru | (1.4) | 8.9 |
| Mexico, Venezuela e Colombia | (37.9) | (42.3) |
| France e EUA | (42.8) | (44.1) |
| Total | 860.1 | 1,008.5 |

In the operations under consolidation (Argentina, Chile, and Peru), net revenues in 2009 totaled R\$ 218.5 million, showing a growth of 32.9% (36.6% in weighted local currency) in relation to 2008. In 2009, we obtained a positive result measured by EBITDA of R\$ 8.9 million.

In the operations under implementation (Colombia and Mexico), net revenues for 2009 totaled R\$ 66.5 million, an increase of 51.1% (62.2% in weighted local currency). Excluding Venezuela, the growth in weighted local currency was 74.2% in 2009. In 2009, EBITDA was negative by R\$ 42.3 million compared with R\$ 38.9 million in 2008. We are developing a strategy to drive our activities in these countries starting in 2010.

This group also included our operations in Venezuela. In the second half of 2009, in view of the changes that took place in that country, we decided to discontinue our operations, started in 2007.

(*) This adjustment is made on a full basis since 100% of these subsidiaries' capital is held by Natura Cosméticos S.A.

This process was conducted with respect and care, reinforcing our gratitude to the receptivity of the Venezuelan people to our products and the concepts that involve our brand. We developed an important network of relationships in that country, and we expect to be able to cultivate them again in the future.

PRO FORMA FINANCIAL HIGHLIGHTS – OPERATIONS UNDER CONSOLIDATION (ARGENTINA, CHILE AND PERU) - (R\$ MILLIONS)

| | 2008 | 2009 |
|---|--------|---------|
| Total number of consultants - end of period* (in thousands) | 90,0 | 113,6 |
| Product units for resale (in thousands) | 12,9 | 16,2 |
| Gross revenues | 214,7 | 285,4 |
| Net revenues | 164,4 | 218,5 |
| Gross profit | 101,5 | 138,1 |
| Selling expenses (%) | 61,8% | 63,2% |
| Selling expenses | (85,0) | (109,3) |
| Administrative and general expenses | (19,6) | (23,4) |
| Financial income (expenses) | (5,9) | 0,3 |
| Income (loss) before taxes on income | (9,1) | 7,1 |
| Net income (loss) for the year | (13,3) | (1,1) |
| EBITDA | (1,4) | 8,9 |
| EBITDA margin (%) | -0,9% | 4,1% |

PRO FORMA FINANCIAL HIGHLIGHTS - OPERATIONS UNDER CONSOLIDATION (MEXICO AND COLOMBIA)¹ – (R\$ MILLIONS)

| | 2008 | 2009 |
|---|--------|--------|
| Total number of consultants - end of period* (in thousands) | 28,2 | 44,2 |
| Product units for resale (in thousands) | 3,6 | 5,9 |
| Gross revenues | 50,4 | 76,3 |
| Net revenues | 44,0 | 66,5 |
| Gross profit | 26,5 | 41,8 |
| Selling expenses (%) | 60,3% | 62,8% |
| Selling expenses | (50,4) | (69,7) |
| Administrative and general expenses | (14,7) | (16,1) |
| Financial income (expenses) | (0,3) | (1,3) |
| Income (loss) before taxes on income | (38,8) | (45,5) |
| Net income (loss) for the year | (40,8) | (48,0) |
| EBTIDA | (37,9) | (42,3) |
| EBITDA margin (%) | -86,2% | -63,6% |

¹ Operations in Venezuela were discontinued in the third quarter of 2009.



FINANCIAL STATEMENTS

Natura Cosméticos S.A.

Financial Statements for the years ended December 31, 2009 and 2008 and Independent Auditors' Report.

In compliance with legal and statutory rules, we are submitting the balance sheets and financial statements for the years ended December 31, 2009 and December 31, 2008 for your review. In addition to the information contained in the notes to the financial statements, the company management is available to provide any further clarifications.

Balance Sheets

Statements of Income

Statements of Comprehensive Income

Statements of Changes in Shareholders' Equity

Statements of Cash Flows

Statements of Value Added

Notes to the Financial Statements



NATURA COSMÉTICOS S.A.

Balance sheets as of december 31, 2009 and 2008 and january 1, 2008

(In thousands of Brazilian reais - R\$)

| | Note | Company | | | Consolidated | | |
|---|------------|------------------|--------------------|-------------------|------------------|--------------------|-------------------|
| | | 2009 | 2008 (Restated) | January 1 2008 | 2009 | 2008 (Restated) | January 1 2008 |
| ASSETS | | | | | | | |
| CURRENT | | | | | | | |
| Cash and equivalents | 5 | 254,463 | 87,513 | 105,571 | 500,294 | 350,497 | 405,392 |
| Trade accounts receivable | 6 | 414,645 | 428,421 | 512,094 | 452,868 | 470,401 | 535,528 |
| Inventories | 7 | 94,338 | 40,977 | 21,544 | 509,551 | 333,632 | 251,079 |
| Recoverable taxes | 8 | 93,760 | 33,275 | 2,022 | 191,195 | 109,697 | 49,368 |
| Related parties | 10 | 26,757 | 18,518 | 12,456 | - | - | - |
| Unrealized gains on derivative transactions | 23 | - | 35,393 | - | - | 38,062 | - |
| Advances to employees and suppliers | | 3,690 | 6,192 | 2,305 | 6,094 | 6,941 | 3,569 |
| Other receivables | | 23,930 | 33,748 | 11,606 | 56,360 | 64,247 | 25,513 |
| Total current assets | | 911,583 | 684,037 | 667,598 | 1,716,362 | 1,373,477 | 1,270,449 |
| NONCURRENTS | | | | | | | |
| Long-term assets: | | | | | | | |
| Recoverable taxes | 8 | 33,697 | 20,188 | 2,370 | 63,931 | 33,490 | 22,284 |
| Deferred income tax and social contribution | 9.a | 82,952 | 67,344 | 45,078 | 146,146 | 111,919 | 84,450 |
| Escrow deposits | 11 | 187,656 | 122,118 | 98,464 | 232,354 | 163,256 | 137,540 |
| Advances to employees and suppliers | | - | - | 785 | 1,660 | 2,071 | 4,531 |
| Temporary cash investments | 5 and 17.f | - | - | - | 5,769 | 5,250 | 4,848 |
| Advance for future capital increase | 10 | 90 | 45 | 25 | - | - | - |
| Investments | 12 | 1,000,600 | 868,497 | 770,701 | - | - | - |
| Property, plant and equipment | 13 | 50,375 | 37,865 | 27,866 | 492,256 | 477,661 | 480,899 |
| Intangible assets | 13 | 11,527 | 9,008 | 6,548 | 82,740 | 75,029 | 63,817 |
| Total noncurrent assets | | 1,366,897 | 1,125,065 | 951,837 | 1,024,856 | 868,676 | 798,369 |
| TOTAL ASSETS | | 2,278,480 | 1,809,102 | 1,619,435 | 2,741,218 | 2,242,153 | 2,068,818 |

| | Note | Company | | | Consolidated | | |
|--|------|------------------|--------------------|------------------|------------------|--------------------|------------------|
| | | 2009 | 2008 (Restated) | January 2008 | 2009 | 2008 (Restated) | January 2008 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | | |
| CURRENT | | | | | | | |
| Loans and financing | 15 | 469,590 | 5,293 | 120,785 | 569,366 | 190,550 | 288,959 |
| Domestic suppliers | | 60,379 | 51,066 | 43,092 | 227,278 | 182,617 | 173,574 |
| Foreign suppliers | | 497 | 148 | 148 | 4,409 | 3,571 | 2,076 |
| 'Suppliers - related parties | 10 | 211,591 | 250,555 | 145,037 | - | - | - |
| Payroll, profit sharing and related charges | | 56,750 | 55,062 | 33,776 | 130,792 | 130,706 | 87,068 |
| Taxes payable | 16 | 190,620 | 131,552 | 132,171 | 341,306 | 244,993 | 165,541 |
| Dividends and interest on capital payable | 10 | 174 | 174 | 146 | 174 | 174 | 146 |
| Accrued freight | | 23,595 | 24,963 | 17,231 | 23,595 | 25,560 | 18,044 |
| 'Reserve for tax, civil and labor contingencies | 17 | 1,465 | 15,791 | - | 1,465 | 15,791 | 13,420 |
| Allowance for losses on derivative transactions | 23 | 6,869 | - | 3,813 | 8,652 | - | 6,351 |
| Other payables | | 26,165 | 23,364 | 20,291 | 30,045 | 29,085 | 22,324 |
| Total current liabilities | | 1,047,695 | 557,968 | 516,490 | 1,337,082 | 823,047 | 777,503 |
| NONCURRENT | | | | | | | |
| Loans and financing | 15 | 25,707 | 177,972 | 116,847 | 134,992 | 289,480 | 259,992 |
| 'Reserve for tax, civil and labor contingencies | 17 | 62,308 | 51,332 | 49,585 | 119,980 | 106,192 | 102,928 |
| Allowance for losses on subsidiaries | 12 | 565 | 701 | 10,060 | - | - | - |
| Other payables | | 2,384 | 7,020 | 5,401 | 9,342 | 9,324 | 7,342 |
| Total noncurrent liabilities | | 90,964 | 237,025 | 181,893 | 264,314 | 404,996 | 370,262 |
| SHAREHOLDERS' EQUITY | | | | | | | |
| Capital | 20.a | 404,261 | 391,423 | 390,618 | 404,261 | 391,423 | 390,618 |
| Capital reserves | | 142,993 | 138,654 | 154,403 | 142,993 | 138,654 | 154,403 |
| Profit reserves | | 253,693 | 167,560 | 170,318 | 253,693 | 167,560 | 170,318 |
| Treasury shares | 20.c | (14) | (369) | (2,701) | (14) | (369) | (2,701) |
| Proposed additional dividend | 20.b | 357,611 | 311,680 | 237,752 | 357,611 | 311,680 | 237,752 |
| Accumulated losses | | - | - | (20,935) | - | - | (20,935) |
| Other comprehensive income | | (18,723) | 5,161 | (8,403) | (18,723) | 5,161 | (8,403) |
| Total equity attributed to controlling shareholders | | 1,139,821 | 1,014,109 | 921,052 | 1,139,821 | 1,014,109 | 921,052 |
| MINORITY INTEREST | | | | | | | |
| Total shareholders' equity | | 1,139,821 | 1,014,109 | 921,052 | 1,139,822 | 1,014,110 | 921,053 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 2,278,480 | 1,809,102 | 1,619,435 | 2,741,218 | 2,242,153 | 2,068,818 |

The accompanying notes are an integral part of these financial statements.

NATURA COSMÉTICOS S.A.

Statements of income for the years ended december 31, 2009 and 2008

(In thousands of Brazilian reais - R\$, except for earnings per share)

| | Note | Company | | Consolidated | |
|---|------|------------------|--------------------|------------------|--------------------|
| | | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| CONTINUING OPERATIONS | | | | | |
| NET OPERATING REVENUES | 28 | 4,593,165 | 3,830,939 | 4,242,057 | 3,576,201 |
| Cost of sales | | (1,956,558) | (1,609,476) | (1,294,565) | (1,113,237) |
| GROSS PROFIT | | 2,636,607 | 2,221,463 | 2,947,492 | 2,462,964 |
| OPERATING (EXPENSES) INCOME | | | | | |
| Selling | | (1,062,579) | (1,017,117) | (1,496,125) | (1,259,333) |
| General and administrative | | (698,241) | (474,958) | (450,868) | (391,070) |
| Employee profit sharing | 18 | (21,049) | (20,332) | (55,784) | (56,927) |
| Management compensation | 19 | (13,139) | (10,087) | (14,063) | (13,853) |
| Equity in subsidiaries | 12 | (2,830) | (12,536) | - | - |
| Other operating income (expenses), net | 25 | 961 | 30,738 | (14,624) | 28,354 |
| INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS | | 839,730 | 717,171 | 916,028 | 770,135 |
| Financial income | 24 | 56,794 | 59,498 | 84,176 | 99,017 |
| Financial expenses | 24 | (83,805) | (85,023) | (126,050) | (121,859) |
| INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | 812,719 | 691,646 | 874,154 | 747,293 |
| Income tax and social contribution - current | 9.b | (144,403) | (196,055) | (224,457) | (256,905) |
| Income tax and social contribution - deferred | 9.b | 15,608 | 22,266 | 34,227 | 27,469 |
| NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS | | 683,924 | 517,857 | 683,924 | 517,857 |
| Attributable to: | | | | | |
| Owners of the Company | | 683,924 | 517,857 | 683,924 | 517,857 |
| Minority interest | | - | - | - | - |
| EARNINGS PER SHARE - R\$ | | 1,5895 | 1,2069 | 1,5895 | 1,2069 |

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

For the years ended december 31, 2009 and 2008

(In thousands of Brazilian reais - R\$)

| | Note | Company | | Consolidated | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2009 | 2008 | 2009 | 2008 |
| NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS | | 683,924 | 517,857 | 683,924 | 517,857 |
| Other comprehensive income: | | | | | |
| Gains (losses) adjustment from translation of financial Statements of foreign subsidiaries | 12 | (23,884) | 13,564 | (23,884) | 13,564 |
| Total comprehensive income on the year | | 660,040 | 531,421 | 660,040 | 531,421 |
| Total comprehensive income on the year attributable to: | | | | | |
| Owners of the Company | | 660,040 | 531,421 | 660,040 | 531,421 |
| Minority interest | | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

Cash Flows from Operating Activities

For the years ended december 31, 2009 and 2008

(In thousands of Brazilian reais - R\$, except for dividends per share)

| | Note | Company | | Consolidated | |
|---|------|------------------|--------------------|------------------|--------------------|
| | | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Net income | | 683,924 | 517,857 | 683,924 | 517,857 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 13 | 11,918 | 9,564 | 92,426 | 89,995 |
| Reserve for losses on swap and forward contracts | | (4,539) | (35,393) | (4,004) | (94,014) |
| Reserve for tax, civil and labor contingencies | 17 | 12,188 | 17,539 | 9,090 | 5,635 |
| Deferred income tax and social contribution | 9.a | (15,608) | (22,266) | (34,227) | (27,469) |
| Loss (gain) on sale on property, plant and equipment and intangible assets | | (702) | 358 | 9,265 | 2,676 |
| Write-offs on property, plant and equipment, net | | - | - | 10,569 | - |
| Equity in subsidiaries | 12 | 2,830 | 12,536 | - | - |
| Interest and exchange rate change on loans and financing and other liabilities | | 33,662 | 26,140 | 10,825 | 76,580 |
| Expenses on stock options plans | 21 | 4,339 | 2,055 | 8,573 | 5,088 |
| Allowance for doubtful accounts | 6 | 8,211 | 5,169 | 10,051 | 6,440 |
| Allowance for inventory losses | 7 | 3,635 | (1,849) | 9,650 | 6,029 |
| | | 739,858 | 531,710 | 806,142 | 588,817 |
| (INCREASE) DECREASE IN ASSETS | | | | | |
| Current: | | | | | |
| Trade accounts receivable | | 5,565 | 83,673 | 7,482 | 58,687 |
| Inventories | | (56,996) | (23,507) | (185,569) | (88,582) |
| Recoverable taxes | | (60,485) | (43,920) | (81,498) | (72,996) |
| Other receivables | | 4,081 | 14,555 | 8,734 | 46,886 |
| Noncurrent: | | | | | |
| Escrow deposits | | (65,538) | (16,821) | (69,098) | (25,716) |
| Recoverable taxes | | (13,509) | (5,151) | (30,441) | 1,461 |
| Other receivables | | (45) | 764 | (108) | 2,058 |
| Subtotal | | (186,927) | 9,593 | (350,498) | (78,202) |
| INCREASE (DECREASE) IN LIABILITIES | | | | | |
| Current: | | | | | |
| Domestic and foreign suppliers | | (29,302) | 113,477 | 45,499 | 10,538 |
| Payroll, profit sharing and related charges, net | | 1,688 | 17,399 | 86 | 35,364 |
| Taxes payable, net | | 187,646 | 134,504 | 280,678 | 291,999 |
| Other payables | | 1,433 | 10,635 | (1,005) | 13,686 |
| Noncurrent: | | | | | |
| Reserve for tax, civil and labor contingencies | | (22,184) | - | (22,216) | - |
| Other payables | | (12,055) | 8,151 | (1,310) | 4,348 |
| Subtotal | | 127,226 | 284,166 | 301,732 | 355,935 |
| OTHER CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Payments of income tax and social contribution | | (128,758) | (179,044) | (184,365) | (232,708) |
| Payments of derivative transactions | | (13,924) | (4,847) | (16,255) | 9,376 |
| Dividends received from subsidiaries | 12 | - | 34,800 | - | - |
| Payments of interest on loans and financing | | (4,574) | (2,950) | (19,919) | (18,053) |
| | | 532,901 | 673,428 | 536,837 | 625,165 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Acquisition of property, plant and equipment and intangible assets | 13 | (30,568) | (25,428) | (140,632) | (102,843) |
| Proceeds from sale of property, plant and equipment and intangible asset | | 4,323 | 2,919 | 6,066 | 9,496 |
| Investments | 12 | (154,720) | (128,064) | - | - |
| | | (180,965) | (150,573) | (134,566) | (93,347) |
| NET CASH USED IN INVESTING ACTIVITIES | | | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Payments of loans and financing - principal | | (634,274) | (380,801) | (827,121) | (556,421) |
| Fundings of loans and financing | | 988,310 | 283,485 | 1,109,497 | 429,392 |
| Payment of dividends | 20.b | (469,367) | (425,898) | (469,367) | (425,898) |
| Payment of interest on capital | | (82,493) | - | (82,493) | - |
| Capital increase through subscription of shares | 20.a | 12,838 | 805 | 12,838 | 805 |
| Acquisition of treasury shares for maintenance on treasury for stock option plans | 20.a | - | (21,124) | - | (21,124) |
| Sale of treasury shares by exercise of stock options | | - | 2,620 | - | 2,620 |

continue

| | Note | Company | | Consolidated | |
|--|------|------------------|--------------------|------------------|--------------------|
| | | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| NET CASH USED IN FINANCING ACTIVITIES | | (184,986) | (540,913) | (256,646) | (570,626) |
| Effects of exchange rate changes on cash and cash equivalents | | - | - | 4,172 | (16,087) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 166,950 | (18,058) | 149,797 | (54,895) |
| Cash and cash equivalents at beginning of year | | 87,513 | 105,571 | 350,497 | 405,392 |
| Cash and cash equivalents at end of year | | 254,463 | 87,513 | 500,294 | 350,497 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 166,950 | (18,058) | 149,797 | (54,895) |
| Additional statements of cash flows information: | | | | | |
| Cash with restricted use (notes 5 and 17) | | - | - | 5,769 | 5,250 |
| Guaranteed accounts limits without utilization | | 197,720 | 162,900 | 242,145 | 172,500 |
| The accompanying notes are an integral part of these financial statements. | | | | | |

Statements of Value Added

For the years ended December 31, 2009 and 2008

(In thousands of Brazilian reais - R\$, except supplemental information)

| | Note | Company | | Consolidated | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2009 | 2008 (Restated) | 2009 | 2008 (Restated) |
| REVENUES | | 5,333,613 | 4,553,478 | 5,705,072 | 4,831,081 |
| Sales of goods, products and services | | 5,402,269 | 4,570,404 | 5,789,313 | 4,852,858 |
| Other operating income (expenses), net | | 961 | 30,738 | (14,624) | 28,354 |
| Recognition of allowance for doubtful accounts | | (69,617) | (47,664) | (69,617) | (50,131) |
| INPUTS PURCHASED FROM THIRD PARTIES | | (3,591,983) | (3,063,630) | (2,687,639) | (2,357,229) |
| Cost of sales and services | | (2,135,472) | (1,863,492) | (1,557,212) | (1,291,466) |
| Materials, energy, outside services and other | | (1,456,511) | (1,200,138) | (1,130,427) | (1,065,763) |
| GROSS VALUE ADDED | | 1,741,630 | 1,489,848 | 3,017,433 | 2,473,852 |
| RETENTIONS | | (11,918) | (9,564) | (92,426) | (89,995) |
| Depreciation and amortization | 13 | (11,918) | (9,564) | (92,426) | (89,995) |
| VALUE ADDED GENERATED BY THE COMPANY | | 1,729,712 | 1,480,284 | 2,925,007 | 2,383,857 |
| VALUE ADDED RECEIVED IN TRANSFER | | 53,964 | 46,962 | 84,176 | 99,017 |
| Equity in subsidiaries | 12 | (2,830) | (12,536) | - | - |
| Financial income - includes inflation and exchange rate changes | | 56,794 | 59,498 | 84,176 | 99,017 |
| TOTAL VALUE ADDED TO BE DISTRIBUTED | | 1,783,676 | 1,527,246 | 3,009,183 | 2,482,874 |
| DISTRIBUTION OF VALUE ADDED | | (1,783,676) 100% | (1,527,246) 100% | (3,009,183) 100% | (2,482,874) 100% |
| Payroll and related charges | | (191,654) 11% | (170,840) 11% | (642,954) 21% | (556,371) 22% |
| Taxes and contributions | | (816,887) 46% | (744,927) 49% | (1,547,256) 51% | (1,276,657) 51% |
| Financial expenses and rents | | (86,349) 5% | (87,497) 6% | (130,187) 4% | (125,864) 5% |
| Dividends | | (199,660) 11% | (130,535) 9% | (199,660) 7% | (130,535) 5% |
| Interest on capital | | (43,254) 2% | (57,465) 4% | (43,254) 1% | (57,465) 2% |
| Retained earnings | | (445,872) 25% | (335,982) 22% | (445,872) 15% | (335,982) 14% |

Supplemental statements of value added information:

Of the amounts recorded under caption "Taxes and contributions" in 2009 and 2008, the amounts of R\$424,222 and R\$407,250, respectively, refer to State VAT under the taxpayers' substitution regime (ICMS - ST) levied on the estimated profit margin defined by the State Finance Secretariats obtained from sales made by Natura Beauty Consultants to final consumers.

For the analysis of this tax impact on the statements of value added, these amounts should be deducted from those recorded under captions "Sales of goods, products and services" and "Taxes and contributions", since sales revenues do not include the estimated profit attributable to Natura Beauty Consultants on the sale of products, in the amounts of R\$2,302,549 and R\$2,023,795 in 2009 and 2008, respectively, considering an estimated profit margin of 30%.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

I. OPERATIONS

Natura Cosméticos S.A. (the "Company") is a publicly-traded company, headquartered in Itapeverica da Serra, State of São Paulo, registered in the São Paulo Stock Exchange (BMF&BOVESPA).

The Company and its subsidiaries activities are the development, production, distribution and sale, substantially through direct sales by Natura Beauty Consultants, of cosmetics, fragrances, and hygiene products. The Company also holds equity interests in other companies in Brazil and abroad.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared and are being presented in conformity with Brazilian accounting practices and the standards established by the Brazilian Securities and Exchange Commission (CVM), in accordance with Corporate Law, including the changes introduced by Law 11638/07 and Provisional Act 449/08, converted into Law 11941/09, and Pronouncements issued by the Accounting Pronouncements Committee (CPC).

In addition, in compliance with article 3 of CVM Resolution 603/09, when preparing its financial statements for the year ended December 31, 2009, retrospectively to the financial statements for the year ended December 31, 2008 and the balance sheet as of January 1, 2008, when applicable, presented for comparative purposes, the Company and its subsidiaries opted for the early adoption of applicable Pronouncements, Interpretations and Guidelines issued by CPC in 2009, as mentioned in note 3.

The preparation of financial statements requires Management to make estimates and assumptions to report certain assets, liabilities and other transactions, such as reserve for tax, civil and labor contingencies, allowances for losses on receivables and inventories, and realization of deferred income tax and social contribution, which represent Company's and its subsidiaries' Management's best estimates. Actual results could differ from those estimates.

Significant accounting practices applied are as follows:

a) Functional and reporting currency

Items included in financial statements of the Company and each one of the subsidiaries included in the consolidated financial statements are measured using the currency of the main economic environment in which the companies operate ("functional currency").

The consolidated financial statements are presented in Brazilian reais, the Company's functional currency.

b) Foreign currency transactions and balances

Foreign currency-denominated transactions are translated into the Company's functional currency - Brazilian reais - at exchange rates prevailing on the dates of the transactions. Balance sheet accounts are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and monetary liabilities denominated in foreign currency are recognized in income.

c) Cash and cash equivalents

Include cash, demand deposits and short-term investments redeemable in up to 90 days, highly liquid or convertible to a known cash amount and subject to immaterial change in value, which are recorded at cost plus income earned through the balance sheet dates and do not exceed their market or realization value.

d) Financial instruments

(i) Classification

The Company and its subsidiaries classify their financial assets under the following categories: (1) financial assets measured at fair value through profit or loss; (2) financial assets held-to-maturity; (3) available-for-sale financial assets; and (4) loans and receivables. The classification depends on the purpose for which the financial assets and liabilities were acquired or contracted.

(1) Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss assets are the financial assets held for trading, when acquired for such purpose, principally in the short term. Derivative financial instruments are also classified as held for trading. Assets in this category are classified as current assets.

In the case of the Company and its subsidiaries, this category encompasses only derivative financial instruments. The balances related to gains or losses on unsettled transactions are classified in current assets or current liabilities, and gains or losses arising from changes in fair value are recorded under "Financial income" or "Financial expenses", respectively.

(2) Financial assets held-to-maturity

Comprise investments in certain financial assets classified by treasury at their inception as held-to-maturity, which are measured at cost of purchase plus income earned according to contractual terms and conditions.

(3) Available-for-sale financial assets

Include non-derivative financial assets, such as equity securities traded in active markets and not traded in active markets, but whose fair value can be reasonably estimated. As of December 31, 2009 and 2008 and January 1, 2008, the Company and its subsidiaries do not have assets recorded in the financial statements under this classification.

(4) Loans and receivables

Includes non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as noncurrent assets, when applicable. As of December 31, 2009 and 2008 and January 1, 2008, include cash and cash equivalents (note 5), loans and receivables (note 15), the balances payable to domestic and foreign suppliers and trade accounts receivable (note 6).

(ii) Measurement

Regular purchases and sales of financial assets are recognized on transactions, i.e., on the date the Company and its subsidiaries agreed to buy or sell the asset. Financial assets at fair value through profit or loss are initially recognized at their fair value, and transaction costs are expenses. Loans and receivables are accounted for at the amortized cost.

Gains or losses resulting from changes in the fair value of financial assets measured at fair value through profit or loss are recognized in the statement of income in caption "Financial income" or "Finance expenses", respectively, in the period in which they occur. As regards financial assets classified as "Available for sale", these changes are recorded in caption "Other comprehensive income" until they are settled, when finally they are recorded in income for the year.

(iii) Derivative financial instruments and hedging activities

Derivative transactions contracted by the Company and its subsidiaries are limited to swaps and Non Deliverable Forwards (NDFs) intended exclusively to hedge against the currency risks related to the positions in the balance sheet and the foreign currency denominated projected cash flows.

They are measured at fair value, and changes in fair value are recognized against income when they are not designated for hedge accounting.

The fair value of derivatives is measured by the Company's treasury area based on the information on each contracted transaction and the related market information at the balance sheet dates, such as interest rate and foreign exchange coupon. When applicable, such information is compared with the positions reported by the trading desks of each involved financial institution.

Even though the Company and its subsidiaries use derivatives for hedging purposes, it does not apply hedge accounting.

The fair value of derivatives is disclosed in note 23.

(iv) Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount presented in the balance sheet when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

e) Trade accounts receivable and doubtful accounts

Trade accounts receivable are stated at their present value, less the allowance for doubtful accounts, which is recognized based on an analysis of risks on collection of receivables, in an amount considered sufficient to cover possible losses, as described in note 6.

As trade accounts receivable are usually settled within a period of less than 30 days, the carrying amounts represent substantially their fair values at the balance sheet dates.

f) Inventories

Stated at the average cost of acquisition or production, adjusted to market value and for possible losses, when applicable. The details are shown in note 7.

g) Investments

Investments in subsidiaries are accounted for under the equity method, as shown in note 12.

Exchange gains and losses on the translation of financial statements of foreign subsidiaries, for equity accounting and consolidation of financial statements purposes, are allocated to the caption "Other comprehensive income", in shareholders' equity, and reclassified to the statement of income upon the sale of the investment, if applicable.

Unrealized profits on inventories arising from the Group's intercompany sales are eliminated.

h) Foreign currency transactions

Translated to Brazilian reais at the exchange rates prevailing on the transaction dates. Balance sheet figures are translated at the exchange rates prevailing at the balance sheet dates. Exchange gains and losses arising from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

i) Property, plant and equipment

Recorded at acquisition and/or construction cost, plus interest capitalized during the construction period, when applicable. Depreciation is calculated under the straight-line method, considering the rates shown in note 13.

As described in item m) below, rights in tangible assets that are maintained or used in the operations of the Company and its subsidiaries, originated from finance leases, are recorded as purchase financing, and a fixed asset and a financing liability are recognized at the beginning of each transaction, where assets are submitted to depreciation calculated at the rates described in note 13.

As described in note 3, the Company and its subsidiaries elected not to review the historical cost of property, plant and equipment and use deemed cost, as established by paragraphs 20 to 29 of ICPC 10 - Interpretation of the First-time Application to Property, Plant and Equipment and Investment Property of CPCs 27, 28, 37 and 43, to record the opening balance of property, plant and equipment on the first-time adoption of CPC 27 - Property, Plant and Equipment and ICPC 10.

Additionally, the effects of depreciation arising from the first periodic test of the remaining economic useful lives of property, plant and equipment and intangible assets, as regulated by ICPC 10, will be recorded at the closing of the financial statements for the first quarter of 2010.

j) Intangible assets

Software and ERP systems licenses purchased are also capitalized and amortized at the rates also described in note 13, and expenses on the software maintenance are recognized as expenses when incurred.

Expenses ERP systems purchase and implementation are capitalized as intangible assets when it is probable that the future economic benefits that they will generate will be higher than their cost, taking into consideration their economic and technologic viability. Expenses on software development recognized as assets are amortized under the straight-line method over its estimated useful life. The expenses related to software maintenance are expensed when incurred.

Separately purchased trademarks and patents are stated at their historic cost. Trademarks and patents acquired in a business combination are recognized at fair value on the acquisition date as they are a finite useful life and are stated at cost less accumulated amortization. Amortization is calculated under the straight-line method at the annual rates described in note 13.

In addition, the Company records as intangible assets the goodwill arising from the merger of Natura Empreendimentos S.A. into Natura Participações S.A., which was deducted from the provision to preserve the ability to pay future dividends, as described in note 14.

k) Expenses on product research and development

In view of the high level of innovation and the turnover rate of the products in the Company's sales portfolio, the Company adopts the accounting policy of recognizing product research and development expenditure as expenses for the year, when incurred. Details are disclosed in note 29.

l) Impairment assessment

Property, plant and equipment, intangible assets and, when applicable, other noncurrent assets are annually tested to identify evidences of impairment, or also significant events or changes in circumstances that indicate that their carrying amounts cannot be recovered. When applicable, when there is a loss, arising from situations where the carrying amount of an asset exceeds its recoverable amount, defined as the higher of value in use and net selling price, this loss is recognized in the statement of income.

Assets are grouped in their lowest levels for which there are separately identifiable cash flows - Cash Generating Units (CGUs) - for recoverable amount evaluation purposes.

m) Leases

Lease classification is made at the inception of the lease. Leases where the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Leases where the Company and its subsidiaries retain substantially all the risks and rewards incidental to ownership are classified as finance leases. These leases are capitalized in balance sheet at the commencement of the lease term at the lower fair value of the leased asset and the minimum lease payments.

Each lease payment is apportioned between liabilities and the finance charge so as to permit obtaining a constant rate on the outstanding liability. The corresponding obligations, less finance charge, are classified in current liabilities and noncurrent liabilities, according to the lease term. Property, plant and equipment items purchased through finance leases are depreciated over the shorter of their economic useful lives, as described in item i) or the lease term.

n) Current and noncurrent liabilities

Stated at known or estimated amounts, plus, if applicable, interest and monetary and exchange variations incurred through the balance sheet dates.

o) Income tax and social contribution - current and deferred

Current and deferred income tax and social contribution are recognized in the statement of income, except, when applicable, in the proportion related to items recognized directly in shareholders' equity. In this case, taxes are recognized directly in shareholders' equity, in "Other comprehensive income".

Except for the subsidiaries located abroad, which apply the tax rates prevailing in the country where they are based, income tax and social contribution of the Company and its subsidiaries in Brazil are calculated at the tax rates of 25% and 9%, respectively, to income tax and social contribution.

Current income tax and social contribution expense are calculated using the law enacted at the balance sheet date, pursuant to Brazilian tax regulations. Management periodically measures the positions assumed in the income tax return regarding the situations where applicable tax regulations are subject to possibly different interpretation and, when appropriate, recognizes provisions based on the amounts it expects to pay tax authorities.

Deferred income tax and social contribution recorded in current and noncurrent assets result from expenses recorded in income, although temporarily nondeductible for tax purposes. Deferred income tax and social contribution are calculated using the tax rates enacted as on the balance sheet date and that must be applied when the corresponding deferred income tax and social contribution assets are realized or deferred income tax and social contribution liabilities are settled.

Deferred income tax assets are recognized only to the extent that there is a reasonable certainty that future taxable income will be available and against which temporary differences can be offset.

The amounts of deferred income tax and social contribution assets and liabilities are only utilized when there is a legally enforceable right to offset tax loss current tax assets against current tax liabilities and/or when deferred income tax and social contribution assets and liabilities are related to the income tax and social contribution levied by the same tax authorities on the taxable entity or different taxable entities, where there is intention to settle the net balances.

Details are disclosed in note 9.

p) Loans and financings

Initially recognized at fair value of proceeds received less the costs of transaction. They are subsequently carried at amortized cost, i.e., plus charges, interest and inflation and exchange rate changes incurred through the balance sheet dates, as shown in note 15.

q) Reserves for tax, civil and labor contingencies

The reserves for contingent liabilities are recognized when the Company and its subsidiaries have a legal or constructive obligation as a result of past events, where it is probable that disbursements will be required to settle the obligation, and its present value can be reliably estimated. Reserves are quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks.

Adjusted for inflation through the balance sheet dates to cover probable losses, based on the nature of contingencies and the opinion of the Company's and its subsidiaries' legal counsel. For financial statement presentation purposes, these reserves are stated net of related escrow deposits. The basis and nature of the reserves for tax, civil and labor contingencies are described in note 17.

r) Derivative financial instruments (swap and forward)

The nominal values of derivative financial instruments of swap and forward transactions are not recorded in the balance sheets. Unrealized net gains or losses on these transactions, measured at fair value, are recorded on the accrual basis of accounting, as mentioned in note 23.

s) Financial income and expenses

Refer to interest, inflation adjustment and exchange rate fluctuations on short-term investments, escrow deposits, loans and financing and derivative transactions, such as swaps and forwards, as shown in note 24.

t) Dividends and interest on capital

The proposed dividends and interest on capital made by the Company's Management included in the portion equivalent to minimum dividends is recorded in caption "Dividends and interest on capital payable" in liabilities, as it is considered as a legal liability provided for by the Company's bylaws. However, the portion of dividends exceeding minimum dividends declared by Management after the reporting period but before the authorization date for issuance of these financial statements is recorded in caption "Proposed additional dividend", and its effects are presented in note 20.b).

For corporate and accounting purposes, interest on capital is stated as allocation of income directly in shareholders' equity.

u) Earnings per share

Calculated based on the number of shares at the balance sheet dates, excluding treasury shares.

v) Stock option plans

The Company and its subsidiaries offer to its employees and executives share-based compensation plans, settled with Company's and its subsidiaries' shares, under which the Company receives services in return for stock options.

The fair value of the options granted is recognized as an expense in the statement of income during the vesting period, and options are vested

after certain specific conditions are fulfilled. At the balance sheet dates, the Company's Management reviews its estimates on the number of options vested based on the conditions fulfilled and, when applicable, recognizes in the statement of income as a contra entry to shareholders' equity the effect arising from the revision of the initial estimates.

w) Actuarial gains and losses of healthcare plan and other costs related to employees' benefit plans

The costs related to the contributions made by the Company and its subsidiaries to defined contribution retirement plans are recognized on the accrual basis. Actuarial gains and losses recorded in the retirees' healthcare expansion plan are recorded in the statement of income in accordance with CPC 33, based on the actuarial calculation prepared by an independent actuary, as detailed in note 22.

x) Results of operations

Income and expenses are recorded on the accrual basis. Revenue from sales is recognized in income when all risks and rewards incidental to product ownership are transferred to the customer.

Income from tax incentives, received in the form of a monetary asset, is recognized in the statement of income when received as a contra account to costs and investment already incurred by the Company in the jurisdiction where the tax incentive is granted. There are no established conditions to be met by the Company that might affect the recognition of tax incentives.

y) Business segment report

Reporting on operating segments is consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the operating segments and assessing their performance, is represented by the Company's Executive Committee.

3. FIRST-TIME ADOPTION OF THE CHANGES IN BRAZILIAN ACCOUNTING PRACTICES

The enacted Law 11638/07 and Provisional Act 449/08, converted into Law 11941/09, altered, revoked and added new provisions to the Brazilian Corporate Law (Law 6404/76), especially with respect to chapter XV. Said Law and Provisional Act are effective for fiscal years ended on or after December 31, 2008, and applicable to all corporations, including publicly-trade and large companies.

These changes were designed primarily to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with International Financial Reporting Standards - IFRS and allow regulatory agencies to issue new accounting standards and procedures, in conformity with such international accounting standards.

Adoption of Accounting Pronouncements issued in 2009

As part of convergence process of the accounting practices established by Law 11638/07 with the international financial reporting standards, new Pronouncements, Guidelines and Technical Interpretations were issued in 2009 by the CPC. By the date of these financial statements, 26 new Technical Pronouncements, 12 Interpretations and 3 Technical Guidelines had been issued by CPC and approved by CVM Resolutions for mandatory adoption beginning 2010.

However, as described in note 2, for compliance with article 3 of CVM Resolution 603/09, in preparing the financial statements for the year ended December 31, 2009, the financial statements for the year ended December 31, 2008 and the balance sheet as of January 1, 2008, presented for comparative purposes, the Company and its subsidiaries opted for the early adoption of applicable Pronouncements, Interpretations and Guidelines.

The Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its subsidiaries are as follows:

a) Recognition of proposed minimum dividends under CPC 24 - Subsequent Event and ICPC 08 - Accounting for Proposed Dividend Payments. After the financial statements for the year ended December 31, 2009, with comparative effects in the balance sheets as of January 1 and December 31, 2008, the portion of dividends exceeding minimum dividends declared by Management after the reporting period, but before these financial statements are authorized for issuance, is not recorded as a liability, and dividends that exceed the minimum mandatory dividends are recorded in "Proposed additional dividend" and disclosed in the notes to the financial statements.

The effects of the adoption of this accounting practice are disclosed in note 20.b) and are being restated in the statement of changes in shareholders' equity.

b) Recognition of the costs of capitalizable loans under CPC 20 - Costs of Loans. The Company and its subsidiaries recorded borrowing costs directly attributable to the development of eligible assets during the development period.

The effects of the adoption of this accounting practice are disclosed in note 13.

c) Elimination of profits not realized in intercompany sales under ICPC 09 - Individual Financial Statements, Separate Financial Statements, Consolidated Financial Statements and Application of the Equity Method of Accounting. The Company has been eliminating profits not realized in inventories arising from sales to foreign subsidiaries to present the consolidated financial statements. Under paragraphs 48 to 54 of ICPC 09, since the closure of the financial statements for the year ended December 31, 2009, with comparative effects in the financial statements as of December 31, 2008 and the balance sheet as of January 1, 2008, the Company has also eliminated these unrealized profits from the individual financial statements, whose net effects were recorded as a credit to equity in subsidiaries in the statement of income.

The effects of the adoption of this accounting practice are disclosed in note 4.

d) Classification of deferred income tax and social contribution tax credits in noncurrent assets under CPC 26 - Presentation of Financial Statements. Under paragraph 56 of CPC 26, since the closure of the financial statements for the year ended December 31, 2009, with comparative effects in the balance sheet as of January 1 and December 31, 2008, the Company and its subsidiaries have reclassified the balances of deferred income tax and social contribution tax credits to noncurrent assets.

As a result of the effects of the adoption of this accounting practice, the balances of deferred income tax and social contribution recorded in the balance sheets as of January 1 and December 31, 2008 were reclassified from current to noncurrent assets as stated below:

| | <u>Company</u> | | <u>Consolidated</u> | |
|--|----------------------------|-------------|----------------------------|-------------|
| | <u>January, 1 2008</u> | <u>2008</u> | <u>January, 1 2008</u> | <u>2008</u> |
| Deferred income tax and social contribution - noncurrent assets: | | | | |
| Previously stated | 17,407 | 16,647 | 36,958 | 34,318 |
| Currently stated | 67,344 | 45,078 | 111,919 | 84,450 |

e) Classification of escrow deposits in noncurrent assets under CPC 39 - Financial Instruments: Presentation. As prescribed by CPC 39, since the closure of the financial statements for the year ended December 31, 2009, with comparative effects in the balance sheets as of January 1 and December 31, 2008, the Company and its subsidiaries reclassified the balances of escrow deposits to noncurrent assets.

As a result of the effects of the adoption of this accounting practice, the balances of escrow deposits charged to the balance sheets as of

January 1 and December 31, 2008 were reclassified from noncurrent liabilities, when there was a reserve for contingencies linked to the deposit, to noncurrent assets, as stated below:

| | <u>Company</u> | | <u>Consolidated</u> | |
|--------------------------------------|----------------------------|-------------|----------------------------|-------------|
| | <u>January, 1 2008</u> | <u>2008</u> | <u>January, 1 2008</u> | <u>2008</u> |
| Escrow deposits - noncurrent assets: | | | | |
| Previously stated | 37,187 | 35,119 | 41,017 | 38,603 |
| Currently stated | 122,118 | 98,464 | 163,256 | 137,540 |

f) Disclosure of segment reporting under CPC 22 - Segment Reporting. As prescribed by CPC 22, since the closure of the financial statements for the year ended December 31, 2009, with comparative effects in the financial statements as of December 31, 2008, the Company has adopted segment reporting by geography, as shown in note 27.

g) Presentation and disclosure of financial instruments and other related information under CPCs 38, 39 and 40 - Financial Instruments: Presentation, Measurement and Disclosures. Although the Company and its subsidiaries complied with the requirements of presentation, measurement and disclosures previously set out in CPC 14 - Financial Instruments, in the preparation of the financial statements for the year ended December 31, 2008, as prescribed by the new regulation of said CPCs 38, 39 and 40, in the preparation of the financial statements for the year ended December 31, 2009 the Company and its subsidiaries complied with the presentation and disclosure requirements set out in the new standards, as disclosed in note 23, and the new financial instruments presentations in the financial statements for the reporting annual periods presented.

h) Recognition of the effects of transactions involving share-based payment agreements related to the Company's stock option plans granted to subsidiaries' employees under ICPC 05 - Share-based Payment - Transactions with Group and Treasury Shares. Since the closure of the financial statements for the year ended December 31, 2009, with comparative effects in the Company's statement of income for the year ended December 31, 2008, the Company has recorded the stock options granted to subsidiaries' employees, which will be settled with Company's shares. The expenses related to these stock options, whose contra entry is a capital contribution to the respective subsidiaries' shareholders' equity, will be recorded as incurred during the period in which the service is provided by the employee.

The adoption of this accounting practice did not impact prior years' income, resulting only in reclassifications between administrative expense and equity in subsidiaries accounts in the Company's statement of income for the year ended December 31, 2008.

The effects of the adoption of this accounting practice are disclosed in note 12.

i) Accounting for the effects resulting of hyperinflation calculated for the first-time adoption of IFRS, as part of the cost of property, plant and equipment. Pursuant to paragraphs IG 33 and IG 34 of CPC 37 - First-time Adoption of International Financial Reporting Standards - Convergence with International Financial Reporting Standards - IFRS 1, on the first-time adoption of IFRS to recognize the opening balance of property, plant and equipment, the recognition of the effects of inflation adjustment of property, plant and equipment items of subsidiary Indústria e Comércio de Cosméticos Natura Ltda. during the hyperinflationary period, in order to fully conform to the accounting convergence adjustments between the IFRS and the new CPC Pronouncements, the Company's Management decided to account for the inflation adjustments generated upon the application of IAS 29, whose effects in the year ended December 31, 2008 and prior years are as follows:

| | 2008 | January 1, 2008 and prior years | Total |
|---|------|--|-------|
| Inflation adjustment of property, plant and equipment during the hyperinflationary period | (26) | 1,583 | 1,557 |

Considering the application of the new CPC Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its subsidiaries, the effects on the statement of income for the year ended December 31, 2008 and prior years, classified in "Accumulated losses" in shareholders' equity, which were previously recorded without the application of these new Pronouncements, are as follows:

| | Company | | |
|---|---------|--|----------|
| | 2008 | January 1, 2008 and prior years | Total |
| Under Laws 11638/07 and 11941/09 accounting practices (before new CPC Pronouncements issued in 2009) | 525,781 | - | 525,781 |
| Ajustes por adoção inicial dos novos pronunciamentos contábeis emitidos em 2009: | | | |
| Elimination of unrealized profits on inventories (ii) | (7,670) | (5,083) | (12,753) |
| Equity in subsidies (i) | (254) | 4,262 | 4,008 |
| Total adjustments, net of taxes | (7,924) | (821) | (8,745) |
| Under Laws 11638/07 and 11941/09 accounting practices (after adoption of new CPC Pronouncements issued in 2009) | 517,857 | (821) | 517,036 |

| | Consolidated | | |
|---|--------------|--|---------|
| | 2008 | January 1, 2008 and prior years | Total |
| Under Laws 11638/07 and 11941/09 accounting practices (before new CPC Pronouncements issued in 2009) | 518,111 | - | 518,111 |
| Adjustments for changes in accounting practices: | | | |
| Deemed cost of property, plant and equipment | (26) | 1,583 | 1,557 |
| Capitalized interest | (361) | 4,874 | 4,513 |
| Deferred income tax and social contribution | 133 | (2,195) | (2,062) |
| Total adjustments, net of taxes | (254) | 4,262 | 4,008 |
| Under Laws 11638/07 and 11941/09 accounting practices (after adoption of new CPC Pronouncements issued in 2009) | 517,857 | 4,262 | 522,119 |

(i) Refers to the adjustments, net of taxes, resulting from changes in accounting practices, arising on the equity in direct subsidiary Indústria e Comércio de Cosméticos Natura Ltda. related to interest on capitalized loans on eligible assets pursuant to CPC 20 and the deemed cost of the inflation adjustment of property, plant and equipment during the hyperinflationary period pursuant to CPC 37.

(ii) Amounts recorded net of taxes and eliminated only in the Company as, for purposes of presentation of the consolidated financial statements, the Company already eliminated these unrealized profits.

4. CONSOLIDATION CRITERIA OF ACCOUNTING STATEMENTS

a) Definition of subsidiaries for consolidation purposes

Subsidiaries are all the entities whose financial and operating policies are

controlled and conducted by the Company and the parent company owns half or more of the interest. In the applicable cases, the existence and the effect of potential voting right, currently exercisable or convertible, are taken into consideration to determine if the Company controls or not another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Company and cease to be consolidated, when applicable, when control is not longer exercised.

In the cases control is jointly held, the consolidation of the financial statements is made proportionally to the interest percentage.

b) Consolidation criteria and subsidiaries included in the consolidated financial statements The consolidated financial statements have been prepared in accordance with the consolidation criteria established by Brazilian accounting practices and CVM standards, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

| | Interest holding -% | | |
|---|---------------------|--------|-------------------|
| | 2009 | 2008 | January 1 2008 |
| Direct interest: | | | |
| Indústria e Comércio de Cosméticos Natura Ltda. | 99.99 | 99.99 | 99.99 |
| Natura Cosméticos S.A. - Chile | 99.99 | 99.99 | 99.99 |
| Natura Cosméticos S.A. - Peru | 99.94 | 99.94 | 99.94 |
| Natura Cosméticos S.A. - Argentina | 99.97 | 99.96 | 99.94 |
| Natura Brasil Cosmética Ltda. - Portugal | 98.00 | 98.00 | 98.00 |
| Natura Inovação e Tecnologia de Produtos Ltda. | 99.99 | 99.99 | 99.99 |
| Natura Europa SAS - França | - | 100.00 | 100.00 |
| Natura Cosméticos y Servicios de Mexico, S.A. de C.V. | 99.99 | 99.99 | 99.99 |
| Natura Cosméticos de Mexico, S.A. de C.V. | 99.99 | 99.99 | 99.99 |
| Natura Distribuidora de Mexico, S.A. de C.V. | 99.99 | 99.99 | 100.00 |
| Natura Cosméticos C.A. - Venezuela | 99.99 | 99.99 | 99.99 |
| Natura Cosméticos Ltda. - Colômbia | 99.99 | 99.99 | 99.99 |
| Natura Cosmetics USA Co. | - | 100.00 | 99.99 |
| Flora Medicinal J. Monteiro da Silva Ltda. | 99.99 | 99.99 | 99.99 |
| Natura Cosméticos España S.L. - Espanha | 100.00 | 100.00 | 100.00 |
| Natura (Brasil) International B.V. - Holanda | 100.00 | 100.00 | 100.00 |
| Natura Cosméticos y Vestimentas S.A. - Uruguai | 99.99 | 99.99 | 99.99 |

| | Interest holding -% | | |
|--|---------------------|--------|----------------------|
| | 2009 | 2008 | January 1 de 2008 |
| Indirect interest: | | | |
| <u>By Indústria e Comércio de Cosméticos Natura Ltda.</u> | | | |
| Natura Logística e Serviços Ltda. | 99.99 | 99.99 | 99.99 |
| <u>By Natura Inovação e Tecnologia de Produtos Ltda.</u> | | | |
| Ybios S.A. (consolidação proporcional - controle conjunto) | 33.33 | 33.33 | 33.33 |
| Natura Innovation et Technologie de Produits SAS - França | 100.00 | 100.00 | - |
| <u>By Natura (Brasil) International B.V. - Holanda</u> | | | |
| Natura Brasil Inc. - EUA - Delaware | 100.00 | 100.00 | - |
| Natura International Inc. - EUA - Nova York | 100.00 | 100.00 | - |
| Natura Worldwide Trading Company - Costa Rica | 100.00 | 100.00 | - |
| Natura Brasil SAS - France | 100.00 | 100.00 | - |
| Natura Brasil Inc. - EUA - Nevada | 100.00 | - | - |
| Natura Europa SAS - France | 100.00 | - | - |

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in note 2. Investments in subsidiaries were

proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits were also eliminated. The non-controlling interests in the Company's subsidiaries are shown separately.

Translation of the financial statements of foreign subsidiaries

NIIn preparing the consolidated financial statements, the statements of income, cash flows and value added and all other changes in assets and liabilities are translated into Brazilian reais at the average annual foreign exchange rate, considering an amount close to the foreign exchange rate prevailing at the date of the related transactions. Balance sheet is translated into Brazilian reais at the foreign exchange rate prevailing at the balance sheet dates.

The effects of changes in foreign exchange rates during the year on shareholders' equity at the beginning of year are recognized as a change in shareholders' equity, as the difference between retained earnings or accumulated losses is recognized at the average foreign exchange rates prevailing at yearend. The cumulative amount of the exchange differences is presented in the shareholders' equity, in caption "Other comprehensive income". In case of disposal or partial disposal of a foreign subsidiary, the cumulative exchange difference is recognized in the statement of income as part of the gain or loss on the disposal of investment, pursuant to CPC 02.

Purchases and sales of non-controlling interests

The Company has the policy of treating transactions with non-controlling shareholders as transactions with unrelated parties. In the applicable cases, the write-offs of non-

-controlling interests result in gains and losses for the Company and are recognized in the statement of income. The acquisitions of non-controlling interests result in goodwill, which is the difference between any consideration paid and the material interest acquired of the fair value of a subsidiary's net assets.

Elimination of unrealized profits

Unrealized profits on inventories as a result of sales made by the Company to its subsidiaries were eliminated and, as of December 31, 2009 and 2008 and January 1, 2008, the effect of the elimination of these unrealized profits, net of taxes, is as follows:

| | <u>2009</u> | <u>2008</u> | <u>January 1 2008</u> |
|---|-------------|-------------|---------------------------|
| Accumulated shareholders' equity as of December 31 | 17,376 | 12,753 | 5,083 |
| Recorded in net income for the year ended December 31 | 4,623 | 7,670 | - |

The operations of the direct and indirect subsidiaries are as follows:

a) Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia, Natura Europa SAS - France, Natura Cosméticos de Mexico, S.A. de C.V., and Natura Cosméticos C.A. - Venezuela, whose amounts are mentioned in note 10.

b) Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos C.A. - Venezuela, Natura Cosméticos Ltda. - Colombia and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.

c) Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development and market research. It is the only owner of Natura Innovation et Technologie de Produits SAS - France, a research and technology satellite center opened in 2007 in Paris.

d) Natura Europa SAS - France and Natura Brasil SAS - France: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, and hygiene products.

e) Natura Cosméticos de Mexico, S.A. de C.V.: imports and sells cosmetics, fragrances in general and hygiene products to Natura Distribuidora de Mexico, S.A. de C.V.

f) Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: provides administrative and logistics services to Natura Cosméticos de Mexico, S.A. de C.V. and Natura Distribuidora de Mexico, S.A. de C.V.

g) Natura Cosméticos España S.L. - Spain: company in preoperating stage and its activities will be an extension of the activities developed by the parent company Natura Cosméticos S.A. - Brazil.

h) Flora Medicinal J. Monteiro da Silva Ltda.: used to be engaged in the sale of phytotherapeutic and phytocosmetic products of its own brand. Since 2005 this company has had no activities. On March 31, 2008, after the merger of Nova Flora Participações Ltda., Flora Medicinal J. Monteiro da Silva Ltda. became a direct subsidiary of Natura Cosméticos S.A. - Brazil.

i) Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil.

j) Ybios S.A.: engaged in research, management and development of projects, products and services in the biotechnology area, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations and other public and private entities, provision of services in the biotechnology area, and holding of equity interest in other companies.

As Ybios S.A. is a jointly-owned subsidiary whose financial statements were proportionally included in the Company's consolidated financial statements, the main assets, liabilities and statement of income accounts, which were included in the consolidated financial statements at the ratio of 33.33% of interest after ownership elimination adjustments, are stated below:

| | <u>2009</u> | <u>2008</u> | <u>January 1 2008</u> |
|-------------------------------|-------------|-------------|---------------------------|
| Current assets | 409 | 413 | 482 |
| Property, plant and equipment | 197 | 193 | 181 |
| Current liabilities | 282 | 66 | 71 |
| Net losses | (630) | (607) | (741) |

k) Natura Innovation et Technologie de Produits SAS - France: engaged mainly in research activities developed for in vitro tests, an alternative to tests in animals, for safety and efficacy testing of active compounds, skin care and new packaging materials.

l) Natura Europa SAS - France and Natura Cosmetics USA Co.: in January 2009, the shares in these subsidiaries' capital stock were assigned as a capital contribution to the holding company Natura (Brasil) International B.V. - The Netherlands, and the Company became the indirect holder of such interests through this holding company in The Netherlands.

Discontinuation of subsidiaries' operations

The Board of Directors' Meetings held in July and October 2009 approved the discontinuation of the operations of subsidiaries Natura Cosméticos C.A. - Venezuela, Natura Brasil Cosmética Ltda. - Portugal and Natura Cosméticos y Vestimentas S.A. - Uruguay. As of December 31, 2009, these companies' winding up is in progress, except for the subsidiaries in Uruguay and Portugal, which were still in preoperating stage when the discontinuation of their operations was decided. The operations of the subsidiary in Venezuela were discontinued in the third quarter of 2009, and thus the recognition of an allowance for impairment losses was required.

On December 31, 2009, the net assets balance of Natura Cosméticos C.A. - Venezuela, recorded in the Company's consolidated financial statements, less allowances for asset impairment losses and collection of liabilities during the operation termination process, was R\$511. For further details on total shareholders' equity and net loss recorded by the subsidiary for year ended December 31, 2009, refer to note 12.

On March 31, 2008 it was decided for the transfer to the Company of the negative net assets of subsidiary Nova Flora Participações Ltda. based on an independent appraisers' report.

5. CASH AND CASH EQUIVALENTS

| | Company | | | Consolidated | | |
|---|----------------|---------------|----------------|----------------|----------------|----------------|
| | 2009 | 2008 | January I 2008 | 2009 | 2008 | January I 2008 |
| Cash and banks | 12,010 | 19,785 | 15,347 | 61,242 | 54,123 | 49,398 |
| Short-term investments: | | | | | | |
| Bank certificates of deposit (CDBs) | 242,453 | 67,728 | 89,316 | 444,821 | 301,624 | 348,004 |
| Investment funds | - | - | 908 | - | - | 12,838 |
| | <u>254,463</u> | <u>87,513</u> | <u>105,571</u> | <u>506,063</u> | <u>355,747</u> | <u>410,240</u> |
| Current | 254,463 | 87,513 | 105,571 | 500,294 | 350,497 | 405,392 |
| Noncurrent - short-term investments (note 17.(f) - tax contingencies) | - | - | - | 5,769 | 5,250 | 4,848 |
| | <u>254,463</u> | <u>87,513</u> | <u>105,571</u> | <u>506,063</u> | <u>355,747</u> | <u>410,240</u> |

As of December 31, 2009, CDBs carry interest at rates ranging from 100.0% to 103.1% (100.0% to 103.7% as of December 31, 2008 and 100.0% to 102.0% as of January 1, 2008) of the Interbank Deposit Rate (CDI). In the year ended December 31, 2008, the weighted-average yield of mutual fund investments was 94.8% of CDI for the year.

CDBs are classified by the Company and its subsidiaries as "Cash and cash equivalents" as they may be redeemed immediately.

6. TRADE ACCOUNTS RECEIVABLE

| | Company | | | Consolidated | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2009 | 2008 | January I 2008 | 2009 | 2008 | January I 2008 |
| Trade accounts receivable | 462,303 | 467,868 | 546,372 | 509,383 | 516,865 | 575,552 |
| Allowance for doubtful accounts | (47,658) | (39,447) | (34,278) | (56,515) | (46,464) | (40,024) |
| | <u>414,645</u> | <u>428,421</u> | <u>512,094</u> | <u>452,868</u> | <u>470,401</u> | <u>535,528</u> |

Below is the aging of the trade accounts receivable:

| | Company | | | Consolidated | | |
|-------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|
| | 2009 | 2008 | January I 2008 | 2009 | 2008 | January I de 2008 |
| Current | 355,402 | 390,196 | 496,701 | 402,482 | 434,061 | 522,409 |
| Up to 30 days past due | 73,330 | 51,043 | 23,182 | 73,330 | 56,175 | 26,654 |
| 31 to 60 days past due | 9,757 | 8,437 | 7,390 | 9,757 | 8,437 | 7,390 |
| 61 to 90 days past due | 6,655 | 5,736 | 4,965 | 6,655 | 5,736 | 4,965 |
| 91 to 180 days past due | 17,159 | 12,456 | 14,134 | 17,159 | 12,456 | 14,134 |
| | <u>462,303</u> | <u>467,868</u> | <u>546,372</u> | <u>509,383</u> | <u>516,865</u> | <u>575,552</u> |

The balance of trade accounts receivable in consolidated is basically denominated in Brazilian reais, and approximately 95% of the outstanding balance as of December 31, 2009 refers to real-denominated transactions (94% as of December 31, 2008 and 97% as of January 1, 2008). The remaining balance is denominated in several currencies and refers to sales of foreign subsidiaries.

The changes in the allowance for doubtful accounts for the year ended December 31, 2009 are as follows:

| Company | | | |
|-----------------|-----------------|---------------|-----------------|
| Balance at 2008 | Additions (a) | Reversals (b) | Balance at 2009 |
| <u>(39,447)</u> | <u>(12,087)</u> | <u>3,876</u> | <u>(47,658)</u> |

| Consolidated | | | |
|-----------------|-----------------|---------------|-----------------|
| Balance at 2008 | Additions (a) | Reversals (b) | Balance at 2009 |
| <u>(46,464)</u> | <u>(13,165)</u> | <u>3,114</u> | <u>(56,515)</u> |

(a) Allowance recognized according to note 2.e).

(b) Refers to accounts over 180 days past due, written off due to noncollection.

The expense on the recognition of the allowance for doubtful accounts was recorded in "Selling expenses" in the statement of income. When recovery of additional cash is less than probable, the amounts debited from the allowance for doubtful accounts are in general reversed against the definite write-off of the receivable against income.

Maximum exposure to credit risk at the reporting date is the carrying amount of each aging range, as shown in the aging list above. The Company and its subsidiaries do not have any guarantee for past-due receivables.

7. INVENTORIES

| | Company | | | Consolidated | | |
|-----------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 2009 | 2008 | January I 2008 | 2009 | 2008 | January I 2008 |
| Finished products | 95,202 | 40,094 | 20,011 | 397,783 | 254,643 | 198,890 |
| Raw materials and packaging | - | - | - | 126,479 | 84,131 | 52,850 |
| Promotional material | 5,634 | 3,746 | 2,677 | 16,503 | 19,651 | 21,257 |
| Work in process | - | - | - | 14,327 | 11,098 | 7,944 |
| Allowance for losses | (6,498) | (2,863) | (1,144) | (45,541) | (35,891) | (29,862) |
| | <u>94,338</u> | <u>40,977</u> | <u>21,544</u> | <u>509,551</u> | <u>333,632</u> | <u>251,079</u> |

The increase recorded in the finished product balance in 2009 is chiefly due to the expansion of the logistics capacity of the Company's several distribution centers, as well as the resizing of the production capacity of subsidiary Indústria e Comércio de Cosméticos Natura Ltda., based on demand planning in order to monitor the growth of the Company's operations recorded in recent years and also in 2009, as well as the decline in the indices of failure to meet point-of-sale orders; therefore, raw materials and packaging balances followed such increase.

The changes in the allowance for inventory losses for the year ended December 31, 2009 are as follows:

| Company | | | |
|-----------------|--------------------|----------------|-----------------|
| Balance at 2008 | Additions, Net (a) | Write offs (b) | Balance at 2009 |
| <u>(2,863)</u> | <u>(5,446)</u> | <u>1,811</u> | <u>(6,498)</u> |
| Consolidated | | | |
| Balance at 2008 | Additions, Net (a) | Write offs (b) | Balance at 2009 |
| <u>(35,891)</u> | <u>(18,524)</u> | <u>8,874</u> | <u>(45,541)</u> |

(a) Refers mainly to the recognition of the reserve for discontinuance, expiration and quality losses, according to actual need to cover expected losses on the realization of inventories and the policy established by the Company and its subsidiaries.

(b) Refers to write-offs of products discarded by the Company and its subsidiaries.

8. RECOVERABLE TAXES

| | Company | | | Consolidated | | |
|---|----------------|---------------|-----------------|----------------|----------------|--------------------|
| | 2009 | 2008 | January I, 2008 | 2009 | 2008 | January I, de 2008 |
| ICMS on purchases of goods | - | - | 1,037 | 68,556 | 25,152 | 14,584 |
| Refundable ICMS - ST on interstate sales - RS | 20,967 | 10,467 | - | 20,967 | 10,467 | - |
| Refundable ICMS - ST on interstate sales - SP (a) | 89,767 | 29,620 | - | 89,767 | 29,620 | - |
| ICMS (state VAT) - ST (tax substitution) (b) - Santa Catarina State | 3,335 | 8,792 | - | 3,335 | 8,792 | - |
| Refundable ICMS - ST - voluntary reporting proceeding - SP (c) | - | - | - | 15,200 | 15,200 | - |
| Taxes - foreign subsidiaries | - | - | - | 17,070 | 20,482 | 14,418 |
| ICMS on purchases of fixed assets | 3,836 | 2,727 | 3,170 | 11,891 | 13,118 | 18,811 |
| COFINS on purchases of fixed assets | - | - | - | 11,632 | 9,217 | 16,193 |
| PIS on purchases of fixed assets | - | - | - | 1,913 | 1,955 | 3,516 |
| PIS and COFINS on purchase of goods | 8,448 | 1,857 | 185 | 8,448 | 4,214 | 576 |
| IRPJ (withholding income tax) and CSLL (social contribution tax) | - | - | - | 2,176 | 2,660 | 1,589 |
| PIS/COFINS/CSLL - withheld at source | - | - | - | 3,436 | 2,302 | 1,568 |
| Others | 1,104 | - | - | 3,149 | 8 | 397 |
| (-) Provision for discount on sale of ICMS credits | - | - | - | (2,414) | - | - |
| | <u>127,457</u> | <u>53,463</u> | <u>4,392</u> | <u>255,126</u> | <u>143,187</u> | <u>71,652</u> |
| Current | 93,760 | 33,275 | 2,022 | 191,195 | 109,697 | 49,368 |
| Noncurrent | <u>33,697</u> | <u>20,188</u> | <u>2,370</u> | <u>63,931</u> | <u>33,490</u> | <u>22,284</u> |

(a) Refers to the State Tax Substitution System VAT (ICMS - ST) amount that has been separately disclosed and withheld on a monthly basis on the Company's and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda.'s products sold and shipped to customers located in the Federal District and States other than the São Paulo State, pursuant to São Paulo State tax legislation in effect since February 2008.

Under the Special Regime granted to the Company by São Paulo State Tax Authorities in January 2009, when determining monthly Company's ICMS, since February 2008, it is allowed to offset an amount equivalent to 75% of the ICMS - ST, arising from subsequent transactions not carried out in the São Paulo State. The remaining ICMS - ST balance recoverable, equivalent to 25%, will only be utilized by the Company after an administrative inspection by tax authorities. This Special Regime is suspended since April 2009 so that the Company files with tax authorities its accessory obligations in the format required by the Special Regime and Tax Administration Coordinator (CAT) Administrative Rule 17/99.

Refundable credits broken down by month are as follows:

| Calculation period | 2009 | | | 2008 | | |
|--|---------------|-----------------|---------------|-------------|-----------------|---------------|
| | 75% portion | 25% portion (*) | Total | 75% portion | 25% portion (*) | Total |
| February to March 2008 | - | 506 | 506 | - | 679 | 679 |
| April to June 2008 | - | 2.603 | 2.603 | - | 2.603 | 2.603 |
| June to September 2008 | - | 3.906 | 3.906 | - | 3.906 | 3.906 |
| October to December 2008 | - | 5.479 | 5.479 | - | 5.479 | 5.479 |
| January to March 2009 | - | 3.774 | 3.774 | - | - | - |
| April to June 2009 | 12.314 | 4.105 | 16.419 | - | - | - |
| June to September 2009 | 15.005 | 5.002 | 20.007 | - | - | - |
| October to December 2009 | 15.090 | 5.030 | 20.120 | - | - | - |
| Subtotal | <u>42.409</u> | <u>30.405</u> | <u>72.814</u> | - | <u>12.667</u> | <u>12.667</u> |
| Credits recorded through the process of voluntary payment (calculated between February and May 2008) | - | - | 16.953 | - | - | 16.953 |
| Total ICMS - ST - SP credits | <u>42.409</u> | <u>30.405</u> | <u>89.767</u> | - | <u>12.667</u> | <u>29.620</u> |

(*) Classificada no ativo não circulante.

The ICMS - ST credits recorded as of December 31, 2009 will be regularly offset under the system described in the previous paragraph after complying with the aforementioned accessory obligations, and Management classified risk of non-refund as remote based on the assessment of the Company's legal counsel.

Based on the Company's Management best assessment and judgment, it is estimated that the amount of the 75% installment of the credits generated in the monthly calculations for February 2008 to December 2009, as shown in the table above, will be refunded within 12 months, after the reinstatement of the suspended Special Regime, and thus the Company maintains the recognition of these credits in current assets. The refund

of the 25% installment amount of the ICMS - ST credits depends on ratification by State tax authorities and is recognized in noncurrent assets due to the lack of a reasonable time estimate for the completion of said tax verification.

(b) Refers to ICMS - ST Santa Catarina State subject to a matter of a lawsuit and deposited in escrow in the period from March to December 2007. In January 2008, the Company entered into an Agreement with the Santa Catarina State Government for the application of the 30% Value Added Margin (MVA) to calculate the ICMS - ST on sales made by the Company in that State.

As a result of this Agreement, the escrow deposit totaling R\$29,938 made through December 2007 was converted into revenue to the State, and, out of this amount, R\$11,436 is being refunded by the Santa Catarina State Government in 24 monthly installments adjusted for inflation, through its offset against ICMS - ST falling due from April 2008.

Under said Agreement, the Company has to comply with certain commitments, including the following terms and conditions to be applied for transactions conducted by Natura's Beauty Consultants in the Santa Catarina State: (i) a MVA of 30% in the period from January 1, 2007 to June 30, 2008; (ii) starting October 2008, after the approval by the Santa Catarina State Tax Authorities, a MVA of 35%, as determined in the study conducted by Fundação Getúlio Vargas - FGV; and (iii) an increase of at least 5% in ICMS paid in 2009 as compared to 2008, a commitment that the Company has complied with.

On December 10, 2008, the Santa Catarina State published Decree 1985, which required the application of the 35% MVA calculated pursuant to the study conducted by Fundação Getúlio Vargas - FGV, commissioned by the Brazilian Association of Direct Selling Companies (ABEVD) in the period from July 2008 to September 2009. Decree 2530, which renews the effectiveness of MVA of 35% until December 31, 2010, was enacted in August 2009.

(c) On September 24, 2008, the Tax Administration Coordinator of the São Paulo State Finance Department accepted the voluntary reporting request filed by subsidiary Indústria e Comércio de Cosméticos Natura Ltda. where, after internal verifications made by its management, this company evidenced undue withholdings of ICMS - ST in the period February-May 2008 due to a different interpretation of the provisions of article 264, IV, 313-E and 313-G of ICMS Regulation (RICMS/2000). Said voluntary reporting request is also intended to clarify and permit the application of the procedures necessary to regularize the transactions carried out by this subsidiary during the referred period. As a result of this regularization, ICMS - ST credits were calculated at R\$15,200, consolidated, as of December 31, 2009 and 2008.

The credit will be offset by the subsidiary after verification by tax authorities; however, based on the subsidiary's legal counsel's and Management's assessment, the risk of not offsetting the amounts recognized as of December 31, 2009 is remote.

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred income tax (IRPJ) and social contribution (CSLL) result from temporary differences in the Company and consolidated. These credits are recorded in noncurrent assets, in view of CPC 26. The amounts are as follows

| | Company | | Consolidated | | | |
|---|---------------|---------------|-----------------|----------------|----------------|--------------------|
| | 2009 | 2008 | January 1, 2008 | 2009 | 2008 | January 1, de 2008 |
| <u>Temporary differences</u> | | | | | | |
| Allowance for doubtful accounts (note 6) | 16,204 | 13,412 | 11,655 | 16,204 | 13,412 | 11,655 |
| Allowance for inventory losses (note 7) | 2,209 | 973 | 389 | 12,591 | 11,173 | 9,382 |
| Reserves for tax, civil and labor contingencies (note 17) | 20,224 | 21,362 | 15,398 | 38,940 | 39,166 | 37,421 |
| Non-inclusion of ICMS in the PIS and COFINS basis (note 16)c | 534 | 431 | 701 | 19,668 | 11,344 | 4,780 |
| Actuarial liability - healthcare plan (note 22,b) | 811 | - | - | 3,176 | - | - |
| Effects of unrealized profits on inventories | 9,420 | 7,038 | 3,087 | 9,420 | 7,038 | 3,087 |
| Allowance for losses on swap and forward contracts (note 23) | 2,335 | 5,305 | 1,297 | 2,941 | 5,151 | 2,160 |
| Provision for ICMS - ST - Paraná State and Federal District (note 16) | 10,970 | 5,216 | 1,931 | 10,970 | 5,216 | 1,931 |
| Allowances for losses on advances to suppliers | 4,483 | 4,283 | - | 4,997 | 4,997 | - |
| Accrued contractual obligations | 733 | - | - | 1,419 | - | - |
| Provision for discount on the assignment of ICMS credits | - | - | - | 821 | - | - |
| Accrued royalties and partnerships | 4,553 | 4,552 | - | 4,553 | 4,552 | - |
| Provision for international operations | - | - | - | 4,420 | 1,687 | - |
| Other temporary taxable differences | 10,476 | 4,772 | 10,620 | 16,026 | 8,183 | 14,034 |
| | <u>82,952</u> | <u>67,344</u> | <u>45,078</u> | <u>146,146</u> | <u>111,919</u> | <u>84,450</u> |

Changes in deferred income tax and social contribution assets in consolidated for the reported annual periods are stated as follows::

| | January 1, 2008 | Debited from (credited to) the statement of income | 2008 |
|---|-----------------|--|----------------|
| <u>Temporary differences</u> | | | |
| Allowance for doubtful accounts | 11,655 | 1,757 | 13,412 |
| Allowance for inventory losses | 9,382 | 1,791 | 11,173 |
| Reserves for tax, civil and labor contingencies | 37,421 | 1,745 | 39,166 |
| Non-inclusion of ICMS in the PIS and COFINS basis | 4,780 | 6,564 | 11,344 |
| Effects of unrealized profits on inventories | 3,087 | 3,951 | 7,038 |
| Allowance for losses on swap and forward contracts | 2,160 | 2,991 | 5,151 |
| Provision for ICMS - ST - Paraná State and Federal District | 1,931 | 3,285 | 5,216 |
| Allowances for losses on advances to suppliers | - | 4,997 | 4,997 |
| Accrued royalties and partnerships | - | 4,552 | 4,552 |
| Provision for international operations | - | 1,687 | 1,687 |
| Other temporary taxable differences | 14,034 | (5,851) | 8,183 |
| | <u>84,450</u> | <u>27,469</u> | <u>111,919</u> |

| | <u>2008</u> | Debited from (credited to) the statement of income | <u>2009</u> |
|---|----------------|---|----------------|
| <u>Temporary differences</u> | | | |
| Allowance for doubtful accounts | 13,412 | 2,792 | 16,204 |
| Allowance for inventory losses | 11,173 | 1,418 | 12,591 |
| Reserves for tax, civil and labor contingencies | 39,166 | (226) | 38,940 |
| Non-inclusion of ICMS in the PIS and COFINS basis | 11,344 | 8,324 | 19,668 |
| Effects of unrealized profits on inventories | 7,038 | 2,382 | 9,420 |
| Allowance for losses on swap and forward contracts | 5,151 | (2,210) | 2,941 |
| Provision for ICMS - ST - Paraná State and Federal District | 5,216 | 5,754 | 10,970 |
| Allowances for losses on advances to suppliers | 4,997 | - | 4,997 |
| Accrued royalties and partnerships | 4,552 | 1 | 4,553 |
| Provision for international operations | 1,687 | 2,733 | 4,420 |
| Actuarial liability - healthcare plan | - | 3,176 | 3,176 |
| Accrued contractual obligations | - | 1,419 | 1,419 |
| Provision for discount on the assignment of ICMS credits | - | 821 | 821 |
| Other temporary taxable differences | <u>8,183</u> | <u>7,843</u> | <u>16,026</u> |
| | <u>111,919</u> | <u>34,227</u> | <u>146,146</u> |

Management, based on projections of future taxable income, estimates that the recorded tax credits will be fully realized within five years. The amounts recorded in noncurrent assets will be realized as follows:

| | <u>Consolidated</u> | | |
|---------------------|---------------------|----------------|-------------------------------|
| | <u>2009</u> | <u>2008</u> | <u>January 1, de 2008</u> |
| 2008 and 2009 | - | - | 71,689 |
| 2009 and 2010 | - | 75,490 | 8,768 |
| 2010 and 2011 | 109,838 | 24,539 | 3,690 |
| 2012 | 27,136 | 8,695 | 303 |
| 2013 and thereafter | <u>9,172</u> | <u>3,195</u> | <u>-</u> |
| | <u>146,146</u> | <u>111,919</u> | <u>84,450</u> |

In addition, as of December 31, 2009, the Company had unrecognized tax loss carryforwards and temporary differences from foreign subsidiaries not recorded in the financial statements due to the lack of a history of taxable income and taxable income projections for coming years, as shown below:

| | |
|-----------------------------|---------------|
| Total temporary differences | 27,610 |
| Tax loss carryforwards: | |
| Argentina | 4,529 |
| Chile | 9,072 |
| Mexico | 20,667 |
| Colombia | 33,138 |
| France | <u>29,929</u> |
| | <u>97,335</u> |

The tax credits on tax loss carryforwards generated by the subsidiaries do not have an expiry date for offset, except for the subsidiaries in Argentina and Mexico, which expire as follows:

| | <u>Argentina</u> | <u>Mexico</u> |
|---------------------|------------------|---------------|
| 2010 | 504 | - |
| 2011 | 1,224 | - |
| 2012 | 1,124 | - |
| 2013 | 1,677 | - |
| 2014 | - | 3 |
| 2015 and thereafter | <u>-</u> | <u>20,664</u> |
| | <u>4,529</u> | <u>20,667</u> |

b) Current

Reconciliation of income tax and social contribution:

| | <u>Company</u> | | <u>Consolidated</u> | |
|--|------------------|------------------|---------------------|------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Income before income tax and social contribution | 812,719 | 691,646 | 874,154 | 747,293 |
| Income tax and social contribution at the rate of 34% | (276,324) | (235,160) | (297,212) | (254,080) |
| Reversal of provision for maintenance of dividend payment capacity (note 14) | | 49,933 | | 49,933 |
| Technological research and innovation benefit - Law 11196/05 (*) | 9,956 | 14,021 | 9,956 | 14,021 |
| Tax incentives - donations | 2,868 | 2,516 | 5,278 | 3,495 |
| Equity in subsidiaries (note 12) | (962) | (3,231) | - | - |
| Tax losses generated by foreign subsidiaries | - | - | (37,739) | (43,314) |
| Interest on capital | 28,048 | - | 28,048 | - |
| Other adjustments due to Law 11638/07 and Provisional Act 449/08 | (1,037) | (4,774) | (2,035) | (5,482) |
| Tax utilization of negative goodwill (note 14) | 108,189 | - | 108,189 | - |
| Other permanent differences | <u>467</u> | <u>2,906</u> | <u>(4,715)</u> | <u>5,991</u> |
| Income tax and social contribution expenses | <u>(128,795)</u> | <u>(173,789)</u> | <u>(190,230)</u> | <u>(229,436)</u> |
| Income tax and social contribution - current | <u>(144,403)</u> | <u>(196,055)</u> | <u>(224,457)</u> | <u>(256,905)</u> |
| Income tax and social contribution - deferred | <u>15,608</u> | <u>22,266</u> | <u>34,227</u> | <u>27,469</u> |
| Effective rate - % | <u>15,8</u> | <u>25,1</u> | <u>21,8</u> | <u>30,7</u> |

(*) Refers to the tax benefit established by Law 11196/05, which allows for the direct deduction from the calculation of taxable income and the social contribution tax basis of the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said Law.

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

| | Company | | | Consolidated | | |
|--|----------------|----------------|-----------------|--------------|----------|--------------------|
| | 2009 | 2008 | January 1, 2008 | 2009 | 2008 | January 1, de 2008 |
| Current assets: | | | | | | |
| Natura Inovação e Tecnologia de Produtos Ltda. (a) | 12,171 | 7,542 | 5,909 | - | - | - |
| Natura Logística e Serviços Ltda. (b) | 14,586 | 10,976 | 5,714 | - | - | - |
| Nova Flora Participações Ltda. | - | - | 833 | - | - | - |
| | <u>26,757</u> | <u>18,518</u> | <u>12,456</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Advance for future capital increase- Flora Medicinal J. Monteiro da Silva Ltda. (c) | 90 | 45 | 25 | - | - | - |
| | <u>90</u> | <u>45</u> | <u>25</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Current liabilities: | | | | | | |
| Suppliers: | | | | | | |
| Indústria e Comércio de Cosméticos Natura Ltda. (d) | 153,509 | 213,940 | 110,913 | - | - | - |
| Natura Logística e Serviços Ltda. (e) | 27,627 | 21,153 | 17,411 | - | - | - |
| Natura Inovação e Tecnologia de Produtos Ltda. (f) | 30,455 | 15,462 | 16,713 | - | - | - |
| | <u>211,591</u> | <u>250,555</u> | <u>145,037</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Dividends and interest on capital payable | 174 | 174 | 146 | 174 | 174 | 146 |

| | Company | | | | Product sales | | Product purchases | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
| | Product sales | | Product purchases | | 2009 | 2008 | 2009 | 2008 |
| | 2009 | 2008 | 2009 | 2008 | | | | |
| Indústria e Comércio de Cosméticos Natura Ltda. | 2,611,231 | 2,075,190 | - | - | | | | |
| Natura Cosméticos S.A.- Brazil | - | - | 2,465,453 | 1,965,413 | | | | |
| Natura Cosméticos S.A. - Peru | - | - | 34,151 | 32,824 | | | | |
| Natura Cosméticos S.A. - Argentina | - | - | 46,970 | 31,477 | | | | |
| Natura Cosméticos S.A.- Chile | - | - | 25,300 | 22,290 | | | | |
| Natura Cosméticos S.A. - Mexico | - | - | 22,353 | 14,727 | | | | |
| Natura Cosméticos Ltda. - Colombia | - | - | 10,846 | 4,645 | | | | |
| Natura Cosméticos C.A. - Venezuela | - | - | 1,417 | 2,023 | | | | |
| Natura Europa SAS - France | - | - | 3,885 | 1,423 | | | | |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 799 | 277 | | | | |
| Natura Logística e Serviços Ltda. | - | - | 56 | 81 | | | | |
| Natura Cosmetics USA Co. | - | - | 1 | 10 | | | | |
| | <u>2,611,231</u> | <u>2,075,190</u> | <u>2,611,231</u> | <u>2,075,190</u> | | | | |
| Lease of properties and common charges: (j) | | | | | | | | |
| Indústria e Comércio de Cosméticos Natura Ltda. | | | | | 6,632 | 6,126 | - | - |
| Natura Logística e Serviços Ltda. | | | | | - | - | 3,843 | 3,559 |
| Natura Inovação e Tecnologia de Produtos Ltda. | | | | | - | - | 1,544 | 1,430 |
| Natura Cosméticos S.A. - Brazil | | | | | - | - | 1,245 | 1,137 |
| | | | | | <u>6,632</u> | <u>6,126</u> | <u>6,632</u> | <u>6,126</u> |
| Total of service sales and purchases | | | | | <u>3,174,935</u> | <u>2,536,221</u> | <u>3,174,935</u> | <u>2,536,221</u> |

(a) Refers to advances granted for provision of product and technology development and market research services.

(b) Refers to advances granted for provision of logistics and general administrative services.

(c) Refers to remittances to Flora Medicinal J. Monteiro da Silva Ltda.

(d) Payables for the purchase of products.

(e) Payables for services described in item (g).

(f) Payables for services described in item (h).

(g) Logistics and general administrative services.

(h) Product and technology development and market research services.

(i) Provision of "in vitro" research and tests.

(j) Rental of part of the industrial complex located in Cajamar - SP and buildings located in the municipality of Itapeverica da Serra - SP.

| | Service sales | | Service purchases | |
|---|----------------|----------------|-------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Administrative structure: (g) | | | | |
| Natura Logística e Serviços Ltda. | 333,652 | 287,278 | - | - |
| Natura Cosméticos S.A. - Brazil | - | - | 252,015 | 217,255 |
| Indústria e Comércio de Cosméticos Natura Ltda. | - | - | 52,176 | 45,812 |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 29,461 | 24,211 |
| | <u>333,652</u> | <u>287,278</u> | <u>333,652</u> | <u>287,278</u> |
| Product and technology research and development: (h) | | | | |
| Natura Inovação e Tecnologia de Produtos Ltda. | 220,354 | 164,021 | - | - |
| Natura Cosméticos S.A. - Brazil | - | - | 220,354 | 164,021 |
| | <u>220,354</u> | <u>164,021</u> | <u>220,354</u> | <u>164,021</u> |
| "In vitro" research and tests: (i) | | | | |
| Natura Innovation et Technologie de Produits SAS - France | 3,066 | 3,606 | - | - |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 3,066 | 3,606 |
| | <u>3,066</u> | <u>3,606</u> | <u>3,066</u> | <u>3,606</u> |

The main intercompany balances as of December 31, 2009 and 2008, as well as the intercompany transactions that affected the years then ended, refer to transactions between the Company and its subsidiaries.

Because of the Company's and subsidiaries' operational model, as well as the channel chosen to distribute products, direct sales via Natura Beauty Consultants, a substantial portion of sales is made by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. to the parent company Natura Cosméticos S.A. in Brazil and to its foreign subsidiaries.

Sales to unrelated parties amounted to R\$6,628 for the year ended December 31, 2009 (R\$3,638 for the year ended December 31, 2008).

There is no allowance for doubtful accounts recognized for intercompany receivables on December 31, 2009 and 2008 since there are no past-due receivables with risk of default.

According to note 15, the Group companies usually grant each other pledges and collaterals to guarantee bank loans and financing.

For the compensation paid to the Company's Management in 2009 and 2008 refer to note 19.

11. ESCROW DEPOSITS

Represent restricted assets of the Company and its subsidiaries and are related to amounts deposited and held by the courts until the litigation to which they are linked is resolved.

The Company's and its subsidiaries' escrow deposits on December 31, 2009 and 2008 and January 1, 2008 are as follows

| | Company | | | Consolidated | | |
|--|----------------|----------------|-----------------|----------------|----------------|-----------------|
| | 2009 | 2008 | January 1, 2008 | 2009 | 2008 | January 1, 2008 |
| ICMS - ST (*) | 29,162 | 14,670 | 20,679 | 29,162 | 14,670 | 20,679 |
| ICMS - ST suspended collection (*) (note 16.(b)) | 110,640 | 67,191 | 47,030 | 110,640 | 67,191 | 47,030 |
| Unaccrued tax lawsuits | 25,581 | 20,274 | 13,408 | 29,103 | 23,577 | 16,449 |
| Accrued tax lawsuits (note 17) | 17,039 | 16,196 | 15,296 | 55,361 | 51,745 | 47,608 |
| Unaccrued civil lawsuits | 313 | 64 | - | 636 | 390 | 321 |
| Accrued civil lawsuits (note 17) | 231 | 206 | 202 | 1,878 | 1,668 | 3,202 |
| Unaccrued labor lawsuits | 2,994 | 2,179 | 1,032 | 3,381 | 2,380 | 1,154 |
| Accrued labor lawsuits (note 17) | 1,696 | 1,338 | 817 | 2,193 | 1,635 | 1,097 |
| | <u>187,656</u> | <u>122,118</u> | <u>98,464</u> | <u>232,354</u> | <u>163,256</u> | <u>137,540</u> |

(*) As of December 31, 2009 refers to the ICMS - ST Declaratory Action filed by the Paraná State and the Federal District, as discussed in note 17 - "Contingent tax liabilities - possible risk", items (a) and (b) (as of December 31, 2008 refers only to a lawsuit filed by the Paraná State).

12. INVESTMENTS

| | Company | | |
|-----------------------------|------------------|----------------|-----------------|
| | 2009 | 2008 | January 1, 2008 |
| Investments in subsidiaries | <u>1,000,600</u> | <u>868,497</u> | <u>770,701</u> |

Changes for the year ended December 31, 2009

| | Company | | | | | | | | | | | | | | | Total |
|--|---|--------------------------------|-------------------------------|------------------------------------|------------------------------------|--------------------------------|--|----------------------------|--|--------------------------------------|--------------------------|------------------------------------|---|-----------------------------|------------------|-------|
| | Indústria e Comércio de Cosméticos Natura Ltda. | Natura Cosméticos S.A. - Chile | Natura Cosméticos S.A. - Peru | Natura Cosméticos S.A. - Argentina | Natura Cosméticos C.A. - Venezuela | Flora Medicinal J. Silva Ltda. | Natura Inovação e Tecnologia de Produtos Ltda. (*) | Natura Europa SAS - França | Natura Brasil Cosmética Ltda. - Portugal | Natura Cosméticos de México S.A. (*) | Natura Cosmetics USA Co. | Natura Cosméticos Ltda. - Colômbia | Natura Cosméticos (Brasil) International B.V. - Holanda | Natura Cosméticos España SI | | |
| Capital | 526,155 | 90,213 | 10,066 | 63,017 | 11,923 | 33,503 | 5,008 | 23,058 | 105 | 96,262 | 51,090 | 22,514 | 52,830 | 9 | 985,753 | |
| Ownership interest | 99.99% | 99.99% | 99.94% | 99.97% | 99.99% | 99.99% | 99.99% | 100.00% | 98.00% | 99.99% | 100.00% | 99.99% | 100.00% | 100.00% | | |
| Shareholders' equity of subsidiaries | 836,908 | 24,076 | 3,771 | 30,917 | 511 | (564) | 61,719 | 8,251 | (1) | 25,318 | 2,446 | 6,536 | 167 | 51 | 1,000,106 | |
| Interest in shareholders' equity | 836,851 | 24,074 | 3,769 | 30,908 | 511 | (564) | 61,713 | 8,251 | (1) | 25,315 | 2,446 | 6,535 | 167 | 51 | 1,000,026 | |
| Net income (losses) of subsidiaries, net of exchange variation on translation of foreign investments | 77,801 | (2,122) | (2,121) | (10,110) | (10,005) | 136 | 31,846 | (18,984) | - | (26,299) | (26,638) | (16,221) | (96) | - | (2,813) | |
| Book value of Company's investment | | | | | | | | | | | | | | | | |
| Balances as of December 31, 2008 | 755,892 | 15,810 | (4,372) | 26,067 | 2,908 | - | 28,819 | 16,783 | - | 26,489 | (3,273) | 3,314 | 51 | 9 | 868,497 | |
| Equity in subsidiaries | 77,777 | (2,122) | (2,120) | (10,107) | (10,004) | 136 | 31,843 | (18,984) | - | (26,296) | (26,638) | (16,219) | (96) | - | (2,830) | |
| Exchange rate change and other adjustments in the translation of investments in foreign subsidiaries | - | (1,912) | (1,583) | (10,375) | (442) | - | - | (762) | - | (6,568) | (870) | (1,372) | - | - | (23,884) | |
| Company's contribution to the stock options plan subsidiaries' employees | 3,182 | - | - | - | - | - | 1,051 | - | - | - | - | - | - | - | 4,231 | |
| Capital increase | - | 12,298 | 11,844 | 25,323 | 8,049 | - | - | 11,214 | - | 31,690 | 33,227 | 20,812 | 212 | 51 | 154,720 | |
| Balances as of December 31, 2009 | <u>836,851</u> | <u>24,074</u> | <u>3,769</u> | <u>30,908</u> | <u>511</u> | <u>-</u> | <u>61,713</u> | <u>8,251</u> | <u>-</u> | <u>25,315</u> | <u>2,446</u> | <u>6,535</u> | <u>167</u> | <u>60</u> | <u>1,000,600</u> | |
| Provision for losses | | | | | | | | | | | | | | | | |
| Balances as of December 31, 2008 | - | - | - | - | - | (700) | - | - | (1) | - | - | - | - | - | (701) | |
| Decrease in provision for losses | - | - | - | - | - | 136 | - | - | - | - | - | - | - | - | 136 | |
| Balances as of December 31, 2009 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(564)</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(565)</u> | |

(*) Consolidated information on the following companies:

Natura Cosméticos - Mexico: Natura Cosméticos y Servicios de Mexico, S.A. de C.V.; Natura Cosméticos de Mexico, S.A. de C.V.; and Natura Distribuidora de Mexico, S.A. de C.V.

Natura Europa SAS: Natura (Brasil) International BV (The Netherlands), Natura Brasil Inc. (USA - Delaware), Natura International Inc. (USA - New York), Natura International Inc. (USA - Nevada) and Natura Worldwide Trading Company (Costa Rica), Natura Europa SAS (France) and Natura Brasil SAS (France).

Changes for the year ended December 31, 2008

| | Indústria e Comércio de Cosméticos | Natura Cosméticos | Natura Cosméticos | Natura Cosméticos | Natura Cosméticos | Nova Flora | Flora Medicinal J. Monteiro da Silva Ltda. | Natura Inovação e Tecnologia de Produtos Ltda. | Natura Europa SAS (*) | Natura Cosméticos México (*) | Natura Brasil Ltda. - Cosmetics Portugal | Natura Cosméticos USA Co. | Natura Cosméticos Ltda. - Colômbia | Natura International B.V. - Holanda | Natura Cosméticos Espanha | Total |
|--|--|----------------------|----------------------|----------------------|----------------------|---------------|---|--|-----------------------------|------------------------------------|--|---------------------------------|---|---|---------------------------------|----------------|
| Capital | 526,155 | 83,509 | 2,532 | 60,632 | 6,654 | - | 33,503 | 5,008 | 34,567 | 87,066 | 105 | 32,755 | 17,011 | - | - | 889,497 |
| Ownership interest | 99.99% | 99.99% | 99.94% | 99.96% | 99.99% | 100.00% | 99.99% | 99.99% | 100.00% | 99.99% | 98.00% | 100.00% | 99.99% | 100.00% | 100.00% | |
| Shareholders' equity of subsidiaries | 753,185 | 15,812 | (4,374) | 26,077 | 2,908 | - | (700) | 27,597 | 16,783 | 26,492 | (1) | (2,289) | 3,314 | - | - | 864,804 |
| Interest in shareholders' equity | 753,110 | 15,810 | (4,371) | 26,067 | 2,908 | - | (700) | 27,594 | 16,783 | 26,489 | (1) | (2,289) | 3,314 | - | - | 864,714 |
| Net income (losses) of subsidiaries, net of exchange variation on translation of foreign investments | 95,219 | (9,519) | (5,392) | (10,726) | (10,343) | - | (348) | 6,040 | (21,497) | (23,793) | - | (32,850) | (13,697) | - | - | (26,906) |
| Book value of Company's investment | | | | | | | | | | | | | | | | |
| Balances as of January 1, 2008 | 696,261 | 5,835 | 1,206 | 14,193 | 3,552 | - | - | 19,934 | 12,074 | 15,738 | - | 526 | 1,382 | - | - | 770,701 |
| Resultado da Equity in subsidiaries | 92,500 | (9,188) | (4,567) | (8,683) | (7,289) | - | (348) | 7,660 | (17,891) | (24,349) | - | (27,664) | (12,717) | - | - | (12,536) |
| Exchange rate change and other adjustments in the translation of investments in foreign subsidiaries | - | 992 | (1,011) | 4,847 | 105 | - | - | - | 3,711 | 1,027 | - | 3,630 | 263 | - | - | 13,564 |
| Dividends paid | (34,800) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (34,800) |
| Company's contribution to the stock options plan subsidiaries' employees | 1,931 | - | - | - | - | - | - | 1,225 | - | - | - | - | - | - | - | 3,156 |
| Aumentos de capital | - | 18,171 | - | 15,710 | 6,540 | - | - | - | 18,889 | 34,073 | - | 20,235 | 14,386 | 51 | 9 | 128,064 |
| Balances as of December 31, 2008 | <u>755,892</u> | <u>15,810</u> | <u>(4,372)</u> | <u>26,067</u> | <u>2,908</u> | <u>-</u> | <u>-</u> | <u>28,819</u> | <u>16,783</u> | <u>26,489</u> | <u>-</u> | <u>(3,273)</u> | <u>3,314</u> | <u>51</u> | <u>9</u> | <u>868,497</u> |
| Provision for losses | | | | | | | | | | | | | | | | |
| Balances as of January 1, 2008 | - | - | - | - | - | (10,059) | - | - | - | - | (1) | - | - | - | - | (10,060) |
| Merger of Nova Flora Participações Ltda. | - | - | - | - | - | 10,059 | (352) | - | - | - | - | - | - | - | - | 9,707 |
| Provision for losses | - | - | - | - | - | - | (348) | - | - | - | - | - | - | - | - | (348) |
| Balances as of December 31, 2008 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(700)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(701)</u> |

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| PROPERTY, PLANT AND EQUIPMENT | Average rate weighted annual depreciation - % | Company | | | | | | | January 1, 2008 |
|-------------------------------|---|------------------|-----------------------------|-------------------|------------------|-----------------------------|-------------------|-------------------|--------------------|
| | | 2009 | | | 2008 | | | Net book | |
| | | Adjusted cost | Accumulated depreciation | Net book value | Adjusted cost | Accumulated depreciation | Net book value | Net book value | |
| Vehicles | 30 | 31,358 | 13,259 | 18,099 | 27,686 | 11,317 | 16,369 | 13,223 | |
| Leasehold improvements (b) | 20 | 19,246 | 5,627 | 13,619 | 9,726 | 3,860 | 5,866 | 7,148 | |
| Machinery and equipment | 9 | 13,478 | 2,039 | 11,439 | 4,963 | 1,119 | 3,844 | 3,459 | |
| Furniture and fixtures | 9 | 5,676 | 2,479 | 3,197 | 4,258 | 2,178 | 2,080 | 2,122 | |
| IT equipment | 20 | 6,507 | 4,337 | 2,170 | 5,768 | 3,823 | 1,945 | 1,874 | |
| Projects in progress | - | 1,212 | - | 1,212 | 2,765 | - | 2,765 | - | |
| Advances to suppliers | - | 639 | - | 639 | 4,996 | - | 4,996 | 40 | |
| | | <u>78,116</u> | <u>27,741</u> | <u>50,375</u> | <u>60,162</u> | <u>22,297</u> | <u>37,865</u> | <u>27,866</u> | |

| INTANGIBLE ASSETS | Average rate weighted annual depreciation - % | Company | | | | | | | January 1, 2008 |
|-------------------|---|------------------|--------------------------|-------------------|------------------|--------------------------|-------------------|-------------------|--------------------|
| | | 2009 | | | 2008 | | | Net book | |
| | | Adjusted cost | Accumulated acumulada | Net book value | Adjusted cost | Accumulated acumulada | Net book value | Net book value | |
| Softwares | 20 | 19,441 | 7,914 | 11,527 | 14,923 | 5,915 | 9,008 | 6,548 | |

| Consolidated | | | | | | | | |
|----------------------------------|---|------------------|-----------------------------|-------------------|------------------|-----------------------------|-------------------|--------------------|
| PROPERTY, PLANT AND EQUIPMENT | Average rate weighted annual depreciation - % | 2009 | | | 2008 | | | January 1, 2008 |
| | | Adjusted cost | Accumulated depreciation | Net book value | Adjusted cost | Accumulated depreciation | Net book value | Net book value |
| Machinery and equipment | 10 | 278,805 | 122,623 | 156,182 | 246,849 | 99,192 | 147,657 | 146,712 |
| Buildings | 5 | 151,142 | 48,210 | 102,932 | 151,142 | 42,114 | 109,028 | 115,124 |
| Installations | 10 | 110,476 | 59,339 | 51,137 | 97,903 | 50,630 | 47,273 | 50,483 |
| Land | - | 33,662 | - | 33,662 | 33,662 | - | 33,662 | 33,662 |
| Molds | 30 | 85,698 | 68,283 | 17,415 | 76,911 | 56,841 | 20,070 | 26,643 |
| Vehicles | 30 | 48,312 | 18,581 | 29,731 | 45,010 | 16,744 | 28,266 | 22,245 |
| IT equipment | 20 | 65,469 | 44,714 | 20,755 | 62,674 | 37,955 | 24,719 | 25,204 |
| Furniture and fixtures | 10 | 27,732 | 12,557 | 15,175 | 25,760 | 10,559 | 15,201 | 15,072 |
| Leasehold improvements (b) | 30 | 36,106 | 14,363 | 21,743 | 25,134 | 9,917 | 15,217 | 11,452 |
| Projects in progress | - | 16,269 | - | 16,269 | 23,517 | - | 23,517 | 9,824 |
| Advances to suppliers | - | 25,213 | - | 25,213 | 9,564 | - | 9,564 | 21,263 |
| Other | - | 6,660 | 4,618 | 2,042 | 7,970 | 4,483 | 3,487 | 3,215 |
| | | <u>885,544</u> | <u>393,288</u> | <u>492,256</u> | <u>806,096</u> | <u>328,435</u> | <u>477,661</u> | <u>480,899</u> |

| Consolidated | | | | | | | | |
|--|---|------------------|-----------------------------|-------------------|------------------|-----------------------------|-------------------|--------------------|
| INTANGIBLE ASSETS | Average rate weighted annual depreciation - % | 2009 | | | 2008 | | | January 1, 2008 |
| | | Adjusted cost | Accumulated depreciation | Net book value | Adjusted cost | Accumulated depreciation | Net book value | Net book value |
| Business lease - Natura Europa SAS - France (a) | - | 5,250 | - | 5,250 | 6,732 | - | 6,732 | 5,420 |
| Softwares | 20 | 131,429 | 54,546 | 76,883 | 107,086 | 39,475 | 67,611 | 57,662 |
| Trademarks and patents | 10 | 1,951 | 1,344 | 607 | 2,233 | 1,547 | 686 | 735 |
| | | <u>138,630</u> | <u>55,890</u> | <u>82,740</u> | <u>116,051</u> | <u>41,022</u> | <u>75,029</u> | <u>63,817</u> |

(a) The business lease generated on the purchase of a commercial location where Natura Europa SAS - France operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The change in the balance between December 31, 2008 and December 31, 2009 is basically due to the effects of the exchange variation for the period.

(b) The amortization rates consider the terms of the property lease agreements, which range from three to five years.

Additional information on property, plant and equipment

a) Assets pledged as collateral

As of December 31, 2009, the Company and its subsidiaries have property, plant and equipment items pledged as collateral in bank financing and loan transactions, as well as items attached to the defense of lawsuits, as shown below:

| | Company | Consolidated |
|-------------------------|---------------|----------------|
| Machinery and equipment | 3,179 | 3,179 |
| Buildings | - | 99,997 |
| IT equipment | 3,495 | 4,082 |
| Vehicles | 4,733 | 5,125 |
| Balances at end of year | <u>11,407</u> | <u>112,383</u> |

b) Inactive assets

As of December 31, 2009, except for the net assets of R\$211 of the subsidiary Natura Cosméticos C.A. - Venezuela, whose operations were discontinued in the fourth quarter of 2009 (see note 4), the Company and its other subsidiaries did not have inactive property, plant and equipment items.

c) Expenses on operating leases

| Leases | Company | | Consolidated | |
|--------|---------|-------|--------------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| | 1,217 | 1,148 | 8,960 | 8,453 |

d) Balance of capitalized interest

| | Consolidated | |
|-----------|--------------|-------|
| | 2009 | 2008 |
| Buildings | 1,531 | 1,557 |

Additional information on intangible assets

| | Consolidated | |
|---------------------------------------|--------------|--------|
| | 2009 | 2008 |
| Amortization of intangible assets (*) | 16,880 | 10,358 |

(*) Recorded in "General and administrative expenses".

Consolidated amortization expenses of intangible assets estimated for the next years

| | Amount |
|---------------------|---------------|
| 2010 | 14,868 |
| 2011 | 14,868 |
| 2012 | 14,868 |
| 2013 and thereafter | <u>38,136</u> |
| | <u>82,740</u> |

| PROPERTY, PLANT AND EQUIPMENT | Company | | Consolidated | |
|---|---------|---------|--------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| Balances at beginning of year | 37,865 | 27,866 | 477,661 | 480,899 |
| Additions (less transfers from projects in progress - when terminated): | | | | |
| Machinery and equipment | 5,061 | 832 | 21,468 | 15,032 |
| Projects in progress/advances to suppliers | 7,787 | 7,134 | 49,058 | 6,216 |
| Buildings | - | - | - | 4,874 |
| Vehicles | 11,094 | 11,759 | 18,099 | 19,072 |
| Molds | - | - | 8,787 | 10,158 |
| Facilities | - | - | 3,414 | 10,387 |
| IT equipment | 980 | 703 | 5,825 | 6,018 |
| Furniture and fixtures | 432 | 284 | 1,578 | 2,255 |
| Other | 627 | 464 | 2,896 | 6,118 |
| | 25,981 | 21,176 | 111,125 | 80,130 |
| (-) Write-offs, net | (3,552) | (3,277) | (20,984) | (3,731) |
| (-) Depreciation | (9,919) | (7,900) | (75,546) | (79,637) |
| Balances at end of year | 50,375 | 37,865 | 492,256 | 477,661 |

CHANGES IN INTANGIBLE ASSETS

| | Company | | Consolidated | |
|----------------------------------|---------|---------|--------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| Balances at beginning of year | 9,008 | 6,548 | 75,029 | 63,817 |
| Additions: | | | | |
| -Softwares | | | | |
| (including implementation costs) | 4,587 | 4,252 | 29,507 | 30,010 |
| (-) Write-offs and others, net | (69) | (128) | (4,916) | (8,440) |
| (-) Amortization | (1,999) | (1,664) | (16,880) | (10,358) |
| Balances at end of year | 11,527 | 9,008 | 82,740 | 75,029 |

14. INTANGIBLE ASSETS - GOODWILL ON INVESTMENTS

On March 5, 2004, Natura Participações S.A. was merged into the Company. Natura Participações S.A. had recorded goodwill on the investment in Natura Empreendimentos S.A., amounting to R\$1,028,041, and a corresponding provision for maintenance of future dividend payment capacity in the same amount. This goodwill arose from the merger of the shares of Natura Empreendimentos S.A. into Natura Participações S.A. on December 27, 2000. This merger was approved by the Extraordinary Shareholders' Meeting held on that date, and the amounts are supported by a valuation report issued by independent appraisers. The amounts are as follows:

| | Company | |
|---|-----------|-----------|
| | 2009 | 2008 |
| Goodwill on investments | 318,203 | 318,203 |
| Provision for maintenance of future dividend payment capacity | (318,203) | (318,203) |
| | - | - |

The provision for maintenance of future dividend payment capacity, as it is in the full amount, will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders.

As mentioned in note 3, considering the changes in accounting practices introduced by Law 11638/07 and Provisional Act 449/08, converted into Law 11941/09, since January 1, 2009 the existing goodwill balance as of December 31, 2008 has no longer been amortized, and the provision for future dividends, covering the full dividend amount, has no longer been reversed. Accordingly, as of January 1, 2009, the goodwill tax benefit has been used in monthly calculations of income tax and social contribution based on the Transitional Tax Regime (RTT), in accordance with the provisions of Provisional Act 449/08 and the effects mentioned in note 9.b).

15. LOANS AND FINANCINGS

| | Company | | | Consolidated | | | Reference |
|---|---------|---------|-----------------|--------------|---------|--------------------|-----------|
| | 2009 | 2008 | January 1, 2008 | 2009 | 2008 | January 1, de 2008 | |
| Local currency | | | | | | | |
| BNDES - EXIM (a) | - | - | - | 41,707 | 109,570 | 88,140 | A |
| FINEP (Financing Agency for Studies and Projects) | - | - | - | 39,985 | 50,156 | 51,915 | B |
| Agribusiness Credit Note | - | - | - | - | 54,173 | 48,787 | C |
| Promissory notes | 350,856 | - | - | 350,856 | - | - | D |
| BNDES (a) | 29,549 | 26,282 | 27,906 | 100,949 | 36,211 | 41,444 | E |
| Guaranteed account | 180 | - | - | 355 | - | - | F |
| BNDES - FINAME | - | - | - | 6,168 | 11,126 | 14,246 | G |
| Banco do Brasil - FAT Fomentar (Workers' Assistance Fund) | - | - | - | 4,970 | 5,890 | 6,682 | H |
| Arrendamentos mercantis - financeiros | - | - | - | 1,660 | 3,880 | 4,252 | I |
| FINEP - grant | - | - | - | 1,211 | 618 | - | J |
| Compror | - | - | 118,482 | - | - | 137,677 | K |
| Export notes (NCE) | - | - | - | - | - | 41,190 | L |
| Total local currency | 380,585 | 26,282 | 146,388 | 547,861 | 271,624 | 434,333 | |
| Foreign currency | | | | | | | |
| BNDES - EXIM (a) | - | - | - | 10,427 | 27,392 | 22,035 | A |
| BNDES (a) | 2,922 | 2,599 | 2,760 | 9,984 | 3,581 | 4,099 | E |
| Advances on Exchange Contracts (ACC) (a) | - | - | - | 10,447 | - | - | M |
| Resolution 2770 (a) | 111,790 | 154,384 | 88,484 | 111,791 | 154,384 | 88,484 | N |
| International operation - Peru | - | - | - | 13,848 | 23,049 | - | O |
| Total foreign currency | 114,712 | 156,983 | 91,244 | 156,497 | 208,406 | 114,618 | |
| Grand total | 495,297 | 183,265 | 237,632 | 704,358 | 480,030 | 548,951 | |
| Current | 469,590 | 5,293 | 120,785 | 569,366 | 190,550 | 288,959 | |
| Noncurrent | 25,707 | 177,972 | 116,847 | 134,992 | 289,480 | 259,992 | |

| <u>Reference</u> | <u>Currency</u> | <u>Maturity</u> | <u>Charges</u> | <u>Collaterals</u> |
|------------------|-----------------|--|---|--|
| A | Real | January and May 2010 and February 2011 | Interest of 2.39% p.a. + TJLP (b) for 80% of the financing and interest of 8.44% p.a. + exchange variation (U.S. dollar) for 20% of the financing maturing in January 2010; interest of 2.60% p.a. + TJLP (b) for 80% of the financing and interest of 8.98% p.a. + exchange variation (U.S. dollar) for 20% of the financing maturing in May 2010; and interest of 2.43% p.a. + TJLP (b) for 80% of the financing and interest of 8.31% p.a. + exchange variation (U.S. dollar) for 20% of the financing maturing in February 2011 | Guarantee of Natura Cosméticos S.A. |
| B | Real | March 2013 | TJLP (b) | Guarantee of Natura Cosméticos S.A. and bank guarantee |
| C | Real | - | Interest of 8.66% p.a. + TR (e) | Guarantee of Natura Cosméticos S.A. |
| D | Real | June 2010 | Interest of 106% of CDI (c) | N/A |
| E | Real | April 2010 and February 2017 | For financing maturing in April 2010: Interest of 4.5% p.a. + TJLP (b) + UMBNDES (f) For financing maturing in February 2017: (i) TJLP (b) + interest of 2.8% p.a. for 85% of financing; (ii) exchange rate change (dollar) + interest of 8.54% a.a. for 9% of financing; and (iii) TJLP (b) + interest of 2.3% p.a. for 6% of financing | Mortgage (g) Bank guarantee |
| F | Real | May 2010 | CDI (c) + 2.54% a.a. + IOF (d) | Guarantee of Indústria e Comércio Cosméticos Natura Ltda. e flow receivables |
| G | Real | September 2012 | Interest of 4.5% p.a. + TJLP (b) | Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes |
| H | Real | February 2014 | Interest of 4.4% p.a. + TJLP (b) | Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes |
| I | Real | Through September 2012 | Interest of 99.5% p.a. for 102.99% of DI - CETIP (h) | Collateralization of leased assets |
| J | Real | January 2011 | N/A | N/A |
| K | Real | January 2008 | Interest of 102.8% of CDI (c) | Guarantee of Natura Cosméticos S.A. |
| L | Real | April 2008 | Interest of 104.7% of CDI (c) | Promissory notes and guarantee of Natura Cosméticos S.A. |
| M | U.S.dollar | March 2010 | Exchange variation + 0.52% p.a. | Guarantee of Natura Cosméticos S.A. |
| N | Yen | January 2010 | Exchange variation + 2.11% p.a. | Guarantee of Indústria e Comércio de Cosméticos Natura Ltda. |
| O | New sol | November 2010 | Interest of 2.4% p.a. | Bank guarantee |

(a) Loans and financing for which swap contracts (CDI) were entered into.

(b) TJLP - Long-term Interest Rate.

(c) CDI - Interbank Deposit Rate.

(d) IOF - Tax on Financial Transactions.

(e) TR - Managed Prime rate.

(f) UMBNDES - Monetary Unit of National Bank for Economic and Social Development (BNDES). Local currency financing from the BNDES is collateralized by the Cajamar unit of subsidiary Indústria e Comércio de Cosméticos Natura Ltda.

(g) Mortgages - relate to real estate of the Cajamar unit of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda.

(h) DI - CETIP - daily index calculated based on the average DI, disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP).

Maturities of noncurrent liabilities are as follows:

| | <u>Consolidated</u> | | |
|---------------------|---------------------|----------------|------------------------|
| | <u>2009</u> | <u>2008</u> | <u>January 1, 2008</u> |
| 2009 | - | - | 100,831 |
| 2010 | - | 225,226 | 109,583 |
| 2011 | 42,695 | 29,837 | 18,541 |
| 2012 | 33,799 | 20,384 | 17,543 |
| 2013 | 23,728 | 10,351 | 9,543 |
| 2014 | 16,991 | 3,682 | 3,951 |
| 2015 and thereafter | <u>17,779</u> | <u>-</u> | <u>-</u> |
| | <u>134,992</u> | <u>289,480</u> | <u>259,992</u> |

a) Description of the main current bank loan and financing agreements:
1. BNDES - EXIM Pré-Embarque and BNDES - EXIM Pré-Embarque Especial Programs

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. benefits from the financing programs of the BNDES in the pre-shipment stage for the export of goods and services. As a rule, the requirements for participation in said programs are: (i) to have credit approved by the financial institution that will enter into the financing agreement; and (ii) to manufacture products with a using at least 60% locally.

2. Financing agreements with the BNDES

The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda. and Natura Inovação e Tecnologia de Produtos Ltda. have credit facility agreements with the BNDES to facilitate direct investments in the Company and its subsidiaries in order to improve certain product lines, train research and development employees, optimize operation product separation lines in the Cajamar - SP industrial facilities, set up of a vertical warehouse also in the Cajamar - SP industrial facilities, hire consultancy firms for the new distribution centers, build two new distribution centers, one in Matias Barbosa - MG and another in Jaboatão dos Guararapes - PE, as well as restructure the administration of the Itapeçerica da Serra - SP unit and purchase the equipment necessary for these purposes.

3. Financing agreement with the FINEP

The subsidiary Natura Inovação e Tecnologia de Produtos Ltda. has innovation programs aimed at the development and acquisition of new technologies by means of partnerships with universities and research centers in Brazil and abroad. These innovation programs have the support of research and technological development incentive programs of the FINEP, which facilitates and/or co-finances equipment, scientific grants and research material for the participating universities.

These funds were used to partially finance investments incurred in the drafting of the "Technology Platforms for New Cosmetics and Nutritional Supplements" project.

4. Machinery and Equipment Financing - FINAME

The Company benefits from a credit facility with the BNDES, related to

FINAME onlendings, intended to finance the purchase of new machinery and equipment manufactured in Brazil. Said onlending is carried out by granting credit to Indústria e Comércio de Cosméticos Natura Ltda., granting rights to receivables to the financial institution accredited as a financing agent, usually Banco Votorantim S.A., Banco Itaú Unibanco S.A., Banco do Brasil S.A., HSBC Bank Brasil S.A. and Banco Santander Brasil S.A., which enter into such said financing with Indústria e Comércio de Cosméticos Natura Ltda.

These agreements are collateralized by the financed assets. Indústria e Comércio de Cosméticos Natura Ltda. is the trustee and the Company is the guarantor of these assets. In addition, the Company and its subsidiaries are obliged to meet the Provisions Applicable to BNDES Agreements and General Regulatory Conditions of FINAME-related Transactions.

5. Resolution 2770

Bank Credit Note - Onlending of Funds Raised Abroad - Resolution 2770, raised with Banco Real ABN AMRO on August 9, 2007 and maturing on January 26, 2010, whose principal totals Yen\$5,681,787 thousand.

6. Promissory notes

First issue of promissory notes totaling R\$350,000, single series, unguaranteed, with nominal unit value of R\$1,000, issued under CVM Instruction 476, on December 17, 2009. The promissory notes will mature within 180 days and can be fully or partially redeemed in advance after 90 days from the issuance date, without premium.

b) Finance lease transactions

Lease obligations are effectively guaranteed, since the leased asset is reversed to the lessor in case of default.

Financial obligations are broken down as follows:

| | <u>2009</u> | <u>2008</u> | <u>January 1, 2008</u> |
|---|--------------|--------------|------------------------|
| Gross finance lease obligations - minimum lease payments: | | | |
| Less than one year | 844 | 2,481 | 3,479 |
| More than one year and less than five years | <u>950</u> | <u>1,988</u> | <u>1,454</u> |
| | 1,794 | 4,469 | 4,933 |
| Future financing charges on finance leases | <u>(134)</u> | <u>(589)</u> | <u>(681)</u> |
| Financial lease obligations - accounting balance | <u>1,660</u> | <u>3,880</u> | <u>4,252</u> |

c) Contract covenants

As of December 31, 2009 and 2008 and January 1, 2008, financing and loan agreements entered into by the Company and its subsidiaries do not contain restrictive clauses that establish obligations regarding the maintenance of financial indices by the Company and its subsidiaries.

16. TAXES PAYABLE

| | <u>Company</u> | | | <u>Consolidated</u> | | |
|---|------------------|-----------------|--------------------------|---------------------|-----------------|--------------------------|
| | <u>2009</u> | <u>2008</u> | <u>January 1 de 2008</u> | <u>2009</u> | <u>2008</u> | <u>January 1 de 2008</u> |
| ICMS Company and tax substitution payable (b) | 150,095 | 108,738 | 109,959 | 213,860 | 164,774 | 109,892 |
| PIS/COFINS payable (injunction) (a) | 1,570 | 1,268 | 2,061 | 57,848 | 33,365 | 14,060 |
| IRPJ and CSLL payable | 15,520 | 13,062 | 12,233 | 25,786 | 23,254 | 15,012 |
| IRPJ and CSLL (injunction) (c) | 13,624 | - | - | 13,624 | - | - |
| IRPJ and CSLL (injunction - PAT) | - | - | - | 965 | - | - |
| IRRF | 5,436 | 5,269 | 3,863 | 9,574 | 8,861 | 7,335 |
| PIS/COFINS/CSLL | 4,100 | 2,842 | 3,696 | 5,557 | 3,821 | 4,784 |
| PIS/COFINS payable | - | 156 | 145 | 5,284 | 3,866 | 5,405 |
| Taxes - foreign subsidiaries | - | - | - | 7,220 | 5,072 | 5,313 |
| IPI payable | - | - | - | - | 903 | 2,285 |
| ISS payable | 275 | 217 | 214 | 1,588 | 1,077 | 983 |
| Other | - | - | - | - | - | 472 |
| | <u>190,620</u> | <u>131,552</u> | <u>132,171</u> | <u>341,306</u> | <u>244,993</u> | <u>165,541</u> |
| Escrow deposits (b) (note 11) | <u>(110,640)</u> | <u>(67,191)</u> | <u>(47,030)</u> | <u>(110,640)</u> | <u>(67,191)</u> | <u>(47,030)</u> |

(a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the inclusion of ICMS in the tax basis of PIS and COFINS (taxes on revenue). In June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in the tax basis, starting April 2007. The reserve recognized as of December 31, 2009 refers to the unpaid amounts of PIS and COFINS, from April 2007 to December 2009 adjusted based on the SELIC (Central Bank overnight rate). Part of the balance, in the adjusted amount of R\$2,606, is deposited in escrow.

(b) As of December 31, 2009 for the Company and consolidated, the amount of R\$95,834 refers to the ICMS - ST for the Paraná State and

R\$14,806 for the Federal District (R\$67,191 for the Paraná State as of December 31, 2008 and R\$40,542 for the Paraná State and R\$6,488 for the Santa Catarina State as of January 1, 2008), which is being challenged in court, as also mentioned in note 17.(a) and (b) - "Contingent liabilities - possible losses". The Company has made monthly escrow deposits for the unpaid amounts.

(c) On February 4, 2009, the Company was granted an injunction, subsequently confirmed by court decision, that suspended the collection of income tax and social contribution on any amounts received as arrears interest, paid on late payment of contractual obligations receivables. The appeal filed by the Federal Government is awaiting judgment.

17. RESERVES FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, labor and civil lawsuits and administrative tax proceedings. Management believes, supported by the opinion and estimates of its legal counsel, that the reserve for tax, civil and labor contingencies are sufficient to cover possible losses. These reserves, net of escrow deposits, are as follows:

| | Company | | | Consolidated | | |
|------------|---------------|---------------|-----------------|----------------|----------------|-----------------|
| | 2009 | 2008 | January 1, 2008 | 2009 | 2008 | January 1, 2008 |
| Tax | 41,856 | 39,265 | 38,350 | 93,624 | 89,457 | 87,920 |
| Civil | 8,469 | 21,418 | 5,631 | 10,750 | 23,968 | 21,105 |
| Labor | 13,448 | 6,440 | 5,604 | 17,071 | 8,558 | 7,323 |
| | <u>63,773</u> | <u>67,123</u> | <u>49,585</u> | <u>121,445</u> | <u>121,983</u> | <u>116,348</u> |
| Current | 1,465 | 15,791 | - | 1,465 | 15,791 | 13,420 |
| Noncurrent | <u>62,308</u> | <u>51,332</u> | <u>49,585</u> | <u>119,980</u> | <u>106,192</u> | <u>102,928</u> |

Tax contingencies

Changes in the reserves for tax contingencies are as follows:

Changes between January 1 and December 31, 2008

| | Company | | | | | |
|---|-------------------|-----------|----------------|----------|-----------------------|-----------------|
| | January 1 de 2008 | Addiction | Reversals | Payments | Inflation adjustments | 2008 |
| Deductibility of CSLL (Law 9316/96) (c) | 6,670 | - | - | - | 337 | 7,007 |
| Late payment fines on Federal taxes paid in arrears (b) | 6,065 | - | (2,348) | - | 786 | 4,503 |
| Inflation adjustment of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d) | 5,001 | - | - | - | 76 | 5,077 |
| Federal VAT (IPI) - tax collection lawsuit (f) | 4,423 | - | - | - | 285 | 4,708 |
| Tax notification - INSS (social security contribution) (g) | 3,862 | - | - | - | 251 | 4,113 |
| Tax notification - IRPJ 1990 (corporate income tax) (i) | 2,862 | - | - | - | 181 | 3,043 |
| IRPJ and CSLL tax assessment - legal fees (h) | 2,860 | - | - | - | 87 | 2,947 |
| Legal fees and other | 6,607 | 16 | (11) | - | 1,255 | 7,867 |
| Total reserve for tax contingencies | <u>38,350</u> | <u>16</u> | <u>(2,359)</u> | <u>-</u> | <u>3,258</u> | <u>39,265</u> |
| Tax escrow deposits | <u>(15,296)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(900)</u> | <u>(16,196)</u> |

| | Consolidated | | | | | |
|---|-----------------|--------------|----------------|----------|-----------------------|-----------------|
| | January 1, 2008 | Additions | Reversals | Payments | Inflation adjustments | 2008 |
| IPI - zero rate (a) | 31,034 | - | - | - | 3,158 | 34,192 |
| Late payment fines on Federal taxes paid in arrears (b) | 7,207 | 1,176 | (3,024) | - | 884 | 6,243 |
| Deductibility of CSLL (Law 9316/96) (c) | 6,670 | - | - | - | 337 | 7,007 |
| Inflation adjustment of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d) | 5,127 | - | - | - | 76 | 5,203 |
| Tax notification IPI - legal fees (e) | 4,792 | - | (4,846) | - | 54 | - |
| IPI credit on purchases of fixed asset and consumption material (e) | 4,433 | - | - | - | 289 | 4,722 |
| Federal VAT (IPI) - tax collection lawsuit (f) | 4,423 | - | - | - | 285 | 4,708 |
| Tax notification - INSS (social security contribution) (g) | 3,862 | - | - | - | 251 | 4,113 |
| IRPJ and CSLL tax assessment - legal fees (h) | 2,866 | - | - | - | 94 | 2,960 |
| Tax notification - IRPJ 1990 (i) | 2,862 | - | - | - | 181 | 3,043 |
| Failure to include ICMS in tax bases for PIS and COFINS - legal fees (j) | 2,291 | 10 | (33) | - | 185 | 2,453 |
| Semiannual PIS - Decree Laws 2445/88 and 2449/88 (k) | 1,836 | - | - | - | 134 | 1,970 |
| Legal fees and other | 10,517 | 6 | (80) | - | 2,400 | 12,843 |
| Total reserve for tax contingencies | <u>87,920</u> | <u>1,192</u> | <u>(7,983)</u> | <u>-</u> | <u>8,328</u> | <u>89,457</u> |
| Escrow deposits | <u>(47,608)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,137)</u> | <u>(51,745)</u> |

| | Company | | | | | |
|---|-----------------|--------------|----------------|----------|-----------------------|-----------------|
| | 2008 | Additions | Reversals | Payments | Inflation adjustments | 2009 |
| Deductibility of CSLL (Law 9316/96) (c) | 7,007 | - | - | - | 288 | 7,295 |
| Late payment fines on Federal taxes paid in arrears (b) | 4,503 | - | (3,647) | - | 168 | 1,024 |
| Inflation adjustment of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d) | 5,077 | - | - | - | 104 | 5,181 |
| Federal VAT (IPI) - tax collection lawsuit (f) | 4,708 | - | - | - | 244 | 4,952 |
| Tax notification - INSS (social security contribution) (g) | 4,113 | - | (1,586) | - | 216 | 2,743 |
| Tax notification - IRPJ 1990 (corporate income tax) (i) | 3,043 | - | - | - | 155 | 3,198 |
| IRPJ and CSLL tax assessment - legal fees (h) | 2,947 | 2,618 | - | - | 234 | 5,799 |
| Legal fees and other (l) | 7,867 | 4,013 | (982) | - | 766 | 11,664 |
| Total reserve for tax contingencies | <u>39,265</u> | <u>6,631</u> | <u>(6,215)</u> | <u>-</u> | <u>2,175</u> | <u>41,856</u> |
| Escrow deposits (note 11) | <u>(16,196)</u> | <u>(943)</u> | <u>1,495</u> | <u>-</u> | <u>(1,395)</u> | <u>(17,039)</u> |

| | Consolidated | | | | | |
|---|-----------------|--------------|----------------|----------|-----------------------|-----------------|
| | 2008 | Additions | Reversals | Payments | Inflation adjustments | 2009 |
| IPI - zero rate (a) | 34,192 | - | - | - | 2,705 | 36,897 |
| Late payment fines on Federal taxes paid in arrears (b) | 6,243 | - | (4,872) | - | 140 | 1,511 |
| Deductibility of CSLL (Law 9316/96) (c) | 7,007 | - | - | - | 288 | 7,295 |
| Inflation adjustment of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d) | 5,203 | - | - | - | 110 | 5,313 |
| IPI credit on purchases of fixed asset and consumption material (e) | 4,722 | - | (1,375) | - | 248 | 3,595 |
| Federal VAT (IPI) - tax collection lawsuit (f) | 4,708 | - | - | - | 244 | 4,952 |
| Tax notification - INSS (social security contribution) (g) | 4,113 | - | (1,586) | - | 216 | 2,743 |
| IRPJ and CSLL tax assessment - legal fees (h) | 2,960 | 2,618 | - | - | 198 | 5,776 |
| Tax notification - IRPJ 1990 (i) | 3,043 | - | - | - | 155 | 3,198 |
| Failure to include ICMS in tax bases for PIS and COFINS - legal fees (j) | 2,453 | - | - | - | 180 | 2,633 |
| Semiannual PIS - Decree Laws 2445/88 and 2449/88 (k) | 1,970 | - | - | - | 115 | 2,085 |
| Legal fees and other (l) | 12,843 | 4,132 | (1,419) | - | 2,070 | 17,626 |
| Total reserve for tax contingencies | <u>89,457</u> | <u>6,750</u> | <u>(9,252)</u> | <u>-</u> | <u>6,669</u> | <u>93,624</u> |
| Escrow deposits (note 11) | <u>(51,745)</u> | <u>(943)</u> | <u>1,310</u> | <u>-</u> | <u>(3,983)</u> | <u>(55,361)</u> |

(a) Refers to Federal VAT (IPI) tax credits on raw materials and packing materials purchased at a zero tax rate and with tax exemption. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed for and obtained an injunction granting entitlement to the credit. On September 25, 2006, a sentence was rendered dismissing the injunction, judging the Company's request invalid. The Company filed an appeal for review of the merit and reestablishment of the injunction's effects. To suspend payments of the tax, the Company made escrow deposits in the amount in dispute in October 2006. As regards the amount offset during the effectiveness of the injunction, the total amount deposited in escrow, adjusted as of December 31, 2009, is R\$36,897 (R\$34,192 as of December 31, 2008). In the fourth quarter of 2009, in order to profit from the benefits arising from Provisional Act 470/09, through the institution of tax payment and installment plan options, the subsidiary filed a motion partially withdrawing the injunction filed, more specifically regarding the credits on exempt products, which amount to R\$9,536 from a total of R\$36,897, withdrawing, therefore, the claim of the IPI credits on products purchased at zero rate or untaxed, which total R\$27,361 as of December 31, 2009. On this date, after having met the requirements to join the tax installment plan introduced by Provisional Act 470/09, the subsidiary awaits the tax authorities' approval to write off the amounts recorded in liabilities related to the corresponding escrow deposits.

(b) Refers to fine for late payment of federal taxes.

(c) Refers to CSLL that was addressed by an injunction that questions the constitutionality of Law 9316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ basis. A portion of this reserve, in the amount of R\$5,272 (R\$4,962 as of December 31, 2008), is deposited in escrow.

(d) Refers to the monetary adjustment of Federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR (fiscal reference unit), discussed in an injunction. The amount involved is deposited in escrow.

(e) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through injunctions the right to the IPI credit on purchases of fixed assets and consumption materials.

(f) Refers to a tax collection lawsuit intended to collect IPI for July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law 7798/89. The lawsuit is in the 3rd

Region Federal Court (São Paulo) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are collateralized by restricted investment held by the subsidiary Natura Inovação e Tecnologia de Produtos Ltda., in the amount of R\$5,769 as of December 31, 2009 (R\$5,250 as of December 31, 2008), which is recorded in a specific caption in noncurrent assets.

(g) Refers to INSS (social security contribution) required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice cover the period from January 1990 to October 1999. In 2007 the Company reversed the amount of R\$1,903, relating to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed under Case Law Decision 8 of the Federal Supreme Court (STF).

(h) Refers to legal fees for defense against the tax deficiency notices issued against the Company in August 2003, December 2006 and December 2007 by the Federal Revenue Service, in which income tax and social contribution (IRPJ and CSLL) are demanded related to the deductibility of the yield of the debentures issued by the Company in 1999, 2001 and 2002. The legal counsel's opinion is that the likelihood of unfavorable outcome for the period from 1999 (CSLL) to 2001 and 2002 (IRPJ and CSLL) is remote.

The final and unappealable administrative decision issued in January 2010 on the tax infringement notification issued against the Company in August 2003, related to tax deductibility in 1999, partially upholds the deductibility of IRPJ and fully confirms the nondeductibility of CSLL. In view of this decision, the Company will file a lawsuit to claim the cancellation of the remaining IRPJ and CSLL due. The Company's legal counsel considers that the likelihood of an unfavorable outcome is remote.

(i) Refers to a tax assessment notice issued by the Federal Revenue Service requiring the payment of income tax on profit from incentive-based exports made in base year 1989, at the rate of 18% (Law 7988, of

December 29, 1989) and not 3%, as established by article 1 of Decree Law 2413/88, which supported the Company in its tax payments at that time.

(j) Refers to legal fees for filing and dealing with the administrative proceeding for requesting a refund of the ICMS included in the PIS and COFINS tax basis in the period from April 2002 to March 2007. The legal counsel assessed the risk of loss as remote.

(k) Refers to the offset of PIS paid as per Decree Laws 2445/88 and 2449/88, in the period from 1988 to 1995, against Federal taxes due in 2003 and 2004. The reversal made by the Company in 2007 in the amount of R\$14,910 is due to the final decision favorable to the

Company, rendered in August 2007. The remaining reserve refers to the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., which is awaiting the appreciation of the lawsuit by the Board of Tax Appeals.

(l) The balance refers to lawyers' fees to defend the Company's and its subsidiaries' interests in tax lawsuits. The amount of R\$4,013, accrued in 2009, refers to lawyers' fees to prepare the defense against an IRPJ and CSLL infringement notification against the Company, issued on June 30, 2009, which challenges the tax deductibility of goodwill amortization carried out as detailed in note 14. It is the opinion of the Company's legal counsel that, as structured, the transaction and its tax effects can be upheld in a court of law and thus the risk of loss is classified as remote.

Civil contingencies

Changes between January 1 and December 31, 2008

| Company | | | | | | |
|--|----------------------------|------------------|------------------|-----------------|----------------------------------|----------------|
| | January 1, 2008 | Additions | Reversals | Payments | Inflation adjustments | 2008 |
| Several civil lawsuits (a) | 5,146 | 4,044 | (5,259) | (848) | 1,439 | 4,522 |
| Legal fees - environmental civil lawsuit (d) | - | 1,013 | - | - | 28 | 1,041 |
| Civil lawsuits and legal fees - Nova Flora Participações Ltda. (b) and (c) | 485 | 14,821 | (11) | - | 560 | 15,855 |
| Total reserve for civil lawsuits | <u>5,631</u> | <u>19,878</u> | <u>(5,270)</u> | <u>(848)</u> | <u>2,027</u> | <u>21,418</u> |
| Escrow deposits | <u>(202)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4)</u> | <u>(206)</u> |
| Current | - | | | | | 15,791 |
| Noncurrent | <u>5,631</u> | | | | | <u>5,627</u> |
| Consolidated | | | | | | |
| | January 1, 2008 | Additions | Reversals | Payments | Inflation adjustments | 2008 |
| Several civil lawsuits (a) | 5,456 | 4,738 | (5,622) | (1,005) | 1,418 | 4,985 |
| Legal fees - environmental civil lawsuit (d) | - | 1,013 | - | - | 28 | 1,041 |
| Civil lawsuits and legal fees - Nova Flora Participações Ltda. (b) and (c) | 15,649 | 14,421 | (14,432) | - | 2,304 | 17,942 |
| Total reserve for civil lawsuits | <u>21,105</u> | <u>20,172</u> | <u>(20,054)</u> | <u>(1,005)</u> | <u>3,750</u> | <u>23,968</u> |
| Escrow deposits | <u>(3,202)</u> | <u>(86)</u> | <u>1,754</u> | <u>-</u> | <u>(134)</u> | <u>(1,668)</u> |
| Current | 13,420 | | | | | 15,791 |
| Noncurrent | <u>7,685</u> | | | | | <u>8,177</u> |

Changes for the years ended December 31, 2008 and 2009

| Company | | | | | | |
|--|----------------|------------------|------------------|-----------------|----------------------------------|----------------|
| | 2008 | Additions | Reversals | Payments | Inflation adjustments | 2009 |
| Several civil lawsuits (a) | 4,522 | 6,431 | (5,338) | (959) | 455 | 5,111 |
| Legal fees - environmental civil lawsuit (d) | 1,041 | 300 | (8) | - | 30 | 1,363 |
| Civil lawsuits and legal fees - Nova Flora Participações Ltda. (b) and (c) | 15,855 | 4,131 | (11) | (21,175) | 3,195 | 1,995 |
| Total reserve for civil lawsuits | <u>21,418</u> | <u>10,862</u> | <u>(5,357)</u> | <u>(22,134)</u> | <u>3,680</u> | <u>8,469</u> |
| Escrow deposits (note 11) | <u>(206)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(25)</u> | <u>(231)</u> |
| Current | 15,791 | | | | | 1,465 |
| Noncurrent | <u>5,627</u> | | | | | <u>7,004</u> |
| Consolidated | | | | | | |
| | 2008 | Additions | Reversals | Payments | Inflation adjustments | 2009 |
| Several civil lawsuits (a) | 4,985 | 6,814 | (5,879) | (991) | 424 | 5,353 |
| Legal fees - environmental civil lawsuit (d) | 1,041 | 300 | (6) | - | 28 | 1,363 |
| Civil lawsuits and legal fees - Nova Flora Participações Ltda. (b) and (c) | 17,942 | 3,913 | (13) | (21,175) | 3,367 | 4,034 |
| Total reserve for civil lawsuits | <u>23,968</u> | <u>11,027</u> | <u>(5,898)</u> | <u>(22,166)</u> | <u>3,819</u> | <u>10,750</u> |
| Escrow deposits (note 11) | <u>(1,668)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(210)</u> | <u>(1,878)</u> |
| Current | 15,791 | | | | | 1,465 |
| Noncurrent | <u>8,177</u> | | | | | <u>9,285</u> |

(a) As of December 31, 2009, the Company and its subsidiaries are parties to 1,578 (1,148 as of December 31, 2008) civil lawsuits and administrative proceedings, of which 1,572, were filed with civil courts, special civil courts and the consumer protection agency (PROCON) by Natura Beauty Consultants, consumers, suppliers and former employees, most of which claiming compensation for damages.

(b) The Company is a party to civil lawsuits filed by a former shareholder of subsidiary Flora Medicinal J. Monteiro da Silva Ltda., which seek the determination of any assets and the settlement of liabilities allegedly due as a result of the former shareholder's withdrawal. In March 2007, a ruling was issued in favor of the plaintiff and upheld by the Rio de Janeiro Court of Justice in November of the same year. The parties filed all possible appeals, which, however, were overruled by the competent courts. The justice upheld the decision issued by the Rio de Janeiro Court of Justice. In November and December, the Company deposited R\$19,704 and R\$1,471 related to the sentence and legal fees, respectively. These amounts explain the decrease in the reserve in 2009, as shown in the table.

(c) As of March 31, 2008, after the merger of Nova Flora Participações Ltda., the Company started to be liable for the civil lawsuits of the former subsidiary, which is a party to three civil lawsuits filed by a former shareholder of Flora Medicinal J. Monteiro da Silva Ltda., the nature and likelihood of a favorable outcome of which are described below:

- Lawsuit for arbitration of capital reimbursement: lawsuit in which the former shareholder alleges being entitled to receivables resulting from his withdrawal from the Company. In January 2008, the former shareholder filed with the Superior Court of Justice a special appeal against the decision issued by the Court of Justice of Rio de Janeiro that, by upholding the lower court decision, denied the former shareholder's claim. The amount involved cannot be reliably measured. The legal counsel's opinion is that the likelihood of unfavorable outcome is remote.

- Lawsuit for collection of business plan: lawsuit in which the former shareholder alleges being entitled to receivables resulting from his withdrawal from the Company. In January 2009, the parties were required to disclose the technical report. The parties filed their arguments and the Company challenged the documents and the order of clarifications presented by the plaintiff. We await a decision of the motion challenging the report of the appraiser appointed by court. The legal counsel's opinion is that the likelihood of unfavorable outcome is possible.

- Lawsuit for payment allocation: refers to ICMS credits deposited by the former shareholder on account of the tax payment in installments agreed by Flora Medicinal J. Monteiro da Silva Ltda. The judgment by the Superior Court of Justice of the bill of review filed by the former shareholder against the decision that rejected his special appeal is waited since September 2007. The Court of Justice of Rio de Janeiro overruled the lower court decision and denied the claim made by the former shareholder. The legal counsel's opinion is that the likelihood of unfavorable outcome is remote.

- Collection lawsuit for known amount against a solvent debtor: refers to payroll credits under loan contracts signed by the ex-shareholder and Flora Medicinal J. Monteiro da Silva Ltda. The main amount of the collection lawsuit is collateralized by the pledge of 10% of Flora Medicinal invoicing. Due to the disagreement between the parties regarding the escrow deposit amount, the legal homologation of calculations is pending. The Company is awaiting the position of Banco do Brasil in respect to the updated amount of said deposit. The Motions for Stay of Execution filed by the Company were judged groundless in the lower court. This court decision was confirmed by the Rio de Janeiro Court of Justice. The parties are awaiting the decision on the bill of review filed against the decision that did not authorize the special appeals presented by the parties against the decision of the mentioned Court of Justice. The legal counsel's opinion is that the likelihood of an unfavorable outcome is probable.

(d) Refers to legal fees for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset ("murumuru").

Labor contingencies

As of December 31, 2009, the Company and its subsidiaries are parties to 641 labor lawsuits filed by former employees and third parties (685 as of December 31, 2008), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. Reserves are periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

Changes between January 1 and December 31, 2008

| | Company | | | | | 2008 |
|---------------------------------------|--------------------|-----------|-----------|----------|---------------------|---------|
| | January 1, de 2008 | Additions | Reversals | Payments | Monetary adjustment | |
| Total reserve for labor contingencies | 5,604 | 148 | (712) | (54) | 1,454 | 6,440 |
| Escrow deposits | (817) | (521) | - | - | - | (1,338) |
| | Consolidated | | | | | 2008 |
| | January 1, de 2008 | Additions | Reversals | Payments | Monetary adjustment | 2008 |
| Total reserve for labor contingencies | 7,323 | 152 | (767) | (54) | 1,904 | 8,558 |
| Escrow deposits | (1,097) | (538) | - | - | - | (1,635) |

Changes for the years ended December 31, 2008 and 2009

| | Company | | | | | 2009 |
|---------------------------------------|--------------|-----------|-----------|----------|---------------------|---------|
| | 2008 | Additions | Reversals | Payments | Monetary adjustment | |
| Total reserve for labor contingencies | 6,440 | 10,134 | (3,867) | (50) | 791 | 13,448 |
| Escrow deposits (note 11) | (1,338) | (285) | - | 252 | (325) | (1,696) |
| | Consolidated | | | | | 2009 |
| | 2008 | Additions | Reversals | Payments | Monetary adjustment | 2009 |
| Total reserve for labor contingencies | 8,558 | 12,705 | (6,242) | (50) | 2,100 | 17,071 |
| Escrow deposits (note 11) | (1,635) | (481) | - | 252 | (329) | (2,193) |

Possible losses

The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which there is no reserve for losses recorded, because the risk of loss

is considered possible by Management and its legal counsel. These lawsuits are as follows:

| | Company | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|
| | January 1, 2009 | January 1, 2008 | January 1, 2009 | January 1, 2008 |
| Tax: | | | | |
| Declaratory Action - ICMS - ST of Paraná State (a) | 28,186 | 14,670 | 28,186 | 14,670 |
| Declaratory Action - ICMS - ST Federal District (b) | 976 | - | 976 | - |
| Offset of 1/3 of COFINS - Law 9718/98 (c) | 4,925 | 4,713 | 4,925 | 4,713 |
| Tax notification - INSS (social security contribution) (d) | 4,456 | 4,235 | 4,456 | 4,235 |
| Tax assessment - transfer pricing on loan agreements with foreign related company (e) | 1,716 | 1,127 | 1,716 | 1,127 |
| Tax debt notification - GFIP (FGTS Payment and Social Security Information Form) (f) | 902 | 825 | 902 | 825 |
| ICMS - ST deficiency notice (g) | 529 | 703 | 529 | 703 |
| Request for offset of taxes of the same type - IRPJ (income tax) and IRRF (withholding income tax) (h) | 532 | 490 | 532 | 490 |
| Tax assessment - IRPJ and CSLL - debentures (i) | - | 11,949 | - | 11,949 |
| Other | 38,594 | 19,360 | 43,825 | 21,943 |
| | <u>80,816</u> | <u>58,072</u> | <u>86,047</u> | <u>60,655</u> |
| Civil | 16,858 | 5,666 | 18,024 | 18,351 |
| Labor | 48,986 | 34,044 | 74,710 | 51,647 |
| | <u>146,660</u> | <u>97,782</u> | <u>178,781</u> | <u>130,653</u> |

(a) Lawsuit filed by the Company challenging the changes in ICMS - ST tax basis introduced by Paraná Decree 7018/06. The amounts discussed in the lawsuit, related to the period from January 2007 to December 2009, are fully deposited in escrow, as mentioned in notes 11 and 16, and its collection is suspended.

(b) Declaratory Action - ICMS - ST Federal District action filed by the Company to challenge its liability for the payment of ICMS - ST due to the lack of a statute on and statutory criteria for the determination of the tax base of this tax or, subsequently, the need to enter into an Agreement to set out the ICMS - ST tax basis. The amount under litigation, related to the period from February to December 2009, is fully deposited in escrow, as referred to in note 16, and its collection is suspended.

(c) Law 9718/98 increased the COFINS (tax on revenue) rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999 the Company and its subsidiaries filed for an injunction and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries enrolled in the tax debt-refinancing program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. On September 11, 2006, the Company was notified that the offsets made were not approved, and timely filed the applicable appeal. This proceeding is awaiting ruling at the lower administrative court.

(d) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters. The amounts are discussed in the tax debt annulment action and are deposited in escrow. The amounts required in the assessment notice cover the period from January 1995 to October 1999.

(e) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged. In June 2008, the Company filed an appeal against the unfavorable decision with the Board of Tax Appeals, which is awaiting judgment.

(f) Demand of fine for failure to complete the GFIP (FGTS Payment and Social Security Information Form), an accessory social security obligation, for independent contractors' social security contributions and indemnities. The Company is discussing the collection at the administrative level.

(g) Tax deficiency notice for ICMS - ST, demanded by Goiás State, due to supposed underpayment by the Company. The Company has presented its defense at the administrative level and is awaiting the final judgment.

(h) Refers to the non-approval of the offset of IRPJ credits related to the fourth quarter of 1999 against IRRF debts for the second quarter of 2000. The Company has presented its defense at the administrative level, for which a partially favorable judgment has been rendered. On July 12, 2006, an annulment action was filed, and an escrow deposit was made, to challenge collection of the balance of offset not approved by the Federal Revenue Service.

(i) Tax notification issued against the Company in August 2003 whereby the Brazilian Federal Revenue Service is requiring the income tax and social contribution due on the yield of the debentures issued by the Company in base period 1999. The Company challenged this tax notification in administrative courts, which upheld part of the income tax and the whole social contribution collected. In view of the termination of this administrative proceeding, the Company will file a lawsuit claiming the cancellation of the remaining income tax and social contribution. The Company's legal counsel considers that the likelihood of an unfavorable outcome is remote. As of December 31, 2009, the adjusted balance of the tax notification is R\$12,314.

Contingent assets

Significant contingent assets of the Company and its subsidiaries are as follows:

a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the unconstitutionality and illegality of the increase in the tax basis for PIS and COFINS established by article 3, paragraph 1, of Law 9718/98. The amounts involved in the lawsuits, updated as of December 31, 2009, total R\$20,078 (R\$19,170 as of December 31, 2008). Even though said article 3, paragraph 1, of Law 9718/98 was declared unconstitutional by the Federal Supreme Court in 2009, consistent with the claim filed by the Company and its subsidiary, there is no final and unappealable decision on the lawsuits filed by the Company and its subsidiary, which await the judgment by the 3rd Region Federal Court (TRF). The lawsuits are awaiting judgment. The legal counsel's opinion is that the likelihood of favorable outcome is probable.

b) The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda., Natura Inovação e Tecnologia de Produtos Ltda. and Natura Logística e Serviços Ltda. are requesting at administrative level the refund of the ICMS and ISS (Service Tax) included in the PIS and COFINS tax basis and paid in the period from April 1999 to March 2007. The amounts of the refund request as of December 31, 2009 are R\$323,013 (R\$278,632 as of December 31, 2008). The legal counsel believes that the chance of a favorable outcome is probable.

Since an unappealable decision has not been issued on said lawsuits in favor of the Company and its subsidiaries, they did not record credits related to contingent assets, as set forth by CPC 25

Tax installment plans introduced by Law 11941/09

On May 28, 2009, Federal Government enacted Law 11941, as a result of the conversion of Provisional Act 449/08, which, among other changes to tax law, established the possibility of a tax debt installment plan managed by the Federal Revenue Service and the National Treasury Attorney General (PGFN), including the remaining balance of consolidated debts in the Tax Debt Refinancing Program (REFIS) (Law 9964/00), Special Installment Plan (PAES) (Law 10684/03) and the Tax Debt Refinancing Program (PAEX) (Provisional Act 303/06), in addition to the regular payments in installments provided for by article 38 of Law 8212/91 and article 10 of Law 10522/02, even if excluded from the programs or payments in installments.

The entities which opted for paying or dividing into installments the debts under this Law, in the applicable cases, may settle the amounts corresponding to default and automatic fines and late-payment interest, including those related to debts to the government, using tax loss carryforwards, and will benefit from reduced fines, interest and legal charges whose reduction percentage depends on the installment plan chosen.

Pursuant to the established rules, for compliance with the first stage of installment payments, the Company and its subsidiaries, after having filed motions with courts, formalized the withdrawal from the lawsuits related

to taxes that will be paid in installments, applied to the installment plans, and indicated the generic nature of tax debts, paying the corresponding first installments, in conformity with the rules set out in Federal Revenue Service and PGFN.

The tax debts recorded for payment in installments by the Company and its subsidiaries, pursuant to Law 11941/09, are as follows:

| | Company | | | |
|---|---------------|----------------|----------------------|---------------|
| | 2008 | Reversals | Inflation adjustment | 2009 |
| Tax notification - INSS (a) | 4,113 | (1,586) | 216 | 2,743 |
| Income tax (IRPJ)/social contribution (CSLL)/tax on net income (ILL) (b) | 5,049 | - | 133 | 5,182 |
| Others | 1,586 | (234) | 87 | 1,439 |
| | <u>10,748</u> | <u>(1,820)</u> | <u>436</u> | <u>9,364</u> |
| | Consolidated | | | |
| | 2008 | Reversals | Inflation adjustment | 2009 |
| INSS tax liability - tax notification (a) | 4,113 | (1,586) | 216 | 2,743 |
| Income tax (IRPJ)/social contribution (CSLL)/tax on net income (ILL) (b) | 5,203 | - | 110 | 5,313 |
| Federal VAT (IPI) on the acquisition of property, plant and equipment and materials for own use and consumption (c) | 4,722 | (1,375) | 248 | 3,595 |
| Others | 2,716 | (582) | 146 | 2,280 |
| | <u>16,754</u> | <u>(3,543)</u> | <u>720</u> | <u>13,931</u> |

(a) The details of this lawsuit are mentioned in item g) - "Tax risks". Due to the withdrawal from this lawsuit, as the Company opted to pay all its debt at sight, it reversed to income R\$1,586, corresponding to 100% of the late-payment fine and 45% of the interest.

(b) The details on this lawsuit are mentioned in item d) - "Tax risks". Since the Company has an escrow deposit for this lawsuit, no reversal of late-payment fines and interest was made by the Company upon its withdrawal.

(c) The details of this lawsuit are mentioned in item e) - "Tax risks". Due to the withdrawal from this lawsuit, as the Company opted to pay all its debt at sight, it reversed R\$1,375, corresponding to 100% of the late-payment fine and 45% of the interest in the fourth quarter of 2009.

Due to the lack of tax loss carryforwards, the Company and its subsidiaries do not offset them against the remaining balance of the interest on installments.

In order to comply with the tax debt payment and installment plan by the Company and its subsidiaries, the consolidation of tax debts by the PGFN and the Federal Revenue Service is expected at this stage and the Companies will indicate the debts to be paid in installments and the number of installments. This consolidation stage is estimated to occur by the end of the first half of 2010.

Tax installment plans introduced by Provisional Act 470/09

As of October 13, 2009, Provisional Act 470 was enacted, introducing the tax debt payment and installment plans arising from the undue use of sector tax incentive, introduced by article 1 of Decree Law 491, of March 5, 1969, as well as those arising from the undue use of Federal VAT (IPI) credits, in the scope of the PGFN and the Federal Revenue Service.

On November 3, 2009, the PGFN and the Federal Revenue Service published in the Federal Official Gazette (DOU) the Joint Administrative Rule 9, which establishes the debt payment and installment plan addressed in article 3 of Provisional Act 470/09. The debts arising from the undue utilization of industry tax incentives introduced by article 1 of Decree Law 491/69, and those arising from the undue utilization of IPI credits challenged by the PGFN and Federal Revenue Service may be exceptionally paid at sight or in installments to each agency by November 30, 2009.

As mentioned in item a) - "Tax risks", the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a motion partially withdrawing from the injunction filed related to Federal VAT (IPI) credits arising from the products purchased at zero tax rate or tax

exempt, which amounted to R\$27,361 as of December 31, 2009.

As of December 31, 2009, the Company awaits the position of the PGFN to complete the stage related to the consolidation of tax debts and to write off the balances of suspended liabilities against escrow deposits made until this date at the inflation adjusted amounts. As there are escrow deposits made in the past and due to the option made by the Company, which opted for payment at sight, no gain was recognized in income from the reversal of fine and late interest

18. MANAGEMENT AND EMPLOYEE PROFIT SHARING

The Company and its subsidiaries pay profit sharing to their employees and officers, tied to the achievement of operational targets and specific objectives, established and approved at the beginning of each year. As of December 31, 2009 and 2008, the amounts below were recorded as profit sharing:

| | Company | | Consolidated | |
|----------------|---------------|---------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| Employee | 21,049 | 20,332 | 55,784 | 56,927 |
| Management (*) | 5,424 | 4,189 | 5,749 | 6,058 |
| | <u>26,473</u> | <u>24,521</u> | <u>61,533</u> | <u>62,985</u> |

(*) Included in caption "Management compensation".

19. MANAGEMENT COMPENSATION

The total compensation of the Company's and its subsidiaries' Management is as follows:

| | 2009 | | | | |
|-----------|--------------|--------------|---------------|------------------------------------|-------------------------------------|
| | Compensation | | | Stock option grant | |
| | Fixed | Variable (a) | Total | Stock option balance (quantity)(b) | Average exercise exercicio - R\$(c) |
| Directors | 3,562 | 1,713 | 5,275 | - | - |
| Officers | 4,828 | 3,960 | 8,788 | 977,338 | 20,93 |
| Total | <u>8,390</u> | <u>5,673</u> | <u>14,063</u> | <u>977,338</u> | |
| | 2008 | | | | |
| | Compensation | | | Stock option grant | |
| | Fixed | Variable (a) | Total | Stock option balance (quantity)(b) | Average exercise exercicio - R\$(c) |
| Directors | 2,636 | 1,332 | 3,968 | - | - |
| Officers | 4,331 | 5,554 | 9,885 | 391,827 | 19,58 |
| Total | <u>6,967</u> | <u>6,886</u> | <u>13,853</u> | <u>391,827</u> | |

The compensation of the Company's executives is as follows:

| | 2009 | | | | |
|------------|--------------|--------------|--------|------------------------------------|-------------------------------------|
| | Compensation | | | Stock option grant | |
| | Fixed | Variable (a) | Total | Stock option balance (quantity)(b) | Average exercise exercicio - R\$(c) |
| Executives | 9,611 | 2,152 | 11,763 | 718,024 | 21,20 |
| | 2008 | | | | |
| | Compensation | | | Stock option grant | |
| | Fixed | Variable (a) | Total | Stock option balance (quantity)(b) | Average exercise exercicio - R\$(c) |
| Executives | 7,563 | 4,012 | 11,575 | 717,656 | 16,89 |

(a) Refers to the profit sharing recorded in the statement of income. The amounts include any additions and/or reversals to the provision recorded in the previous year in view of the final assessment of the targets established for directors, officers and executives.

(b) Refers to the balance of unexercised vested and unvested options as of the balance sheet date.

(c) Refers to the weighted-average exercise price of the option at the time of the stock option plans, adjusted for inflation based on the Extended Consumer Price Index (IPCA) through the balance sheet date.

20. SHAREHOLDERS' EQUITY

a) Capital - As of December 31, 2008, the Company's capital was R\$391,423. In 2009, the following capital increases were made:

- March - 276,597 common shares without par value were subscribed for R\$6,777, which total R\$1,871.
- June - 667,353 common shares without par value were subscribed for R\$11,80, which total R\$7,872.

- September - 86,158 common shares without par value were subscribed for R\$10,73, which total R\$925.
- December - 159,704 common shares without par value were subscribed for R\$13,58, which total R\$2,170

As of December 31, 2009, after the capital subscriptions and payments described above, the Company's capital increased to 430,274,561 registered, subscribed and paid-up common shares, totaling R\$404,261. Authorized capital decreased from 12,381,074 to 11,035,564 registered common shares.

b) Dividend payment policy and interest on capital

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income, considering principally the following adjustments:

- Increase in the amounts resulting from the reversal of previously recognized reserves for contingencies.
- Decrease in the amounts intended for the recognition of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semiannual and interim balance sheets and, based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

On April 8, 2009, the Company paid dividends totaling R\$254,216 (R\$0,59 per share) and interest on capital in the total gross amount of R\$57,465 (R\$0,13 gross per share), related to income for 2008, pursuant to payment approved by the Board of Directors on February 18, 2009 and ratified at the Annual Shareholders' Meeting held on March 23, 2009.

On July 19, 2009, the Board of Directors approved a proposal requiring approval of the Annual Shareholders' Meeting that will analyze the financial statements for the year ending December 31, 2009, for the payment of interim dividends related to net income earned in the first half of 2009, in the amount of R\$215,152 (R\$0,50 per share), corresponding to 70.1% of consolidated net income recorded in the first semester of 2009.

On July 19, 2009, again, the Company paid interest on capital totaling R\$25,028 (gross), related to the income of January to July 2009 (R\$0,06 per share), corresponding to 8.1% of consolidated net income recorded in the first semester of 2009.

In addition, on February 24, 2010, the Board of Directors appreciated a proposal to be submitted to the Annual Shareholders' Meeting to be held on April 9, 2010, for the payment of dividends and interest on capital (gross), in the total amounts of R\$339,385 and R\$18,226 (R\$15,492, net of IRRF), respectively, related to income for 2009, which, together with the R\$215,152 - dividends and R\$25,028 - interest on capital (gross) paid in August 2009, correspond to 87% of net income for 2009.

Dividends were calculated as follows:

| | Company | |
|---|----------------|----------------|
| | 2009 | 2008 |
| Net income for the year (*) | 683,924 | 525,781 |
| Tax incentive reserve - investment grant | (3,145) | (1,816) |
| Calculation basis for minimum dividends | 680,779 | 523,965 |
| Mandatory minimum dividends | 30% | 30% |
| Annual minimum dividend | 204,234 | 157,190 |
| Proposed dividends | 554,537 | 442,215 |
| Interest on capital | 43,254 | 57,465 |
| IRRF on interest on capital | (6,488) | (8,620) |
| Total dividends and interest on capital, net of IRRF | <u>591,303</u> | <u>491,060</u> |
| Amount exceeding the mandatory minimum dividend | <u>387,069</u> | <u>333,870</u> |
| Dividends per share - R\$ | 1,2888 | 1,0316 |
| Interest on capital per share - net - R\$ | <u>0,0854</u> | <u>0,1138</u> |
| Total dividends and interest on capital per share - net - R\$ | <u>1,3742</u> | <u>1,1454</u> |

(*) In 2008, calculated in accordance with the accounting practices set out in Law 11638/07 and Provisional Act 449/09, subsequently converted into Law 11941/09, without the early adoption of the new Pronouncements, Interpretations and Technical Guidelines issued by CPC in 2009. The purpose of the restatement of the prior year's financial statements was to provide financial statements comparative with the current year's financial statements due to the changes in accounting practices described above.

As mentioned in note 3, the portion of dividends exceeding minimum dividends, declared by Management after the reporting period but before the authorization date for issuance of these financial statements, should not be recorded as liability in the respective financial statements

and the effects of such additional dividends should be disclosed in a note. As a result, as of December 31, 2009 and 2008 and January 1, 2008, the following portions of dividends exceeding minimum dividends were recorded in shareholders' equity as "Proposed additional dividend" at the date of the financial statements:

| | Company | | |
|---------------------|----------------|----------------|--------------------|
| | 2009 | 2008 | January 1, de 2008 |
| Dividends | 339,385 | 254,215 | 237,752 |
| Interest on capital | 18,226 | 57,465 | - |
| | <u>357,611</u> | <u>311,680</u> | <u>237,752</u> |

c) Treasury shares - As of December 31, 2009, the caption "Treasury shares" was as follows:

| | Average cost | | Average cost - R\$ |
|---------------------------------|--------------|-----------|--------------------|
| | Stock | R\$ | |
| Balance as of January 1, 2008 | 161,303 | 2,701 | 16,74 |
| Acquisition of treasury shares | 1,170,000 | 21,125 | 16,86 |
| Written-off for sale | (1,310,348) | (23,457) | 17,90 |
| Balance as of December 31, 2008 | 20,955 | 369 | 17,61 |
| Written-off for sale | (20,300) | (355) | (17,49) |
| Balance as of December 31, 2009 | <u>655</u> | <u>14</u> | <u>21,37</u> |

During the year, 20,300 options were exercised related to the stock options program, which changed the number of shares held in treasury.

d) Share premium

Refers to the goodwill generated on the issuance of 3,299 common shares resulting from the capitalization of debentures totaling R\$100,000, occurred on March 2, 2004.

e) Profit reserves - legal

Since the balance of the legal reserve plus capital reserves, addressed by article 182, paragraph 1, of Law 6404/76, exceeded 30% of the capital, the Company decided, in accordance with article 193 of the same Law, not to recognize a legal reserve on net income for 2006, 2007, 2008 and 2009.

f) Reserve for profit retention

As of December 31, 2009, the profit retention reserve was recognized pursuant to article 196 of Law 6404/76 for use in future investments, in the amount of R\$82,988 (R\$24,285 as of December 31, 2008). The retention for 2009, prepared by Management and approved by the Board of Directors on February 24, 2010, will be submitted to the approval of the Annual Shareholders' Meeting to be held on April 6, 2010.

21. STOCK OPTION PROGRAM

Once a year the Board of Directors meets in order to decide on the directors and managers who will receive the options and the total number to be distributed.

Under the format prevailing until 2008, the programs had a four-year term for the eligibility of the option exercise, of which 50% at the end of the third year and 50% at the end of the fourth year, and a maximum term of two years for the exercise of options after the end of the fourth eligibility year.

In 2009, the program was amended and defined the end of the fourth eligibility year as vesting date of all the options granted, with the possibility of reducing the vesting period to three years through the cancellation of 50% of the options granted and setting the end of the fourth eligibility year as the maximum term for the exercise of the options.

On April 22, 2009, within the context of this new 2009 program, 2,583,288 options were ratified by the exercise price of R\$22,25.

The changes in the number of outstanding stock options and their related weighted-average prices in the year are as follows:

| | 2009 | | 2008 | |
|------------------------------|--|---------------------|--|---------------------|
| | Average exercise price per share - R\$ | Options (thousands) | Average exercise price per share - R\$ | Options (thousands) |
| Balance at beginning of year | 19,24 | 4,733 | 15,46 | 5,456 |
| Granted | 22,44 | 2,583 | 19,33 | 1,800 |
| Cancelled | 23,96 | (568) | 16,77 | (1,057) |
| Exercised | <u>10,78</u> | <u>(1,210)</u> | <u>18,33</u> | <u>(1,466)</u> |
| Balance at end of year | <u>23,22</u> | <u>5,538</u> | <u>19,24</u> | <u>4,733</u> |

Of the 5,538 thousand outstanding options as of December 31, 2009 (4,733 thousand outstanding options as of December 31, 2008), 685 thousand outstanding options are vested (1,276 thousand as of December 31, 2008). The options exercised during the year ended December 31, 2009 resulted in the issuance of 1,210 thousand shares, generating an impact of R\$1,767 on shareholders' equity (1,466 thousand shares in the year ended December 31, 2008, generating an impact of R\$5,956 on shareholders' equity) in the Company.

The expense related to the fair value of the options granted during the year ended December 31, 2009, according to the elapsed vesting period, was R\$4,339 and R\$8,573 in the Company and consolidated, respectively (R\$2,055 and R\$5,088, Company and consolidated, respectively, as of December 31, 2008).

The outstanding stock options at the end of the year have the following vesting dates and exercise prices:

December 31, 2009:

| Grant date | Exercise price R\$ | Outstanding options | | Exercise price R\$ | Vested options | |
|----------------|-----------------------|---------------------|-------------------------|-----------------------|----------------|-----------------------|
| | | Outstanding options | Remaining contract life | | Opções options | Exercise price R\$ |
| April 10, 2004 | 8.92 | 93,622 | 0.28 | 8.92 | 93,622 | 8.92 |
| March 16, 2005 | 19.12 | 281,911 | 1.22 | 19.12 | 281,911 | 19.12 |
| March 29, 2006 | 28.49 | 623,221 | 2.24 | 28.49 | 309,906 | 28.49 |
| April, 24 2007 | 26.94 | 807,511 | 3.36 | 26.94 | - | - |
| April, 22 2008 | 20.92 | 1,210,647 | 4.37 | 20.92 | - | - |
| April 22, 2009 | 22.82 | 2,520,690 | 7.41 | 22.82 | - | - |
| | | <u>5,537,602</u> | | | <u>685,439</u> | |

December 31, 2008:

| Grant date | Exercise price R\$ | Outstanding options | | Exercise price R\$ | Vested options | |
|----------------|-----------------------|---------------------|-------------------------|-----------------------|---------------------|-----------------------|
| | | Outstanding options | Remaining contract life | | Outstanding options | Exercise price R\$ |
| April 10, 2003 | 3.47 | 203,772 | 0.28 | 3.47 | 203,772 | 3.47 |
| April 10, 2005 | 8.54 | 764,606 | 1.28 | 8.54 | 764,606 | 8.54 |
| March 16, 2005 | 18.33 | 615,049 | 2.21 | 18.33 | 307,525 | 18.33 |
| March 29, 2006 | 27.31 | 731,485 | 3.24 | 27.31 | - | - |
| April 24, 2007 | 25.76 | 979,940 | 4.32 | 25.76 | - | - |
| April 22, 2008 | 19.01 | 1,437,866 | 5.31 | 19.01 | - | - |
| | | <u>4,732,718</u> | | | <u>1,275,903</u> | |

As of December 31, 2009, the market price of each Company share was R\$36.31 (R\$18.99 as of December 31, 2008).

Significant data included in the fair value pricing model of the options granted in 2009:

- Weighted-average share price of R\$8.80 (R\$7.05 as of December 31, 2008) on grant date.
- Volatility of 39% (43% as of December 31, 2008).
- Dividend yield of 5.3% (4.3% as of December 31, 2008).
- Expect option life of three and four years.
- Risk-free annual interest rate of de 9.6% (11.0% as of December 31, 2008).

Below is a simulation of the effects from: (i) the exercise of options granted through December 31, 2009; and (ii) the exercise of all options liable to being granted under the Stock Option Program. For both scenarios, we assumed that all options were exercisable as of December 31, 2009, based on the Company's shareholders' equity on that date:

| | Scenario I Option granted | Scenario II Total program option |
|---|------------------------------|-------------------------------------|
| Average exercise price per share - R\$ | 23,22 | 23,22 |
| Number of common shares | 430,274,561 | 430,274,561 |
| Number of shares to be issued upon exercise of options | 5,537,602 | 17,928,125 |
| Book value per share as of December 31, 2009 - R\$ | 2,67 | 2,67 |
| Book value per share as of December 31, 2009, considering the exercise of all options granted under each plan - R\$ | 2,64 | 2,57 |
| Dilution of book value per share, considering the exercise of all options granted under each plan - R\$ | 0,03 | 0,11 |
| Percentage dilution, considering the exercise of all options granted under each plan | 1.12% | 4.00% |

22. EMPLOYEE BENEFITS

a) Pension plan

The Company and its subsidiaries sponsor two employees' benefit plans: a pension plan, through a private pension fund managed by Brasilprev Seguros e Previdência S.A., and an extension of healthcare plans to retired employees.

The defined contribution pension plan was created on August 1, 2004 and all employees hired from that date are eligible to it. Under this plan, the cost is shared between the employer and the employees so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's monthly compensation.

On December 31, 2009, the Company and its subsidiaries did not have actuarial liabilities arising from the former employees' pension plan.

The contributions made by the Company and its subsidiaries totaled R\$961 in the Company and R\$1,387 in the consolidated in the year ended December 31, 2009 (R\$1,899 in the Company and R\$3,076 in the consolidated as of December 31, 2008) and were recorded as expenses in the year:

b) Healthcare plan

The Company and its subsidiaries maintain a postemployment healthcare plan for a group of former employees and their spouses, according to the rules established by it. As of December 31, 2009, the plan had 2,165 participants.

Actuarial amounts recognized are:

| | |
|---|--------------|
| Present value of actuarial liability | 9,342 |
| Actuarial gain/loss | - |
| Total actuarial liability accrued as of December 31, 2009 | <u>9,342</u> |

Medium- and long-term assumptions adopted by the independent actuary in the calculation of the actuarial liability were as follows:

| | Annual percentage (in nominal terms) 2009 |
|---|--|
| Financial discount rate | 11.2 |
| Increase in medical expenses (reduced by 0.5% p.a.) | 10.5 a 5.5 |
| Long-term inflation | 4.5 |
| General mortality table | RP 2000 |

23. FINANCIAL INSTRUMENTS

23.1. General considerations and policy

The Company and its subsidiaries enter into transactions involving financial instruments, all of which are recorded in balance sheet accounts, for the purpose of maintaining their investment capacity and growth strategy. The Company and its subsidiaries contract cash investments, loans and financing, as well as derivatives.

Risks and the financial instruments are managed through the definition of policies and strategies and implementation of control systems, defined by the Company's Finance Committee and Board of Directors,

which establish foreign exchange exposure limits, allocate funds in financial institutions. The compliance of the treasury area's positions in financial instruments, including derivatives, in relation to these policies, is presented and assessed on a monthly basis by the Finance Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

The treasury area's procedures defined by the current policy include monthly projection and assessment of the Company's and its subsidiaries' consolidated foreign exchange exposure, on which Management's decision-making is based.

The "Cash Investments Policy" established by the Company's Management elects the financial institutions with which contracts can be entered into and defines limits for the amounts to be invested in each financial institution.

Almost in their entirety (99.9% on December 31, 2009 and 97.6% on December 31, 2008), foreign-currency denominated loans and financing have been hedged against foreign exchange fluctuations by contracting swap derivatives to hedge the related transactions.

23.2. Derivative policy

Foreign exchange risks

The Company's and its subsidiaries activities expose it to several financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance, using derivatives to protect certain risk exposures.

Risk management is carried out by the Company's central treasury, and policies must be approved by the Board of Directors. The treasury identifies, assesses and hedges the Company against possible financial risks in cooperation with the Company's operational units.

a) Market risk

The Company is exposed to market risks arising from its business activities. These market risks comprise mainly possible changes in foreign exchange and interest rates.

i) Currency risk

Due to different types of financial liabilities assumed by the Company in foreign currencies, an Exchange Rate Hedging Policy was implemented, establishing exposure limits linked to these risks.

The Policy considers foreign currency-denominated amounts from receivables and payables related to commitments already assumed and recorded in the financial statements based on the Company's operations, and future cash flows, with average maturity of six-months, not yet recorded in the balance sheet arising from: (i) purchase of inputs for manufacturing products; (ii) machinery and equipment import; and (iii) investments in foreign subsidiaries in their related currencies. Derivative transactions aim solely to mitigate exchange rate risks linked to projected cash flows in foreign currency.

For exchange rate exposure, the Company contracts derivative (swaps) and Non Deliverable Forward (NDF) transactions. The exchange rate hedging policy establishes that the hedge contracted by the Company should limit loss due to exchange rate depreciation related to the net income estimated for the current year considering the expected depreciation of the U.S. dollar. This limit defines the ceiling, or maximum exchange rate the Company may be exposed.

As of December 31, 2009 and 2008, the consolidated exchange rate exposure is as follows:

| | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| Assets Psirion-Trade accounts receivable (1) | 3,386 | 2,887 |
| Total assets | <u>3,386</u> | <u>2,887</u> |
| Liabilities position: | | |
| Loans and financing (3) | (142,649) | (185,357) |
| Trade accounts payable (4) | (4,409) | (3,571) |
| Total liabilities | <u>(147,058)</u> | <u>(188,928)</u> |
| Total exposure | <u>(143,672)</u> | <u>(186,041)</u> |

| | | |
|--------------------------------|---------------|--------------|
| (-) Derivative instruments (2) | 186,654 | 195,897 |
| Net exposure | <u>42,982</u> | <u>9,856</u> |

(1) Trade accounts receivable: correspond to receivables related to the Company's exports, excluding its foreign subsidiaries.

(2) Derivative instruments: swap and forward outstanding contracts, stated below, with maturities between January 2010 and 2013 were signed by the counterparts represented by the Banks Alfa (2%), Bradesco (2%), Brasil (8%), HSBC (20%) and Santander/Real (68%) and are as follows:

| | <u>Consolidated</u> | | | |
|--------------------------|-----------------------|----------------|--|---------------|
| | <u>Notional value</u> | | <u>Assets (liabilities) fair value</u> | |
| Type of operation | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Swaps (2.1) | 133,033 | 135,212 | (8,430) | 37,695 |
| Forwards (2.1) | 187 | 13,594 | (8) | (112) |
| Operating forwards (2.2) | <u>53,464</u> | <u>47,091</u> | <u>(214)</u> | <u>479</u> |
| | <u>186,684</u> | <u>195,897</u> | <u>(8,652)</u> | <u>38,062</u> |

As of December 31, 2009, the notional value totaling R\$186,684 (R\$195,897 as of December 31, 2008) represents the assets of derivative financial instruments contracted to hedge the exposure of the Company and its subsidiaries liabilities to foreign exchange risks, as detailed in item 23.4. The assets (liabilities) balance refer to the net adjustment receivable and payable, respectively, calculated at fair value as of December 31, 2009 and 2008 of outstanding derivatives contracted by the Company and its subsidiaries effective at yearend.

(2.1) For financial exchange rate exposures, generated by loans and financing denominated in foreign currency, the Company and its subsidiaries have contracted swap and forward transactions aiming to mitigate exchange rate risks these loans and financing are subject to.

Swap transactions consist of swapping the exchange rate change by a percentage of CDI floating rate. Forward transactions establish a future parity between the Brazilian real and foreign currency based on their equivalence when contracted, adjusted by a fixed interest rate.

(2.2) For operating forwards, related to future flows, forward transactions are contracted.

(3) Loans and financing: refer to loans and financing payables denominated in foreign currency. As of December 31, 2009, of the amount of R\$142,649, R\$111,791 are denominated in yen (Yen\$5,897,871 thousand) and R\$30,858 are denominated in U.S. dollar (US\$17,722 thousand).

(4) Trade accounts payable: refer to balances payable in foreign currency due to trade accounts payable.

ii) Interest rate risk

As the Company has no significant assets exposed to interest rates, its net income and operating cash flows are not materially impacted by changes in market interest rate. The Company's interest rate risk arises on short-term investments and long-term loans. The Company's Management adopts the policy of maintaining its rates of exposure to asset and liability interest rates linked to floating rates. Short-term investments and loans and financing, except when contracted as long-term interest rate (TJLP), are adjusted by CDI floating rate, pursuant to contracts entered into with financial institutions. The Company contracts swaps to mitigate the risks of loan and financing transactions with indices different from the CDI floating rate.

iii) Sensitivity analysis

Foreign exchange risk

For the sensitivity analysis of derivatives, the Company's Management understands it is necessary to take into consideration corresponding liabilities recorded in the balance sheet as linked operations, as follows:

| | |
|---|--------------|
| Total loans and financing in foreign currency | 142,649 |
| Derivatives calculated at notional value | (133,220) |
| Net exposure | <u>9,429</u> |

Similarly, the Company considers that part of operating derivatives in the amount of R\$20,270 should not be included in the sensitivity analysis as they were liquidated in January 4, 2010 and recorded a loss of R\$246.

Thus, the sensitivity analysis will be applied only to the amount of R\$33,854 as a result of the aforementioned considerations.

| Exposure | Company's risk | Probable Scenario | Possible scenario | Remote scenario |
|-----------|------------------------------|-------------------|-------------------|-----------------|
| Financial | Increase in U.S. dollar rate | 65 | 235 | 470 |
| Operating | Decrease in U.S. dollar rate | 2,339 | (6,771) | (11,285) |
| | | <u>2,404</u> | <u>(6,536)</u> | <u>(10,815)</u> |

The probable scenario reflects BMF&BOVESPA quotation as of February 10, 2010 (R\$1.86/US\$). Considering asset exposures in U.S. dollar (risk of decrease in this currency), the possible scenario takes into consideration a 25% decrease on the quotation as of December 31, 2009 (R\$1.39/US\$) and a 50% decrease (R\$1.16/US\$) for the remote scenario. For liability exposures (risk of increase in the U.S. dollar), possible and remote scenarios consider a 25% and 50% increase, respectively (R\$2.18/US\$ and R\$2.61/US\$). Considering the above-mentioned parity, there would be a gain of R\$2,404 in the probable scenario, a loss of R\$6,536 in the possible scenario, and a loss of R\$10,815 in the remote scenario. The Company and its subsidiaries do not use derivatives for speculative purposes.

Interest rate risk

As described in the previous item 2.1., as of December 31, 2009 almost all the foreign currency-denominated loans and financing were hedged by foreign currency fluctuation to CDI fluctuation swaps, in light of the Company's hedging policy, which exposes the Company to CDI fluctuation risks. The table below presents the interest rate exposure of transactions pegged to CDI:

| | |
|---------------------------|------------------|
| Total loans and financing | 704,358 |
| Short-term investments | <u>(500,294)</u> |
| Net exposure | <u>204,064</u> |

Concerning the net exposure of loans and financing pegged to the interest rates CDI and TJLP, from which the Company has deducted the balances of short-term investments, also pegged to CDI (note 6), the Company's Management understands that, in view of the low risk of major fluctuations in CDI in 2010 in view of the stability policy

implemented by the Federal Government and the history of increases of the basic interest rate of the Brazilian economy in recent years, the sensitivity analysis of the risk of increase in CDI and TJLP, that would impact the Company's financial expenses, should consider a maximum increase of 25% in CDI (representing an increase of approximately 2.5 percentage points), which should impact financial expenses by approximately R\$5,100.

b) Credit risk

Sales of the Company and its subsidiaries are made to a great number of Sales Representatives and this risk is managed through a strict credit granting process. The result of this management is reflected in "Allowance for doubtful accounts", as explained in note 6.

The Company and its subsidiaries are also subject to credit risks related to financial instruments contracted for the management of its business.

The risk of not settling transactions with financial institutions is low, as these are considered by the market as prime banks.

c) Liquidity risk

Effectively managing liquidity risk implies to maintain enough cash and securities, funds available through credit facilities used and the ability to gain market share. Due to the dynamic nature of the Company and its subsidiaries' business, the treasury maintains flexibility in funds available through the maintenance of credit facilities used.

The Management monitors the Company's liquidity level considering the expected cash flow against unused credit facilities and cash and cash equivalents. The table below analyzes the Company's financial liabilities and derivatives at their net amount, by maturity levels, corresponding to the remaining period in the balance sheet against the contractual maturity date. The table below analyzes the Company's non-derivative financial liabilities and derivatives settled by the Company, by maturity levels, corresponding to the remaining period in the balance sheet against the contractual maturity date. Financial liabilities were included in the analysis if their contractual maturity dates are crucial to understand temporary cash flows. Amounts presented in the table are undiscounted cash flows contracted.

d) Financial liabilities

The carrying amounts of financial liabilities are measured by the amortized cost method, and its corresponding fair values are as follows:

| | Less than a year | Between one and two years | Between three and five years | More than five years | Fair value | Discount effect | Carrying amount |
|---------------------------------|------------------|---------------------------|------------------------------|----------------------|--------------------|-----------------|----------------------|
| As of January 1, 2008: | | | | | January 1, de 2008 | | January 1, de 2008 |
| Current: | | | | | | | |
| Finance lease transactions | 3,479 | 1,379 | 75 | - | 4,933 | (681) | 4,252 |
| Loans and financing | 288,959 | - | - | - | 288,959 | - | 288,959 |
| Trade accounts payable | 175,650 | - | - | - | 175,650 | - | 175,650 |
| Noncurrent | | | | | | | |
| Loans and financing | - | 100,831 | 145,667 | 13,494 | 259,992 | - | 259,992 |
| As of December 31, 2008: | | | | | Fair value 2008 | Discount effect | Carrying amount 2008 |
| Current: | | | | | | | |
| Finance lease transactions | 2,481 | 825 | 562 | 601 | 4,469 | (589) | 3,880 |
| Loans and financing | 190,550 | - | - | - | 190,550 | - | 190,550 |
| Trade accounts payable | 186,188 | - | - | - | 186,188 | - | 186,188 |
| Noncurrent- | | | | | | | |
| Loans and financing | - | 225,226 | 60,572 | 3,682 | 289,480 | - | 289,480 |
| As of December 31, 2009: | | | | | Fair value 2009 | Discount effect | Carrying amount 2009 |
| Current: | | | | | | | |
| Finance lease transactions | 844 | 602 | 348 | - | 1,794 | (134) | 1,660 |
| Loans and financing | 569,366 | - | - | - | 569,366 | - | 569,366 |
| Trade accounts payable | 231,687 | - | - | - | 231,687 | - | 231,687 |
| Noncurrent- | | | | | | | |
| Loans and financing | - | 42,695 | 74,518 | 17,779 | 134,992 | - | 134,992 |

23.3. Capital management

The objectives of the Company to manage its capital are to safeguard the continuous return to the Company's shareholders and benefits to other related parties, and maintain an ideal capital structure to reduce this cost.

As other companies in its industry, the Company monitors its capital based on financial leverage indices. This index corresponds to the net debt divided

by the total capital. The net debt corresponds to total loans (including short- and long-term loans, as shown in the consolidated balance sheet), deducted from cash and cash equivalents.

The consolidated financial leverage indices as of December 31, 2009 and 2008 and January 1, 2008 can be summarized as follows:

| | <u>2009</u> | <u>2008</u> | <u>January 1, de 2008</u> |
|--|------------------|------------------|-------------------------------|
| Short- and long-term loans and financing | 704,358 | 480,030 | 548,951 |
| (-) Cash and cash equivalents (*) | <u>(500,294)</u> | <u>(350,497)</u> | <u>(405,392)</u> |
| Net debt | <u>204,064</u> | <u>129,533</u> | <u>143,559</u> |
| Shareholders' equity | <u>1,139,821</u> | <u>1,014,109</u> | <u>921,052</u> |
| Financial leverage index | <u>18%</u> | <u>13%</u> | <u>16%</u> |

The financial leverage index change in 2009 was mainly due to the need for working capital as a result of the Company's growth.

23.4. Financial derivatives

Regarding swap and forward transactions outstanding as of December 31, 2009 and 2008, gains and losses, taking into consideration their fair value, are as follows:

| | <u>Consolidated</u> | |
|---|---------------------|---------------|
| | <u>2009</u> | <u>2008</u> |
| Gains (losses) on changes in fair values on swap and forward transactions | | |
| Swaps | (8,430) | 38,073 |
| Swaps - Managed Prime rate (TR) | - | (378) |
| Forwards | (8) | (112) |
| Operating forwards | <u>(214)</u> | <u>479</u> |
| | <u>(8,652)</u> | <u>38,062</u> |

On the balance sheet dates, the Company and its subsidiaries consult financial institutions with which the transactions were carried out and update the related amounts based on current derivatives market conditions.

a) Details on derivative transactions

(1) Financial derivatives

Information on financial derivatives as of December 31, 2009 and 2008, contracted by the Company and its subsidiaries arising from loans and financing denominated in foreign currency, is as follows:

| Description | Notional amount | | Fair value | | Accumulated effect December 31, 2009 at fair value | |
|-----------------------------|-----------------|----------------|----------------|----------------|--|------------------------------|
| | 2009 | 2008 | 2009 | 2008 | Amount receivable (received) | Valor a payable (paid) |
| Swap contracts- | | | | | | |
| Asset position: | | | | | | |
| Long position - U.S. dollar | 43,003 | 22,899 | 28,138 | 19,675 | - | (2,813) |
| Long position - yen | 90,000 | 90,000 | 111,192 | 141,284 | - | (5,617) |
| TR | - | 22,313 | - | 25,608 | - | - |
| | <u>133,003</u> | <u>135,212</u> | <u>139,330</u> | <u>186,567</u> | <u>-</u> | <u>(8,430)</u> |
| Liability position- | | | | | | |
| CDI floating rate: | | | | | | |
| Long position - U.S. dollar | 43,003 | 22,899 | 30,951 | 16,517 | - | - |
| Long position - yen | 90,000 | 90,000 | 116,809 | 106,370 | - | - |
| TR | - | 22,313 | - | 25,986 | - | - |
| | <u>133,003</u> | <u>135,212</u> | <u>147,760</u> | <u>148,873</u> | <u>-</u> | <u>-</u> |
| Forward contracts- | | | | | | |
| Long position - U.S. dollar | <u>187</u> | <u>13,594</u> | <u>192</u> | <u>14,006</u> | <u>-</u> | <u>(8)</u> |
| Liability position- | | | | | | |
| Fixed rate | <u>187</u> | <u>13,594</u> | <u>200</u> | <u>14,006</u> | <u>-</u> | <u>-</u> |

(2) Operating derivatives

Information on operating derivatives as of December 31, 2009 and 2008, contracted by the Company and its subsidiaries for hedging the exposure arising from future cash flows, is as follows:

| Description | Notional amount | | Fair value | | Accumulated effect December 31, 2009 at fair value | |
|-----------------------------|-----------------|---------------|---------------|---------------|--|------------------------------|
| | 2009 | 2008 | 2009 | 2008 | Amount receivable (received) | Valor a payable (paid) |
| Forward contracts: | | | | | | |
| Long position - U.S. dollar | 53,464 | 45,314 | 54,124 | 46,687 | - | (214) |
| Long position - euro | - | 1,777 | - | 2,292 | - | - |
| | <u>53,464</u> | <u>47,091</u> | <u>54,124</u> | <u>48,979</u> | <u>-</u> | <u>(214)</u> |
| Liability position- | | | | | | |
| Fixed rate: | | | | | | |
| Long position - U.S. dollar | 53,464 | 45,314 | 54,338 | 46,673 | - | - |
| Long position - euro | - | 1,777 | - | 1,827 | - | - |
| | <u>53,464</u> | <u>47,091</u> | <u>54,338</u> | <u>48,500</u> | <u>-</u> | <u>-</u> |

For derivatives maintained by the Company and its subsidiaries as of December 31, 2009, due to the fact contracts are directly entered into with the financial institutions and not through the Commodities and Futures Exchange, there are no margins deposited as guarantee of the related operations.

23.5 Fair value estimate

The fair value of financial instruments not traded in active markets (for example, over-the-counter derivatives) is determined using valuation techniques. The Company and its subsidiaries use several methods and set assumptions that are based on existing market conditions at the balance sheet date. The fair value of forward exchange contracts is determined based on forwards exchange rates quoted at the balance sheet date.

It is estimated that the balances of trade receivables and trade payables recognized at their carrying amounts approximate their fair make value in view of the short term of the transactions conducted.

The Company and its subsidiaries use hierarchy rules to measure the fair value of their financial instruments, as set out in CPC 40, for financial instruments measured in the balance sheet, which requires the disclosure of the fair value measurements at the following hierarchy level:

- Prices quoted (non-adjusted) in active markets for identical assets and liabilities (Level 1).
- In addition to the quoted prices, included in Level 1, inputs used by the market for assets or liabilities, whether directly (e.g., prices) or indirectly (e.g., derived from prices) (Level 2).
- Exemptions for assets or liabilities that are not based on the data adopted by the market (i.e., unobservable inputs) (Level 3)

The table below shows the consolidated assets measured at fair value as of December 31, 2009:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total balance</u> |
|---------------------------------|----------------|----------------|----------------|--------------------------|
| Assets | | | | |
| Financial assets at fair value- | | | | |
| Derivatives | - | 193,646 | - | 193,646 |
| Total assets | <u>-</u> | <u>193,646</u> | <u>-</u> | <u>193,646</u> |

The fair value of the financial instruments traded in active markets (such as held-for-trading and available-for-sale securities) is based on market prices at balance sheet date. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for the financial assets held by the Group is the price of current competitors. These instruments are included in Level

1.

The fair value of financial instruments not traded in active markets (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques make maximum use of market inputs, where available, and rely as little as possible on entity specific inputs. If all material inputs required for the fair value measurement of an instrument are adopted by the market, the instrument is included in Level 2.

If one or more than one material input is not based on market inputs, the instrument is included in Level 3.

Under Level 2 rules, specific valuation techniques used to measure financial instruments include:

- Quoted market prices or quotations of financial institutions or brokers for similar instruments.
- The fair value of interest rate swaps is measured as the present value of future cash flows estimated based on the yield curves adopted by the market.
- The fair value of foreign exchange futures contracts is determined using future exchange rates at the balance sheet date, using the amount resulting from the discount to present value.
- Other techniques, such as the analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

The Company and its subsidiaries do not have financial instruments measured at fair value under Level 3 for the year ended December 31, 2009.

Fair value of financial instruments stated at amortized cost

Short-term investments

The amounts of short-term investments recorded in the financial statements approximate their realizable values as they refer to floating rate transactions and are highly liquid.

Loans and financing

The amounts of loans and financing recorded in the financial statements, except them pegged to TJLP, approximate their collectible amounts as they are pegged to CDI fluctuation.

Financing pegged to TJLP approximates the collectible amount recorded in the financial statements as TJLP is also pegged to CDI and is a floating rate.

Additionally, it is assumed that the amounts of trade accounts receivable and trade accounts payable recognized at their carrying amounts approximate their fair market value in view of the short term of the transactions conducted.

24. FINANCIAL INCOME (EXPENSES)

| | Company | | Consolidated | |
|--|-----------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Financial income: | | | | |
| Interest on short-term investments | 6,378 | 7,985 | 28,610 | 35,912 |
| Gains on monetary and exchange variations (a) | 44,414 | 442 | 45,745 | 5,247 |
| Gains on swap and forward transactions (b) | 1,379 | 48,279 | 3,459 | 55,952 |
| Other financial income | 4,623 | 2,792 | 6,362 | 1,906 |
| | <u>56,794</u> | <u>59,498</u> | <u>84,176</u> | <u>99,017</u> |
| Financial expenses: | | | | |
| Interest on financing | (20,274) | (14,581) | (38,466) | (37,958) |
| Losses on monetary and exchange variations (a) | (43) | (63,945) | (7,980) | (71,463) |
| Losses on swap and forward transactions (b) | (57,660) | - | (67,418) | - |
| Other financial expenses | (5,828) | (6,497) | (12,186) | (12,438) |
| | <u>(83,805)</u> | <u>(85,023)</u> | <u>(126,050)</u> | <u>(121,859)</u> |

The objective of the breakdowns below is to explain more clearly the foreign exchange hedging transactions contracted by the Company and their contra entries in the statement of income shown in the previous table:

| | Consolidated | |
|---|-----------------|-----------------|
| | 2009 | 2008 |
| (a) Inflation and exchange gains | 45,745 | 5,247 |
| Inflation and exchange losses | (7,980) | (71,463) |
| | <u>37,765</u> | <u>(66,216)</u> |
| (a) Breakdown | | |
| Exchange rate changes on loans and financing | 51,587 | (72,387) |
| Adjustment for inflation on financing | (2,925) | (796) |
| Exchange rate changes on imports | 619 | (919) |
| Exchange rate changes on accounts payable in foreign subsidiaries | (823) | (6,399) |
| Exchange rate changes on export receivables | (10,693) | 14,285 |
| | <u>37,765</u> | <u>(66,216)</u> |
| Gains on swap and forward transactions | 3,459 | 55,952 |
| Losses on swap and forward transactions | (67,418) | - |
| | <u>(63,959)</u> | <u>55,952</u> |

| | Consolidated | |
|---|-----------------|---------------|
| | 2009 | 2008 |
| (b) Breakdown | | |
| Exchange rate changes on swaps | (50,721) | 71,577 |
| Exchange rate changes on forwards | (12,513) | 13,160 |
| Swap and forward derivatives adjusted to fair value | 13,581 | (13,942) |
| Income from foreign exchange coupon swaps | 1,705 | 4,415 |
| Financial costs of swaps | (13,404) | (16,140) |
| Financial costs of forwards | (2,607) | (3,118) |
| | <u>(63,959)</u> | <u>55,952</u> |

25. OTHER OPERATING INCOME (EXPENSES), NET

| | Company | | Consolidated | |
|--|------------|---------------|-----------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| Gain (loss) on sale of property, plant and equipment | 702 | (358) | (9,265) | (2,676) |
| Actuarial liability - healthcare plan (note 22) | (2,384) | - | (9,342) | - |
| Untimely used credits of PIS and COFINS (*) | - | 30,921 | - | 30,921 |
| Others | 2,643 | 175 | 3,983 | 109 |
| Other operating income (expenses), net | <u>961</u> | <u>30,738</u> | <u>(14,624)</u> | <u>28,354</u> |

(*) In the second quarter of 2008, the Company recorded untimely used credits related to PIS and COFINS arising from expense, costs and charges related to its revenues, incurred from May 2004 to December 2007, in the amounts of R\$5,516 and R\$25,405 for PIS and COFINS, respectively, totaling R\$30,921. These credits were generated based on the new interpretation made by the Company of certain provisions of Law 10865/04, which definitely changed the taxation system of such taxes on revenues earned by the Company. The untimely used PIS and COFINS credits were fully offset against other Federal taxes in July and August 2008.

26. COMMITMENTS

a) Inputs supply contracts

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. entered into a contract for the supply of electric power to its manufacturing activities, in effect through 2015, which provides for the purchase of a minimum monthly volume of 3.6 Megawatts, equivalent to R\$363. As of December 31, 2009, the subsidiary was compliant to the contract's commitment.

The amounts are recognized as electric power is consumed over the contract term; prices are based on volumes and also estimated assuming the continuity of the subsidiary's operations.

Total minimum supply payments, measured at present value, according to the contract, are:

| | 2009 | 2008 |
|---|---------------|---------------|
| Less than one year | 3,941 | - |
| More than one year and less than five years | 12,525 | 13,865 |
| Over five years | 2,462 | 5,286 |
| | <u>18,928</u> | <u>19,151</u> |

b) Operating lease transactions

The Company and its subsidiaries have commitments arising from operating leases of properties where some of its foreign subsidiaries, the head office in Brazil and "Casas Natura" in Brazil and abroad are located.

Contracts have lease terms of one to ten years and no purchase option clause when terminated; however, renewal is permitted under the market conditions where they are entered into, for an average of two years.

As of December 31, 2009, the commitment made for future payments of these operating leases had the following maturities:

| | Company | Consolidated |
|-----------------|--------------|---------------|
| 2010 | 1,217 | 7,173 |
| 2011 | 1,217 | 5,332 |
| 2012 | 1,217 | 3,426 |
| 2013 thereafter | 3,806 | 7,221 |
| | <u>7,457</u> | <u>23,152</u> |

27. BUSINESS SEGMENT REPORT

O Segment reporting is consistent with the management reports provided by the main operating decision-maker to assess the performance of each segment and the allocation of funds. Although the main decision-maker analyzes the information on revenue at its different levels, according to

the reports used by Management to make decisions, the Company's business is mainly segmented based on the sales of cosmetics by geographic regions, which are as follows: Brazil, Latin America ("LATAM") and other countries. In addition, LATAM is divided in two groups for analysis: (i) Argentina, Chile and Peru; and (ii) Mexico, Venezuela and Colombia. The segments' business features are similar and each segment offers similar products through the same consumer access method.

Net revenue by region is presented as follows in 2009:

- Brazil: 93.0%
- Argentina, Chile and Peru: 5.2%
- Mexico, Venezuela and Colombia: 1.6%
- Other: 0.2%

Although international segments do not represent more than 10% of the information required to aggregate a segment, as established by the

aggregation criteria described in CPC 22, Management has substantial evidence that its foreign business share will increase considerably against consolidated financial balances and thus, Management opted to report them separately.

The accounting policies of each segment are the same as those described in note 2, description of Natura's operations and significant accounting policies. The performance of the Company's segments was assessed based on the net operating income, net income and noncurrent assets. This measurement basis excludes the effects of interest, income tax and social contribution, depreciation and amortization.

The financial information related to the segments as of December 31 is summarized in the tables below. The amounts provided to the Executive Committee related to net income and total assets are consistent with the balances recorded in the financial statements and with the accounting policies applied

2008

| | Net revenue | Net income | Depreciation and amortization | Financial Income (expenses) | Income tax | Noncurrent assets | Total assets | Current liabilities |
|------------------------------|------------------|----------------|-------------------------------------|-----------------------------------|------------------|----------------------|------------------|------------------------|
| Brazil | 3,360,009 | 644,745 | (86,153) | (16,671) | (229,394) | 834,779 | 2,061,427 | 728,205 |
| Argentina, Chile e Peru | 164,391 | (25,637) | (1,811) | (5,877) | 562 | 13,150 | 99,037 | 63,358 |
| Mexico, Venezuela e Colombia | 43,996 | (47,833) | (561) | (294) | (604) | 6,409 | 49,785 | 17,071 |
| Others (*) | 7,805 | (53,418) | (1,470) | - | - | 14,338 | 31,904 | 14,413 |
| Consolidated | <u>3,576,201</u> | <u>517,857</u> | <u>(89,995)</u> | <u>(22,842)</u> | <u>(229,436)</u> | <u>868,676</u> | <u>2,242,153</u> | <u>823,047</u> |

2009

| | Net revenue | Net income | Depreciation and amortization | Financial Income (expenses) | Income tax | Noncurrent assets | Total assets | Current liabilities |
|------------------------------|------------------|----------------|-------------------------------------|-----------------------------------|------------------|----------------------|------------------|------------------------|
| Brazil | 3,946,421 | 842,214 | (86,863) | (40,912) | (188,559) | 984,566 | 2,533,261 | 1,244,953 |
| Argentina, Chile e Peru | 218,541 | (14,357) | (2,128) | 317 | (1,441) | 14,108 | 123,891 | 64,749 |
| Mexico, Venezuela e Colombia | 66,473 | (52,519) | (1,945) | (1,279) | (230) | 5,532 | 50,337 | 17,972 |
| Others (*) | 10,622 | (91,414) | (1,490) | - | - | 20,650 | 33,729 | 9,408 |
| Consolidated | <u>4,242,057</u> | <u>683,924</u> | <u>(92,426)</u> | <u>(41,874)</u> | <u>(190,230)</u> | <u>1,024,856</u> | <u>2,741,218</u> | <u>1,337,082</u> |

(*) Including operations in the United States and France.

No sales transactions are carried out between segments. The Company has a dispersed customer portfolio, with no concentration of revenue.

The revenue from foreign related parties informed to the Executive Committee was measured in accordance with that stated in the statement of income.

28. NET OPERATING REVENUES (CONSOLIDATED)

| | 2009 | 2008 |
|---------------------------|--------------------|--------------------|
| Gross revenue: | | |
| Domestic market | 5,410,545 | 4,576,289 |
| Foreign market | 377,445 | 275,274 |
| Other sales | 1,323 | 1,295 |
| | <u>5,789,313</u> | <u>4,852,858</u> |
| Returns and cancellations | (7,782) | (4,459) |
| Sales taxes | <u>(1,539,473)</u> | <u>(1,272,198)</u> |
| Net income | <u>4,242,057</u> | <u>3,576,201</u> |

29. OPERATING EXPENSES BY NATURE (CONSOLIDATED)

| | 2009 | 2008 |
|--|------------------|------------------|
| Marketing and selling expenses | 716,420 | 627,439 |
| Freight expenses | 216,259 | 168,933 |
| General and administrative expenses | 303,977 | 151,570 |
| Product research and development expenses (note 2.k) | 111,794 | 103,622 |
| Management compensation | 14,063 | 13,863 |
| Employee benefit expenses (*) | 561,901 | 565,761 |
| Depreciation and amortization charges | 92,426 | 89,995 |
| Operating expenses | <u>2,016,840</u> | <u>1,721,183</u> |

(*) Abertura das despesas com benefícios a colaboradores:

| | 2009 | 2008 |
|---------------------------|----------------|----------------|
| Payroll and bonuses | 380,906 | 376,553 |
| Profit sharing (note 18) | 55,784 | 56,927 |
| Defined-contribution plan | (5,443) | 5,726 |
| Share-based compensation | 8,573 | 5,088 |
| Taxes payable | <u>122,081</u> | <u>121,467</u> |
| | <u>561,901</u> | <u>565,761</u> |

30. INSURANCE (UNAUDITED INFORMATION)

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by Management to be sufficient, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of December 31, 2009, the insurance coverage was as follows:

| Item | Type | Insured amount |
|---------------------------------|--|----------------|
| Industrial complex/ inventories | Any material damages to buildings, facilities and machinery and equipment | 815,118 |
| Vehicles | Fire, theft and collision for 1,424 vehicles | 51,869 |
| Loss of profits | Normalization of profits arising from material damages to facilities, buildings and production machinery and equipment | 1,124,405 |

31. APPROVAL OF FINANCIAL STATEMENTS FOR ISSUANCE

These individual and consolidated financial statements were approved for issuance by the Board of Directors at the meeting held on February 24, 2010.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Natura Cosméticos S.A. São Paulo - SP

1. We have audited the accompanying, individual and consolidated, balance sheets of Natura Cosméticos S.A. (the "Company") and subsidiaries as of December 31, 2009 and 2008 and January 1, 2008, and the statements of income, comprehensive income, changes in shareholders' equity, cash flows and value added for the years ended December 31, 2009 and 2008, all expressed in Brazilian reais and prepared under the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by the Management of the Company and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Natura Cosméticos S.A. and subsidiaries as of December 31, 2009 and 2008 and January 1, 2008, and the results of their operations, the comprehensive income, the changes in its shareholders' equity, their cash flows, and the value added in operations for the years ended December 31, 2009 and 2008, in conformity with Brazilian accounting practices.

4. As mentioned in note 3, as permitted by CVM Resolution 603/09, Management opted to early adopt the new Pronouncements, Interpretations and Technical Guidelines issued by the Accounting Pronouncements Committee (CPC) in 2009, mandatory for financial statements for the year ending December 31, 2010. Accordingly, the statements of income, cash flows and value added, individual and consolidated, for the year ended December 31, 2008, presented for comparative purposes, have been adjusted and are being restated as prescribed by CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 24, 2010

Deloitte.

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

CRC nº 2 SP 011609/O-8

Altair Tadeu Rossato

Engagement Partner

CRC nº 1 SP 182515/O-5

DNV ASSURANCE STATEMENT SUMMARY

NATURA SUSTAINABILITY REPORT 2009



1. Context and responsibilities

Det Norske Veritas (DNV) has been commissioned by Natura Cosméticos SA ('Natura') to provide assurance services in connection with the Portuguese version of Natura's Sustainability Report 2009 ('the Report').

The Board of Natura is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting that information. DNV's responsibility regarding this verification is to Natura only, in accordance with the scope of work commissioned. DNV disclaims any liability or responsibility to a third party for decisions, whether investment or otherwise, based upon this Assurance Statement summary, or its full version available in Portuguese at www.natura.net/relatorio.

2. Independence

DNV was not involved in the preparation of any text or data included in the Report, except for this Assurance Statement summary and its full version available in Portuguese at www.natura.net/relatorio. Moreover, in 2009, DNV did not work with Natura on any engagements that could compromise the independence or impartiality of our findings, conclusions or recommendations.

3. Scope and limits of the verification

The verification scope included information provided in the Report for the period of 12 months ending on 31 December 2009. Based on the scope of work commissioned by Natura, the main objectives of DNV's assurance engagement were to assess and verify

- Processes and activities carried out by Natura in order to identify, assess and prioritise material sustainability issues;
- Processes and activities carried out by Natura in order to identify, analyze and respond to stakeholders' expectations in relation to the company' sustainability strategy, management and performance, and the content of the Report;
- Systems, processes and tools to collect, aggregate, control/assure the quality of data and report on sustainability-related information;
- The description of sustainability related policies, strategies, objectives, initiatives, achievements and performance in 2009 in the Report;
- Adherence of reported information to the principles of materiality, reliability, balance, clarity and comparability set out in the Global Reporting Initiative Sustainability Reporting Guidelines, 2006 (GRI G3) and AA1000APS (2008);
- Verification and endorsement of the GRI (2006) application level declared by Natura;

This statement does not cover the verification of information or processes related to greenhouse gas emissions, which were subject to assessment and assurance by another third party.

This assurance engagement focused mainly on the quality of the sustainability information and data presented in the Report and the underlying reporting systems. DNV's scope of work did not include an assessment of the adequacy, effectiveness or efficiency of Natura's strategy or management of sustainability issues. It also excluded the assessment or verification of sustainability management, performance or reporting practices by Natura's suppliers or any other third parties mentioned in this Report.

4. Approach and methodology

This assurance engagement was carried out between January and May 2010 by suitably qualified and experienced professionals, following DNV's Protocol for Verification of Sustainability Reports. DNV's Verification Protocol has been developed in accordance with the most widely accepted reporting and assurance standards, including AccountAbility's AA1000 Assurance Standard (2008) and the GRI Sustainability Reporting Guidelines, 2006 (GRI G3).

The methods used in this engagement included:

- Interviews with 30 directors and managers responsible for Sustainability-related processes at Natura's headquarters and production unit in Cajamar, Brazil;
- Review of documentation and other evidence of developments in the company's sustainability objectives, resources, activities and performance;
- Review of sustainability performance-related reports, performance records and samples of data at source;
- Assessment of the quality and effectiveness of data management systems and tools for collection, aggregation, quality control/assurance and reporting of sustainability information, including the testing of samples of data;
- Review of the outputs of materiality assessment and external stakeholder engagement initiatives carried out by Natura, as well as internal and external communications regarding Natura's commitment, approach and performance on sustainability;
- Assessment of draft and final versions of the Report against relevant reporting standards and guidelines.

5. Main conclusions

Based on the work undertaken as part of this assurance engagement, DNV concludes that:

- Natura's Sustainability Report 2009 provides a reliable and fair representation of Natura's sustainability-related policies, management approach, initiatives and performance over the reporting period;
- The Report is well aligned with the principles established in the GRI Sustainability Reporting Guidelines, 2006 (GRI G3);
- Natura has deepened their definition and understanding of material topics, which has been translated into improvements in the focus, content and structure of the Report. The company also made a significant effort to identify, understand and respond to the expectations and issues raised by their stakeholders regarding the company's sustainability strategy, management approach and performance, and the content of the Report;
- Natura has improved internal reporting processes and their application throughout the organisation, which has resulted in an improvement in the quality of reported information and the translation of the Report into English.

Detailed information on DNV's approach, conclusions and recommendations is provided in the full Assurance Statement available in Portuguese at www.natura.net/relatorio.



Jasmin Eymery
Lead Verifier



Ana Cristina Campos Marques
Verifier



Antonio Ribeiro
Quality Assurance

ABOUT THE REPORT

This is the 10th Natura Annual Report developed based on the guidelines of the Global Reporting Initiative (GRI), and refers to the period between January 1 and December 31, 2009. We adopted once again the G3 GRI version, and for the third consecutive year we declare that we have applied the A+ application level for reporting economic, social, and environmental performances.

For the third consecutive year, the socio-environmental information was subject to external examination by the company Det Norske Veritas (DNV). In the case of greenhouse gas (GHG) emissions, a specific examination (limited assurance) was conducted on the data of the 2009 inventory by the consulting firm PricewaterhouseCoopers. The economic and financial information was audited by Deloitte Touche Tohmatsu Auditores Independentes. We published the opinions on the external examinations on page 110.

This publication considers the information related to all our operations, including Argentina, Chile, Colombia, Mexico, Peru, and France. Due to the discontinuation of our activities in Venezuela in August 2009, some data on that country has not been collected, resulting in partial information that cannot be compared with the other operations. The scope of the socio-environmental information is mainly related to the activities in Brazil, where our production is concentrated and where most of our social and environmental impacts occur. The economic data includes all of our operations.

In the presentation of environmental impacts on water and energy consumption and generation of waste, we included in the calculations data on the outsourced suppliers that manufacture our products. As from 2009, there was improvement of quantitative surveys and we started to consider the margin of error that corresponds to the confidence interval of 95% for calculating results

Possible significant changes in relation to the previous years, as well as changes in the calculation basis or measurement techniques, are presented throughout the report and in the tables.

We present data on our relationships with our main strategic stakeholders, who we define as our brand builders: employees, consultants/NCAAs, consumers, suppliers, supplier communities, government, surrounding communities, and shareholders.

In order to broaden access to the 2009 Natura Annual Report, we made the information available in different formats and accessible in different communication channels

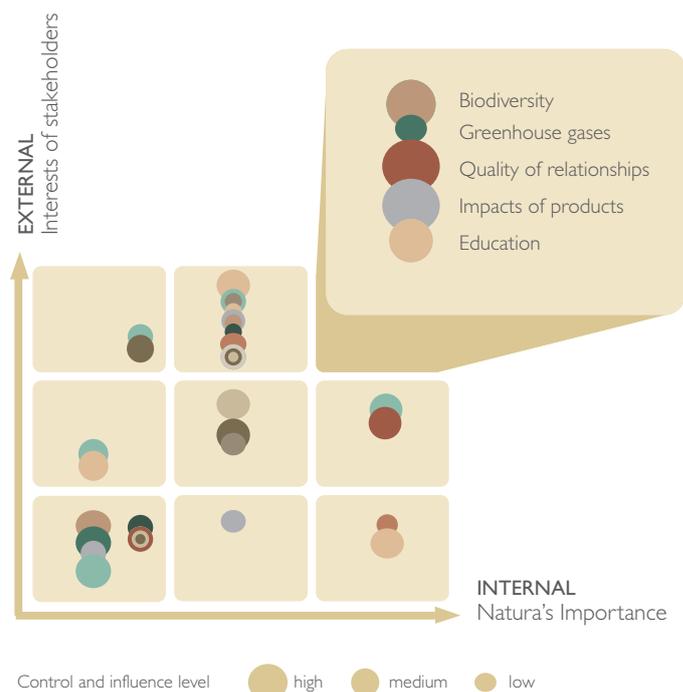
- Management Report – published in the Valor Econômico and Brasil Econômico newspapers and in the Diário Oficial official gazette on February 25, 2010, containing the main performance data for the year.
- Book for opinion makers – the main printed publication, with the most relevant information on our performance in Portuguese, English, and Spanish.
- Internet – presents the complete content in Portuguese and English. Access our electronic address www.natura.net/relatorio.
- Newspaper for employees – with the topics of interest to our internal stakeholders, also on the Internet in Portuguese and Spanish.
- Magazine for consultants – it gathers specific information for our sales force, in Portuguese only.

MATERIALITY DEVELOPMENT

The purpose of Natura's materiality development is to guide the focus of our strategic sustainability management by cross-referencing the socio-environmental topics our stakeholders feel are relevant with their importance to the company in accordance with its strategy, risks and opportunities, and its pioneering spirit. This approach helped us decide the matters addressed in each of the formats and communication channels mentioned above.

Our materiality process involves a biannual cycle to prioritize topics. In 2009 we discussed and verified the topics with stakeholders of our Brazilian operations. We used the discussions with stakeholders in person meetings, such as the two multi-stakeholder panels and the panel with specialists, and also in virtual meetings and debates, held by means of the Natura Conecta (Natura Connects), to increase feedback. In total, more than 1,400 people were involved in the process. The panel of specialists critically analyzed the 2008 Natura Annual Report and found opportunities to improve the reporting process.

Materiality Matrix



Although it is not a topic addressed by our stakeholders, Natura sees the Amazon as a key factor in the development of Brazil, and thus we included this high-priority sustainability topic.

In January 2010, we launched the so-called Wiki Reports. Six virtual forums were opened, where we further the discussions with our stakeholders on each sustainability topic elected as a high priority in 2008. The participants contributed through both the discussion forums and by filling out a form asking about their expectations for a given topic and Natura's actions. Learn more on pages 21 and 22.

The process of collecting the information for the Annual Report is supported by a consultancy firm in communication for sustainability and includes over 70 in-person or telephone interviews with representatives of both employees and management, in addition to the development of indicators by many departments of the company.

The information is validated by the company's senior management and is subject to external audit. Most indicators reflect the impacts of the operations in Brazil. There is room for us to improve the systematization of data on foreign operations.

For further information on this report, please directly contact the team responsible for its preparation via e-mail: relatorioanual@natura.net.

GLOBAL COMPACT PRINCIPLES

Since July 2000, Natura has been a signatory of the Global Compact, a UNO initiative that brings together companies, workers, and civil society to promote sustainable growth and civic awareness. We are also part of the Global Compact Brazilian Committee (CBPG), created from the partnership between the Ethos Institute and the UN Development Programme in 2003.

The CBPG is made up of companies, UN agencies in Brazil, legal entities, academia, and civil society organizations that work on topics such as human and labor rights, the environment, and combating corruption. For further information on this initiative, please visit www.pactoglobal.org.br

| Global Compact principles | GRI relevant indicators | GRI indirectly relevant indicators |
|--|--|--|
| Human Rights Principles | | |
| Principle 1 Respect and protect human rights | HR1; HR2; HR3; HR4; HR5; HR6; HR7; HR8; HR9 | LA4; LA13; LA14; SO1 |
| Principle 2 Prevent human rights violations | HR1; HR2; HR8 | |
| Principles of Working Rights | | |
| Principle 3 - Support freedom of association in the workplace | HR5; LA4; LA5 | |
| Principle 4 Abolish forced labor | HR7 | HR1; HR2; HR3 |
| Principle 5 Abolish child labor | HR6 | HR1; HR2; HR3 |
| Principle 6 Eliminate discrimination in the workplace | HR4; LA2; LA13; LA14 | HR1; HR2; EC5; EC7; LA13 |
| Principles of Environmental Protection | | |
| Principle 7 Support a precautionary approach to environmental challenges | Environmental Performance Chapter | EC2 |
| Principle 8 Promote environmental responsibility | EN2; EN5; EN6; EN7; EN10; EN13; EN14; EN18; EN21; EN22; EN26; EN27; EN30 | EC2; EN1; EN3; EN4; EN8; EN9; EN11; EN12; EN15; EN16; EN17; EN19; EN20; EN23; EN24; EN25; EN28; EN29; PR3; PR4 |
| Principle 9 Encourage environmentally friendly technologies | EN2; EN5; EN6; EN7; EN10; EN18; EN26; EN27 | |
| Anti-Corruption Principle | | |
| Principle 10 Fight against corruption in all its forms, including extortion and bribery | SO2; SO3; SO4 | SO5; SO6 |



WE ARE AN ORGANIZATIONAL STAKEHOLDER OF THE GLOBAL REPORTING INITIATIVE (GRI) AND SUPPORT ITS MISSION TO DEVELOP GLOBALLY ACCEPTED GUIDELINES FOR SUSTAINABILITY REPORTS THROUGH A PROCESS OF STAKEHOLDER ENGAGEMENT

GRID INDEX

In order to locate our performance indicators according to the GRI standard, please refer to the table below. The general indicators are available in the online version at www.natura.net/relatorio. Further information on the GRI model can be obtained from the website www.globalreporting.org.

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| | |
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| | |
|---|--------|
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Determination of Indicators

Sustainability Office,
Office of the Senior Vice President
of Financial and Legal Affairs
and Report Comunicação

General Coordination

Corporate Affairs and Government Relations Office



This report was prepared in GillSans, with the cover printed on Couché Suzano Matte 230 g/m² paper and the body printed on Couché Suzano Matte 150 g/m² paper. A total of 3,000 copies of this edition were printed in Portuguese, 1,000 in English and 1,000 in Spanish.



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