NATURA REPORT 2010

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 and 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 with themselves, with others, with nature of which they are part, and with the whole.

I. WHAT WE BELIEVE IN

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 from 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.

2. OUR MOMENT

WE ARE CONNECTED
TO THE PEOPLE AND THE CHALLENGES OF OUR TIME.
WE WORK TOWARDS THE **PERMANENT EVOLUTION**
OF OUR ACTIVITIES AND THEIR IMPACT ON THE THE **COMMUNITIES**
THAT WELCOME US.

2.1 MESSAGE FROM THE **CHAIRMEN**

From left to right: Pedro Luiz Barreiros Passos, Antonio Luiz da Cunha Seabra, Edson Vaz Musa, Julio Moura Neto, Luiz Ernesto Gemignani and José Guimarães Monforte.
Members of the Board of Directors

"IN A REAL SENSE, **ALL OF LIFE IS INTERRELATED.** ALL PERSONS ARE CAUGHT IN AN INESCAPABLE NETWORK OF MUTUALITY, TIED IN A SINGLE GARMENT OF DESTINY. WHATEVER **AFFECTS ONE** DIRECTLY, **AFFECTS ALL** INDIRECTLY. I CAN NEVER BE WHAT I OUGHT TO BE UNTIL YOU ARE WHAT YOU OUGHT TO BE, AND YOU CAN NEVER BE WHAT YOU OUGHT TO BE UNTIL I AM WHAT I OUGHT TO BE. **THIS IS THE INTERRELATED STRUCTURE** OF REALITY."

Martin Luther King

THE POWER OF **TRANSFORMATION**

INDIVIDUALS, COMPANIES, AND NATIONS NEED A GUIDING FORCE. AN OBJECTIVE. AN IDEAL. WE STILL USED TO HEAR, WHEN WE FOUNDED NATURA, STRONG ECHOES OF THE MESSAGE, THE DREAMS AND THE UTOPIAS OF MARTIN LUTHER KING, AND WE WERE ALSO DRIVEN BY A PURPOSE THAT SEEMED UNATTAINABLE.

Since then, the determination to build our company has been nurtured by the dream of building a better world. Like Martin Luther King, we are convinced that life makes sense only if we think, feel, and act in a systematic way.

We are now observing the clash of sometimes opposing forces. Exacerbated individualism seeking only to maximize material values coexists with the growth of a vision focused on the collective interest. Actions and greater awareness concerning the socio-environmental cause are revealing examples of the emergence of a change in the direction of civilization. We must therefore mobilize society to build an agenda of transformation.

Over the years, it has become increasingly clear that if this agenda is to flourish, it must be lived by all those who make Natura what it is and – so we aspire – by those with whom we relate. We live this objective intensely, aware of the fact that in the world there are those who have been excluded, there is prejudice, social inequality, corruption... In other words, shadows that engender indignation and demand immediate action, as they are an affront to the ethics of life, justice and the possibility of peace.

The individualist vision may consider it naïve for a company to have an ideal that recognizes the need for societal change. With all due respect for those who have a different opinion, we believe we must take into account the world that surrounds us. Looking back at our history — beginning with the dream that is, little by little, blossoming into a tangible reality — we know we can be successful. And the progress we have made at Natura shows that we have made the right choices.

In 2008, we began to prepare our business structure for future development. At that time, we took steps to strengthen the foundation of our organizational culture, align our leadership more closely with our Essence, develop a new management system, redesign our logistics model, and concentrate on expanding our market share in Latin America and building our leadership position in Brazil.

The future holds both opportunities and challenges. We are aware of the tougher competitive environment and remain confident in our strengths. These include a strong brand that inspires our consumers, who are now served by 1.2 million sales consultants, both male and female; our renewed management abilities; and our ability to innovate — which is apparent in everything we do, from promoting quality in our relationships to transforming biodiversity assets into products.

We would like to express our acknowledgement of the motivated and talented leadership team that carried out this process and which is now channeling its energy into pursuing the plans to expand our activities. We would also like to extend our gratitude to the entire Natura community for its effort and engagement in our common causes.

The collective energy of our leadership and all of those with whom we work will power the expansion of this movement. We believe we can contribute to meeting the challenges of the future through our willingness to find solutions that transform socioenvironmental dilemmas into sustainable business opportunities, while generating prosperity for everyone.

This, Natura's historical calling, makes our value proposition even more attractive, thus enabling us to set our sights beyond the current borders and to see our brand transforming even more distant realities.

ANTONIO LUIZ DA CUNHA SEABRA

PEDRO LUIZ BARREIROS PASSOS

Co-Chairmen of the Board of Directors

2.2 MESSAGE FROM THE **EXECUTIVE COMMITTEE**

From left to right: João Paulo Ferreira, José Vicente Marino, Roberto Pedote, Telma Sinicio, Alessandro Carlucci and Marcelo Cardoso. **Members of the Executive Committee**

NATURA IS IN A POSITION TO RESPOND TO THE **CHALLENGES OF THESE NEW TIMES**. OUR CONFIDENCE STEMS FROM OUR CONTINUED ROBUST PERFORMANCE IN RECENT YEARS. IN 2010, WE WERE DELIGHTED TO **REPORT STRONG EARNINGS** – EVEN AS WE CONTINUED TO EXECUTE THE PLAN BEGUN IN 2008 THAT IS INTENDED TO MAINTAIN OUR **PACE OF GROWTH IN** BRAZIL AND ESTABLISH BASES FOR FUTURE EXPANSION.

COMMITMENT **TO THE FUTURE**

ALTHOUGH SOME OF OUR INITIATIVES ARE STRUCTURAL AND REQUIRE MORE TIME IN ORDER TO MATURE, OUR ENTHUSIASM IS FUELED, BY THE KNOWLEDGE THAT WE HAVE ACHIEVED ALL OF OUR INITIAL OBJECTIVES.

We saw yet another year of vigorous business expansion. Consolidated net revenues rose 21.1%, and EBITDA was up 24.6%. We took on more sales consultants in all of our operations. Latin America is a fertile market for business expansion and is increasingly important to our ability to grow. To meet our expansion plans in the region, we initiated local production through partnerships in Argentina, Colombia, and Mexico. In Brazil, Natura made strong gains, reaching a preference rate of 49% among consumers. We expanded our leadership position by 1.1 percentage points, reaching a 23.6% share of our target market. We created and distributed more value to all of our major stakeholders. And we mobilized the business sector around the topic of biodiversity and reduced the environmental impact of our products.

Not everything turned out as we had planned. Despite these advances, we still have progress to make in the level of service we provide to our consultants. Nevertheless, we are confident that the investments we have made in our infrastructure will raise our level of service to the standard we desire. Despite our efforts, we also failed to achieve the results we had hoped for in organizational climate, which were below the progress expected. However, we are convinced that we have taken the right steps to improve the quality of our relationships with our employees. Because this is such an important issue for Natura, we are redoubling our efforts to raise these stakeholders' level of satisfaction.

The plan we put in place in 2008 included initiatives that have both an immediate impact and long-term impacts. Several of these measures have contributed to our current results: innovation in our business model with the establishment of Natura Consultant Advisers (NCA); concentrating our portfolio on important product launches, such as the Una make-up range, Amó perfume, and Chronos anti-aging facial cream; and greater investment in marketing and communications through an additional injection of R$410 million, enabled by productivity gains of R$449 million.

We also undertook longer-lasting actions. We implemented a new process-based management model structured around business units and regions; we refreshed our organizational culture, focusing on developing and attracting leaders who are aligned with our Essence; we set the pace for managing the quality of our relationships by expanding engagement practices; and we invested in our infrastructure, upgrading our production, logistics, and information technology capabilities to improve services.

Concurrently, we turned our gaze to a more distant horizon and built our 2030 Vision. This is a long-range commitment to strengthening Natura's future while alerting us to the challenges and uncertainties of a world in rapid transformation. It reiterates our intention to create sustainable results and to contribute to a fairer, more inclusive and more responsible society.

Many of the events of 2010 have a common thread: enthusiasm for a project that imbues us with new energy at every cycle of achievement. We wish to thank all of you who have been so dedicated in your support for Natura. By working together, we will achieve innovative solutions that transform the business challenges of the next 20 years into development opportunities that benefit society as a whole.

ALESSANDRO CARLUCCI
Chief Executive Officer

JOÃO PAULO FERREIRA
Senior Vice President of Supply Chain

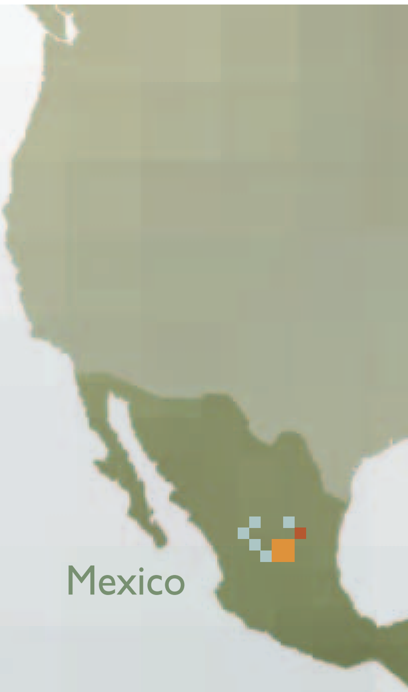
JOSÉ VICENTE MARINO
Senior Vice President of Sales and Marketing

MARCELO CARDOSO
Senior Vice President of Organizational Development and Sustainability

ROBERTO PEDOTE
Senior Vice President of Finance, Legal Affairs, and Information Technology

TELMA SINICIO
Senior Vice President of Innovation

2.3
ORGANIZATIONAL **PROFILE**



THROUGH OUR PRODUCTS AND SERVICES, WE SEEK TO ENCOURAGE SELF-AWARENESS AND **PROMOTE WELL-BEING WELL.** WE ASPIRE TO PROVIDE CONSUMERS WITH NEW WAYS OF **ESTABLISHING RELATIONSHIPS WITH THEMSELVES**, WITH THOSE AROUND THEM, **AND WITH THE WORLD.**

We are a Brazilian cosmetics, fragrances and personal care company with a strong presence in Latin America. Since our founding in 1969, we have built a culture that values relationships. Our corporate behavior is focused on promoting sustainable development by improving awareness about responsible and innovative use of bio-diversity assets. We strive to create value through solutions and new opportunities that we identify in partnership with our stakeholders — always with an eye to finding a balance between the social, environmental, and economic impacts of our business.

We have adopted a direct sales business model because we believe in our ability to generate and distribute income, offer development alternatives and inspire more than 1.2 million sales consultants to disseminate our value proposition to our consumers.

Natura directly employs more than 7,000 professionals. Our head office is in Cajamar, state of São Paulo, and we have five commercial offices in Brazil: Salvador (Bahia), Campinas and Alphaville (São Paulo), Rio de Janeiro (Rio de Janeiro), and Porto Alegre (Rio Grande do Sul). Our plants and Research and Technology centers are located in Cajamar (São Paulo) and Benevides (Pará), and in 2006, we opened an Advanced Technology Center in Paris, France. In Brazil, our products are delivered to our consultants and consumers from distribution centers in Cajamar and Jundiaí (São Paulo), Canoas (Rio Grande do Sul), Matias Barbosa and Uberlândia (Minas Gerais), Simões Filho (Bahia), Jaboatão dos Guararapes (Pernambuco), and Castanhal (Pará).

We have company-owned operations in France, Argentina, Chile, Colombia, Mexico, and Peru. In addition, we use local distributors to sell our products in Bolivia, Guatemala, Honduras, and El Salvador. In 2010, we began manufacturing in Argentina through local partnerships. We also have Natura Houses, which are centers where our consultants can work and train and where consumers can get to know our products. We have seven of these in Brazil, all in the state of São Paulo, 14 elsewhere in Latin America, and one in France.

We have been a publicly traded company since 2004, with about 40% of our shares listed on the New Market of the São Paulo Stock Exchange (BM&FBovespa). For five consecutive years, we have been included in Bovespa´s Corporate Sustainability Index (CSI) (learn more on page 54, Shareholders).


France
Colombia
Brazil
Peru
Chile
Argentina
COMMERCIAL OPERATIONS
PLANTS
COMMERCIAL OFFICES
DISTRIBUTION CENTERS
NATURA HOUSES
RESEARCH AND TECHNOLOGY CENTERS

OUR **MARKET**

Once again, the cosmetics, fragrances, and personal hygiene sector continued growing at a record pace last year, this time, however, amid a scenario of strong expansion of Brazilian economy, estimated at 7.5% of GDP in 2010. With less strength, but with the same consistency, the rest of Latin America — notably Chile and Mexico — also reported increases in economic activity.

The growth of the Latin American cosmetics market was double that of Europe and the United States over the past decade. The region now represents nearly 15% of the global cosmetics market, revealing the scale of opportunities in Latin America.

According to data published by the Brazilian Association of the Cosmetic, Toiletry, and Fragrance Industries (Sipatesp/Abihpec), Brazil's target market registered a nominal growth of 13.5% in 2010. Our value proposition once again boosted our leadership by more than 1.1 percentage points and reached a 24% share of our target market.

Year after year, the direct-sales industry continues to attract people. According to the Brazilian Association of Direct Seles Companies (ABEVD), there are 2.7 million direct-sales representatives in Brazil. This represents a 12.2% increase over 2009.

In 2010, the **Natura Chronos** line started to differentiate its products according to the intensity of the signs of aging, which depends on each woman's life story.

MAIN HIGHLIGHTS OF THE YEAR

ECONOMIC

- Our net revenues totaled R$5.1 billion, a growth of 21.1%.
- We recorded EBITDA of R$1.2 billion, up 24.6% from the previous year, and an EBITDA margin of 24.5%, compared with 23.8% in 2009.
- We achieved net income of R$744.1 million, 8.8% above the previous year.
- We distributed more wealth to our stakeholders. The wealth generated to our employees increased 20%, for our consultants 19% and for our shareholders 17%.
- International manufacturing began through partnerships in Argentina. In 2011, we will begin operations in Mexico and Colombia.

SOCIAL

- Natura had 1.2 million consultants at the end of 2010. This represents a growth of 17% in Brazil and of more than 20% in our international operations.
- The Natura Crer para Ver (Believing Is Seeing) program, which invests in education, received a record R$10 million in funding, 168% more than in 2009. Funding is based on sales of specific items in our portfolio. Revenues from sales of these items outside of Brazil totaled R$1.3 million.
- Although progress has been made, the quality of the service we provide to consultants has not yet reached the level we desire. We continue working to reduce our nonservice rate (NSR), which keeps track of products that are ordered by consultants but are unavailable.
- The survey on working climate generated a 73% overall favorable response rate from our employees, one percentage point below 2009. Declines in ratings in our international operations and among operational staff in Brazil contributed to this decrease.
- The loyalty of our consultants in Brazil rose from 17% to 21%, but declined among Natura Consultant Advisers, from 37% to 32%.

ENVIRONMENTAL

- We extended the period for achieving a 33% reduction in our relative greenhouse gas emissions to 2013. The original target date was 2011. By 2011, our reduction was 21%
- We launched the first refill packaging made of polyethylene from sugar cane, a renewable source of energy. In addition to being 100% recyclable, it reduces greenhouse gas emissions that cause global warming by 58% compared with common plastic.
- We reduced relative water consumption by 10%, thanks to improvements that are intended to guarantee efficient use of resources.
- We created a methodology that measures the socioenvironmental impacts of our supply chain, in an effort to improve the selection of our suppliers.
- We were charged by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) for failing to secure prior authorization to conduct research using inputs from Brazilian biodiversity. Natura does not agree with the procedure and has formally contested these charges.

2.4 OUR COMMITMENTS

OVER THE YEARS, WE HAVE DEMONSTRATED A COMMITMENT TO STRENGTHENING OUR PERFORMANCE INDICATORS. THESE INDICATORS REFLECT OUR WILLINGNESS TO INCORPORATE **IMPROVED MANAGEMENT OF OUR PRIORITY SUSTAINABILITY TOPICS INTO OUR STRATEGIC PLANNING**. TO LEARN MORE ABOUT THE TARGETS OUTLINED IN THIS TABLE, PLEASE REFER TO THE CHAPTERS "WHO WE WORK WITH" AND "WHAT WE AIM FOR."

EMPLOYEES

QUALITY OF RELATIONSHIPS

1. 2010 COMMITMENT: Achieve a 76%[1] favorable response rate in the Natura climate survey.
NOT ACHIEVED: Natura achieved a 73% favorable response rate.

2011 COMMITMENT: Achieve a 76% favorable response rate in the Natura climate survey.

2011 COMMITMENT: Achieve a 32% loyalty rate with Natura employees.

1. Due to a calculation error, we recorded a target of 77% in the previous report.

EDUCATION

2. 2010 COMMITMENT: Achieve an average of 100 hours of training per employee in Brazil.
NOT ACHIEVED: We recorded an average of 90 hours of training per employee in the Brazilian operations.

2011 COMMITMENT: Record an average of 100 hours of training per employee in Brazil.
2011 COMMITMENT: Record an average of 88 hours of training in Natura's overall average, including international operations.

Since 2005, **our soaps** are 100% plant based, made from sustainably cultivated palm olein.

CONSULTANTS AND NCAs [2]

QUALITY OF RELATIONSHIPS

4. 2011 COMMITMENT: Achieve an 18% loyalty rate with consultants.
ACHIEVED: We achieved a 21% loyalty rate.

2011 COMMITMENT: Record a 22% loyalty rate with consultants.

5. 2010 COMMITMENT: Achieve a 40% loyalty rate with NCAs.
NOT ACHIEVED: The loyalty rate with NCAs was 32%.

2011 COMMITMENT: Achieve a 37% loyalty rate among NCAs.

EDUCATION

6. 2010 COMMITMENT: Register the participation of 500,000 consultants in training programs.
ACHIEVED: We had the participation of 517,400 consultants in our training programs.
2011 COMMITMENT: Achieve the participation of 540,000 consultants in our training programs.

7. 2010 COMMITMENT: Raise R$6 million from the sale of products of the *Crer para Ver* (Believing Is Seeing) line.
ACHIEVED: We achieved record revenues of R$10 million.

2011 COMMITMENT: Record R$13 million from the sale of products of the *Crer para Ver* line.

8. 2010 COMMITMENT: Have 100,000 consultants engaged in the Natura Movement.
ACHIEVED: 113,100 consultants engaged in the Natura Movement.

2011 COMMITMENT: Reach 135,000 consultants engaged in the Natura Movement.
2011 COMMITMENT: Reach a 13% engagement rate among consultants in the *Crer para Ver* program.

2. target refers to Brazilian operations

SUPPLIER COMMUNITIES

QUALITY OF RELATIONSHIPS

3. 2010 COMMITMENT: Increase resources allocated to supplier communities by 44% (made up of supply, distribution of benefits, funding, and support, use of image, training, certification, studies, and assistance).
ACHIEVED: We increased resources by 57% compared to 2009.

2011 COMMITMENT: Increase resources allocated to communities by 25% from 2010.
2011 COMMITMENT: Record an average grade of 3.7 in the BioQlicar (Quality, Logistics, Innovation, Competitiveness, Service, and Relationship) assessment.
2011 COMMITMENT: Achieve a 44% loyalty rate with supplier communities.

CONSUMERS

PRODUCT IMPACT

9. 2010 COMMITMENT: Eliminate parabens from our product portfolio by December 1, 2010.
NOT ACHIEVED: Due to technical difficulties related to the process, system, and formulation, we were not able to exclude parabens as an ingredient in the formulation of all products in this portfolio, including in our international operations.

2011 COMMITMENT: Eliminate this ingredient completely from our portfolio by June 30, 2011.

10. 2010 COMMITMENT: Eliminate phthalates from our portfolio as an ingredient in product formulation by July 1, 2010.
ACHIEVED: Natura excluded phthalates as an ingredient in the formulation of all products in its portfolio.

QUALITY OF RELATIONSHIPS

11. 2010 COMMITMENT: Maintain the consumer loyalty rate at 46%.
ACHIEVED: We achieved a 53% loyalty rate among consumers.

2011 COMMITMENT: Maintain a 54% loyalty rate with Brazilian consumers.

SUPPLIERS

QUALITY OF RELATIONSHIPS

12. 2010 COMMITMENT: Achieve a satisfaction rate of 85% with the company.
NOT ACHIEVED: We recorded a rate of 81%, the same level achieved in 2009.

2011 COMMITMENT: Maintain a 28% loyalty rate with Natura.

ENVIRONMENT

GREENHOUSE GASES (GHGS)

13. 2010 COMMITMENT: Reduce our relative emissions of GHGs by 33% by 2011, based on the inventory conducted in 2006.
COMMITMENT UNDERWAY: As of 2010, we achieved a 21% reduction.

TARGET: The estimated 33% reduction was postponed to 2013.

14. 2010 COMMITMENT: Reduce our emissions of GHGs related to scope 1 and 2 of GHG Protocol by 10% by 2012, based on 2008 emissions.
COMMITMENT UNDERWAY: Accumulated variation from 2008 to 2010 indicated an increase of 38%.

TARGET: Reduce our emissions of GHGs related to scope 1 and 2 of GHG Protocol by 10% by 2012, based on 2008 emissions.

PRODUCT IMPACT

15. 2010 COMMITMENT: Reach a rate of 18.5% on the sale of refills on items billed in Brazil.
NOT ACHIEVED: We achieved a 16.9% rate of refill sales, which represents a lower percentage compared to 2009.

16. 2010 COMMITMENT: Reduce the total weight of waste per unit billed by 6%.
NOT ACHIEVED: Our index increased by 8% to 25.7 grams per unit billed.

2011 COMMITMENT: Reduce the total weight of waste per unit billed by 3%.

17. 2010 COMMITMENT: Reduce water consumption per unit billed by 10%.
ACHIEVED: Consumption was reduced by 10%.

2011 COMMITMENT: Reduce total water consumption per unit billed by 3%.

7
COMMITMENTS
NOT ACHIEVED

2
COMMITMENTS
UNDER WAY

8
COMMITMENTS
ACHIEVED

Notes:
1. In order to have a more thorough picture of the quality of our relationship with our stakeholders, we have also adopted a loyalty index that includes three aspects: satisfaction, intention to continue the relationship with Natura, and the recommendation of our brand, unlike the satisfaction survey, which considers only one of these aspects. Concerning our employees, in addition to the loyalty index, we also conduct the climate survey, which assesses more specific issues related to the work environment, careers and job satisfaction.
2. The above indicators for quality of relations have an error margin corresponding to a 95% confidence interval.
3. Except for the favorable responses in the Climate Survey, the commitments for quality of relationships refer to the Brazilian operations.

2.5
GOVERNANCE

NATURA CORPORATE GOVERNANCE IS **PERMANENTLY ENHANCED**. WE HAVE BEEN SIGNIFICANTLY FOCUSED ON THIS OBJECTIVE SINCE 2004, WHEN **NATURA WENT PUBLIC** AND LISTED ITS SHARES ON THE SÃO PAULO STOCK EXCHANGE.

Our Board of Directors comprises six members, including two founding partners, Antonio Luiz da Cunha Seabra and Pedro Luiz Barreiros Passos. The third founding partner, Guilherme Peirão Leal, resigned in 2010 to run as the Green Party vice presidential candidate. Of the other four members of the Board, three are independent.

Board members are selected for their qualifications, knowledge on sustainability, experience in executive positions, and the absence of conflicts of interest. Board members' compensation includes a fixed monthly component and a variable annual component linked to Natura's economic, financial, social, and environmental results.

We continually improve and reinforce internal controls and processes, which has enabled Natura to achieve SOX certification for accounting controls and financial reporting. SOX certification is based on criteria in the 2002 U.S. Sarbanes-Oxley Act and is required of companies listed on the New York Stock Exchange. Natura is among the first Brazilian companies to obtain SOX certification, though this is not a Brazilian legal requirement. We believe that an efficient control environment produces transparency in the performance of our operations, ensures that our financial statements accurately present our business processes, and provides security for our stakeholders.

In an effort to acquaint Board members with the customs of the various regions where we operate, the Board has scheduled meetings outside the company's head office. Of the six regular meetings held last year, one took place in Rio de Janeiro in April, and another was held in Mexico in September. We will maintain this practice in 2011, holding one meeting annually in a Brazilian regional office and another meeting each year in one of the countries in which we do business.

The Board of Directors is supported by four committees: Strategy; Corporate Governance; People and Organizational Development; and Audit, Risk Management, and Finance. The latter was reorganized in December 2010, and now only external and independent members may serve on this committee. This reorganization was intended to improve internal controls. The Audit, Risk Management, and Finance Committee is responsible for evaluating accounting, taxes, corporate affairs, and new investments. New members who took office in February 2011 receive technical support from a group of external specialists and Natura executives.

In 2010, we sought to expand the participation of individual shareholders at the Annual Shareholders' Meeting. We gathered 200 investors at our Cajamar unit, and they were able to follow — in real time — the shareholders' meeting taking place at Natura's head office in Itapecerica da Serra. Through this event, investors were able to come into closer contact with our company, its controlling shareholders, and executives (learn more on page 54 – Shareholders).

Since 2007, Natura has been a member of the Company Circle of Latin American Corporate Governance, which consists of a group of Latin American corporations selected by the International Financial Corporation of the World Bank based on the quality of their governance practices.

EXECUTIVE GOVERNANCE

Natura's main executive body, the Executive Committee (Comex), is made up of Natura's Chief Executive Officer, Alessandro Carlucci, and five deputy chairmen. Comex's priorities are management of the business and assessment of economic, social, and environmental results. Comex also monitors strategic planning and our strategic projects.

The structure of Comex was consolidated in 2010 to enable a global outlook on business. Comex is supported by eight committees that discuss thematic topics and represent the executive body. The original six committees supported Comex on issues related to brand, sustainability, ethics, commercial innovation, products, and processes. Two new committees, the Customer Committee and the Ideas and Concepts Committee, were established in early 2011.

Read more about Governance at: **www.natura.net/relatorio**

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

JOSÉ GUIMARÃES MONFORTE
Member; President of the Audit, Risk Management, and Finance Committee

JULIO MOURA NETO
Member; President of the Strategy Committee

LUIZ ERNESTO GEMIGNANI
Member; President of the People and Organizational Development Committee

NATURA **EXECUTIVE COMMITTEE**

ALESSANDRO CARLUCCI
Chief Executive Officer

JOÃO PAULO FERREIRA
Senior Vice President of Supply Chain

JOSÉ VICENTE MARINO
Senior Vice President of Sales and Marketing

MARCELO CARDOSO
Senior Vice President, Organizational Development and Sustainability

ROBERTO PEDOTE
Senior Vice President of Finance, Legal Affairs, and Information Technology

TELMA SINICIO
Senior Vice President of Innovation

The **Natura Erva Doce** line, created in 1984, was reformulated last year, to offer more plant-based products.

RISK **MANAGEMENT**

Natura's risk management strategy involves analysis of two primary risks to our business: strategic risks, which are external threats to the continuity of our business; and operational risks. Responsible managers and their teams evaluate internal processes to identify potential operational risks. In both cases, the analysis considers potential economic, social, and environmental outcomes.

Natura's risk management strategy identifies processes and control mechanisms to address Natura's primary strategic and operational risks. These include physical risks, but not risks related to climate change. Our actions do, however, evaluate regulatory risks and identify opportunities to offer new technologies and products that address the challenges posed by climate change.

An important development in 2010 was the consolidation of Natura's strategic risks map, which was incorporated into our strategic planning. This map is now monitored by all committees that support the corporate governance and executive structures.

As part of a more comprehensive contingency plan, we have established a crisis prevention system based on the most relevant scenarios experienced by the company. This initiative has been developed by Natura since 2009.

INTERNAL AUDIT

Made up of 16 professionals, Natura's internal audit team reports to the Audit, Risk Management, and Finance Committee. This structure guarantees the independence of auditors, who are free from interference from other areas of the company. In 2010, the team performed 33 audits of Natura's technical capabilities, management and operational processes, and international operations. This number far exceeded the 13 audits conducted in 2009.

Internal audits include a series of tests and procedures to evaluate the control environment and evaluate the potential for fraud and corruption. Of the 33 audits performed in 2010, 11 cases required investigation. Five of these cases ultimately were found to involve irregularities, and those involving misconduct resulted in the dismissal of six employees. Each of these cases led Natura to strengthen its control mechanisms.

SENIOR MANAGEMENT **COMPENSATION**

Natura's executive compensation package intends to stimulate entrepreneurship and promote executive engagement, and is, in part, linked to the company's growth and capital appreciation. Our profit-sharing system for executives is based on multiples of base salary, in accordance with their duties. When this model was reviewed in 2009, the variable pay component was expanded, thus enabling the company to be more competitive.

The remuneration received by the chief executive officer, vice presidents, officers and senior managers is consistently linked to the commitment to our long-term project by means of the Stock Option or Share Subscription Plan.

Learn more about Natura's Executive Compensation at **www.natura.net/relatorio**

PRESIDENTIAL ELECTIONS

The decision of one of the co-chairmen of our Board of Directors, Guilherme Leal, to participate in the 2010 presidential elections was one of Natura's key governance challenges for the year. Guilherme Leal resigned from Natura shortly after the Green Party announced him as its candidate for vice president. Throughout this process, we emphasized transparency, clearly separating Natura's business operations from an individual's decision to run for public office.

Natura's governance structure ensured that the company took all steps required to insulate corporate governance from political influence. Our campaign donation policy, in force since 2006, forbids donations to candidates or political parties — a policy that gained greater significance last year. We also set up a special committee to monitor media exposure of Natura and its founding partner during the elections.

2.6 NATURA MANAGEMENT SYSTEM

OUR ACTIONS ARE INTENDED TO **ENGAGE AND INSPIRE OUR EMPLOYEES**, SUPPORTING THEM IN CLEARLY DEFINED PROCESSES, ENABLING THE IMPLEMENTATION OF THE COMPANY'S STRATEGY AND PLANS, AND GUARANTEEING THE EXPANSION OF OUR **DIFFERENTIATED BUSINESS MODEL.**

The development of the **Amo perfume line** drew on network creation. Almost 100 people, namely consumers, partners and opinion formers, participated in the process.

In order to organize the information flow across all Natura's processes and guarantee the alignment of decisions with our principles, the Natura Management System has been under development since 2008, when the model incorporated our Regional Units (in all Brazilian regions and international operations) and Business Units (by product segment).

The System is designed to reproduce our method of operating wherever we are by means of well-defined processes and routines, enhancing a non-centralized and integrated management model that allows greater independence for managers and greater proximity to consultants and consumers. The expansion of our international actions allows greater importance on the new model.

In the coming years, our challenge will be to have this integrated management system become understood and adopted by all Natura employees, becoming an instrinsic way of how Natura routinely does business. To assist with this challenge, we have identified 12 interrelated priority components that are critical to the success of the Natura Management System: leadership, strategic planning, relationships, sustainability, learning, individuals, processes, brand, culture, customers, innovation, and triple bottom-line results.

The component of this new management system that is in the most advanced stage of completion is the Management by Process model, which was established with the creation of our Business Units and Regional Units. In 2010, we fully integrated 22 key processes in Natura. To guarantee proper implementation, we stage assessments and process certification. We have created indicators for each process and have designed six new processes to be certified in 2011. This has created a more effective structure for monitoring of Natura's 18 strategic projects. They are all directly attached to our growth proposal for the coming years and they have been approved by the Board of Directors. They are also regularly monitored by senior management.

3. WHAT WE AIM FOR


WE BELIEVE IN
THE TRANSFORMATIVE POWER
OF PEOPLE, COMPANIES,
NETWORKS, AND COMMUNITIES,
AND WE WANT TO PLAY A
LEADING ROLE IN THE
EVOLUTION OF
OUR SOCIETY.

3.1 OUTLOOK AND **STRATEGY**

OVER THE PAST THREE YEARS, **WE HAVE COMBINED** SIGNIFICANT **BUSINESS GROWTH** WITH CHANGES IN OUR MANAGEMENT AND INFRASTRUCTURE MODEL AND IN OUR **RELATIONSHIPS WITH STAKEHOLDERS.**

As a result of these intense structural developments, Natura is poised to take advantage of opportunities in the cosmetics, fragrances and personal care market in Brazil and Latin America. We are strengthening our competitive advantage at a time when our region enjoys a positive outlook. The expansion of manufacturing, the participation of women in the job market, falling unemployment, and rising family incomes have led to prolonged periods of economic growth in several Latin American countries.

We understand that the attractiveness of our market results in increased competition. We believe, however, that the Brazilian market still offers many growth opportunities through the regionalization of our operations and by filling the space where our brand is not yet present. Our international operations are becoming stronger year after year. We now have the infrastructure, market knowledge, leadership, products, sales channels, and relationship networks needed to increase our share in these markets.

We are entering a cycle in which innovation is increasingly relevant in all aspects of our business — not only in product development, but also in our sales model, in building relationships, and in finding solutions to social and environmental challenges. Inspired in our culture, we intend to deepen the search for solutions related to the performance of our role as change agents in society.

STRUCTURAL **CHANGES**

In 2010, we initiated international production through partnerships. The shift from an exportation model to a local production model will benefit society and reduce environmental impacts, in a combination that enables the construction of a sustainable development model.

Operations in Argentina started in the second half of 2010 with perfume-bottling activities. In 2011, we will initiate operations in Mexico and Colombia. Within three years, we intend for 50% of revenues from our international operations in Latin America to come from products manufactured outside Brazil. When fully deployed by 2013, this new manufacturing structure will eliminate 70% of greenhouse gas emissions that result from supply logistics in these countries.

We restructured some executive positions to monitor operations more closely, giving us the agility required for superior management. We merged our Business and Internationalization vice presidencies and created two general executive offices, one for Brazil and another for international operations. These initiatives provided our leaders with greater autonomy and our Executive Committee with a more global and strategic vision. In January 2010, our office in Buenos Aires, Argentina, began to manage our international operations.

We expect this new production-and-logistics model to drive expansion in our domestic and international business. Additional innovations in the planning stage will improve the assistance we provide to our sales consultants and consumers.

We have made significant investments in information technology, which will support our growth cycle in the coming years. This initiative will provide greater scalability, integration, and connectivity to our systems platform. Approximately 85% of orders from our sales consultants are received via the Internet.

To prepare for the changes taking place at Natura, we will transfer our administrative unit and the distribution center in Itapecerica da Serra this year to a new facility in the city of São Paulo. We understand that these changes, which aim to provide employees with better working conditions, will also impact the local community, especially with respect to tax collection. To mitigate these impacts, we are engaging in a dialogue with the municipal administration about the pending relocation and our plans to continue to invest in the community (learn more on page 52, Surrounding Communities). Some administrative functions now based in Cajamar, as well as the picking center (preparation of boxes with products for sending to consultants) will also be transferred to São Paulo.

OUR **PLANNING**

In 2010, we set up a new Strategic Planning cycle for the period from 2011 to 2015. We defined targets and identified critical success factors, indicators, and milestones required to achieve our objectives.

We know that the success of this initiative rests in part on our ability to develop leaders whose actions align with our Essence so that they can become real agents of social transformation. We also intend to create an internal environment with constant learning opportunities, supported by a strong organizational culture enhanced by the many countries in which we operate. We place a high priority on taking advantage of opportunities that derive from connectivity so that we can foster sustainable development.

These elements will guide our strategic planning for the next five years, allowing us to maintain our leadership position in Brazil and to expand our direct sales model in Latin America. They will also help us generate more value for Natura's stakeholders. As a result, we will continue to delight and be delighted by our customers, fostering our well-being well concept in an innovative manner, strengthening our brand, and maintaining the quality of relationships with our stakeholders.

Thinking about the future is the first step toward innovation. In 2010, one outgrowth of our strategic planning process was the development of our 2030 Vision. With the support of senior management, we stretched our vision beyond the five-year planning cycle to focus on long-term scenarios and potential challenges.

Learn more about Natura's 2030 Vision at : **www.natura.net/relatorio**

SUSTAINABILITY MANAGEMENT

The way we do business is guided by our search for a sustainable development plan. We are aware that the joint management of economic, social and environmental aspects of all processes is a major challenge. However, we have managed to effectively incorporate this integrated vision into our routine operations. Sustainability is one of the cornerstones of our processes and a part of Natura's Strategic Planning, which is approved by the Board of Directors and closely monitored by senior management. Our main socioenvironmental indicators serve to integrate the company's strategic plan, and these indicators are communicated to all business units to guide their processes.

The Executive Sustainability Office is responsible for this process, educating and disseminating practices throughout the company. In both Brazil and in our international operations, we rely on a network of sustainability leaders who convey global practices to each unit and assure that these practices are integrated into decision making. Our Biodiversity Management Group systematically monitors our sustainable use of biodiversity so that through technology development, stewardship, ethical trade actions, and benefit sharing, we preserve natural resources and have a positive impact in our local communities.

We also seek to make continual progress in the construction of our materiality matrix. This involves a process of determining which aspects of our company's sustainability efforts are viewed as most relevant by our stakeholders. This process is carried out every two years. The results of the actions related to our six priority topics in 2010 (Amazon, Biodiversity, Greenhouse Gas Emissions, Education, Product Impact and Quality of Relationships) are reported to Natura's senior management by the Sustainability Committee. In 2010, for the first time, we invited our international operations to take part in this process. The new materiality matrix will be included in the next reporting cycle and incorporated into 2011 strategic planning (learn more on page 109, About this Report).

Learn more about our management at: **www.natura.net/relatorio**

3.2 HIGH PRIORITY SUSTAINABILITY TOPICS

AMAZON

WE SEE THE AMAZON REGION AS A STRATEGIC DRIVER FOR **BRAZIL'S ECONOMIC DEVELOPMENT**. FINDING NEW OPPORTUNITIES FOR SUSTAINABLE USE OF THE AMAZON'S RESOURCES IS PARAMOUNT TO GUARANTEEING QUALITY OF LIFE FOR **FUTURE GENERATIONS.**

Twelve years ago, we decided to incorporate biodiversity assets into our products in a sustainable manner, respecting the ways of traditional communities and the livelihoods of local families.

Based on this experience, we developed the Amazon Program, which seeks to stimulate the creation of sustainable supply chains and new businesses based on science, innovation, and entrepreneurship, in addition to the natural and cultural resources offered by the region. Through the Amazon Program, we can contribute to sustainable development proposals that offer opportunities to local inhabitants while keeping the forest standing.

In preparing this strategy, we reflected on the lessons of our previous actions and from workshops on the Amazon with Natura's senior management. The knowledge gained from these actions gave rise to the program, which is based on the expansion of our activities in science, technology and innovation; sustainable production chains; and the region's institutional strengthening.

We convened a panel of key opinion leaders, experts, and representatives of civil society, government, and nongovernmental organizations to discuss a sustainable model for palm cultivation in the region. What we learned from this process gave rise to the Amazon Program, which allows us to build guidelines that will help us to develop a balanced production plan.

Because of improper agricultural practices that have damaged ecosystems in Asian countries, the production of palm oil has negatively affected the biodiversity in tropical forests. However, we believe that the sustainable production and use of palm oil is possible, driving income generation and regional development.

Learn more about our actions to promote the sustainable use of palm at: **www.natura.net/relatorio**

BIODIVERSITY

WE RECOGNIZE THAT COMPANIES, SOCIETY, AND GOVERNMENT **SHARE RESPONSIBILITY** FOR THE CONSERVATION OF BIOMES AND FOR PURSUING ECONOMIC OPPORTUNITIES FOR THE **SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES.**

Our experience shows that production processes with lower environmental impact and innovative solutions may generate positive results for both society and business. Our production model involves some 2,300 families in Brazil and is based on the creation of fair trade and compensation for the use of genetic heritage and traditional knowledge, proper handling of raw materials, and promotion of local development (learn more on page 50, Supplier Communities). Our operations are guided by the Policy for the Sustainable Use of Biodiversity and Cultural Heritage, created in 2008 based on the Convention on Biological Diversity (CBD), which establishes guidelines for the use of raw materials and for the sharing of their benefits.

Reaffirming our leadership role in the area of biodiversity, we headed the Brazilian Business Movement for the Conservation and Sustainable Use of Biodiversity . More than 80 participating companies and civil organizations signed a letter declaring their commitment to the conservation of Brazilian biodiversity. This document encourages the government to define a regulatory framework that fosters research and scientific advances that integrate production, use, and conservation. The Movement sent the letter to the federal government and presented it at the 10th Conference of the Parties to the Convention on Biological Diversity (COP 10), in Nagoya, Japan.

As a result of this imperfect legislation, in 2010 we received infraction notices from the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) for alleged irregular access to biodiversity (learn more on page 62, Creation of Environmental Value).

“SUSTAINABILITY SHOULD BE SEEN AS AN INTEGRAL, INSEPARABLE PART OF THE BUSINESS.”

Christian Moura, Supplier.

EDUCATION

EDUCATION IS A **MAJOR CHALLENGE** THROUGHOUT LATIN AMERICA. THE GEOGRAPHICAL OUTREACH OF **OUR BUSINESS OFFERS THE SCOPE AND CONDITIONS** FOR LARGE-SCALE PROJECTS AND INITIATIVES, POSITIVELY INFLUENCING A MOVEMENT FOR THE NEED FOR **QUALITY EDUCATION.**

In 2010, we created the Natura Institute, a non-profit organization that is responsible for all our private social investment. Through the Crer para Ver (Believing Is Seeing) program, we invest the proceeds from the sale of a special line of products into initiatives that can affect the quality of education in Brazil and Latin America. In addition, we offer educational technologies to society that can have a positive influence on public education policies to improve literacy skills for preschool-aged children. This would be similar to what we achieved in Brazil with the Trilhas (Trails) Project, and we will share this with the Ministry of Education. In 2010, the Crer para Ver program obtained the highest funding in its history, R$10 million, 168% higher than the previous year. Revenues from international operations contributed R$1.3 million to this program in 2010 (learn more on page 67, Creation of Social Value).

Our concern with education extends to our employees, suppliers, and consultants. At a time when Brazil faces the challenge of finding a qualified workforce to drive its development, there is a clear shortfall in secondary, technical, and higher education. Accordingly, we seek to offer our employees education and professional development for all positions. In 2010, we created a program for the operational staff that links career development to education. We also significantly increased the number of young apprentices and launched a program that prepares these young workers for the professional market (learn more on page 39, Employees).

In 2011, we will offer preparatory courses for job openings at Natura in the community of Cajamar to increase the number of qualified candidates at Natura and other companies (learn more on page 53, Surrounding Communities). We also invest in the training of our consultants. In 2010, more than 500,000 consultants participated in training; most had less than 3 years of experience working for Natura (learn more on page 44, Consultants and NCAs).

GREEN HOUSE GASES

WE KNOW THAT ONLY **SIGNIFICANT CUTS** IN THE VOLUMES OF CARBON LAUNCHED INTO THE ATMOSPHERE WILL EFFECTIVELY **CONTAIN THE FORCES THAT CREATE CLIMATE CHANGE.** TO HELP TO ACHIEVE THIS, WE CREATED THE **CARBON-NEUTRAL PROGRAM** IN 2007.

Besides offsetting our emissions through support to socioenvironmental projects, we committed to reducing our relative greenhouse gas (GHG) emissions by 33% between 2007 and 2011. By the end of 2010, we had reached a total reduction of 21%, even with an increase in production. Given what we have learned over these past five years, we have deferred our achievement of this goal to 2013.

Due to the reduction obtained in the last four years, even with the increase in our production, we have learned important lessons. Today, the carbon issue is an integral part of Natura's strategy and influences the company's decision making. We have adopted innovative initiatives and conducted an in-depth analysis of the impact of our processes so that our managers understand the contribution of each process to GHG emissions.

We carried out a broad diagnosis of our operations in 2010 to identify new opportunities for reducing and mobilizing the entire company so that these targets are met. The new study includes the expected gains from various ongoing structural projects, from the revision of product mass and use of biopolymers in packaging to the distribution process with the new logistic model and the start of international manufacturing.

The complexity of these actions, involving a deep transformation of how we run our business, partially explains the revision of our goals. An important point to highlight is that our commitment to reduction is not limited to our own operations, but also the extraction of raw materials by all our suppliers, which makes our reduction efforts all the more complex and our achievements all the more significant. (Learn more on page 62, Creation of Environmental Value).

We also face the additional challenge of reducing 2012 absolute emissions in the Brazilian operation by 10% from 2008 levels. These are emissions that result from our internal production processes. We maintained our target despite delays in the implementation of internal programs that could help us achieve this goal, and despite the change in the Brazilian electricity matrix. The latter increased the use of thermal plants, thereby raising the rate of carbon emissions to produce electricity.

"IT IS NOT EASY TO CHANGE THE POLITICS OF A COUNTRY. BUT IT IS POSSIBLE TO EDUCATE AND CREATE A CRITICAL MASS THAT WILL MAKE SUSTAINABLE DECISIONS."

Claudia Rodríguez, civil society organization representative

PRODUCT IMPACT

ONE OF OUR PRIMARY CHALLENGES IS TO REDUCE THE IMPACT CAUSED BY THE **MANUFACTURE, DISTRIBUTION, AND USE** OF OUR PRODUCTS. THIS HAS LED US TO INVEST IN PRACTICES AND TECHNOLOGIES THAT AIM TO **MINIMIZE THESE IMPACTS**, ESPECIALLY IN TWO ASPECTS: MANAGEMENT OF **SOLID WASTE** AND **WATER CONSUMPTION.**

The management of solid waste was a priority in our discussion panels with stakeholders. In 2010, we developed a more extensive program, enlisting the help of 40 people, among packaging manufacturers, garbage collectors, industry professionals, academics, specialists, and consumers in defining issues and guidelines for improvement. Our first action, to be implemented in 2011, will be to work with our suppliers and outsourced production partners to search for efficiencies and innovative waste solutions — from the time raw materials are extracted all the way through postconsumption.

It is worth mentioning that new concepts were acknowledged in the recently instituted National Policy for Solid Waste, such as the priority assigned to reduction prior to recycling and the responsibility of the consumer, who is a part of the chain. The business community now faces the additional challenge of searching for alternative treatments for its waste, including in the postconsumption phase.

Management of water consumption is another priority. This year, we decided to broaden the analysis of our impact on this natural resource. Previously, we had focused on our internal processes and our main suppliers. More recently, however, we started to use the water footprint concept, which gives us a more comprehensive vision of the impact of water usage throughout the life cycle of a product or process. The water footprint includes not only consumption, but also the potential for pollution. In 2009, we became a partner of the Water Footprint Network (WFN) group, the purpose of which is to promote sustainable, equitable, and efficient use of water. In 2010, we used the methodology described in the Water Footprint Manual in two of our products to learn how this applies to our business. Natura is the first cosmetics company in the world to use this methodology in the manufacture of cosmetic products (learn more on page 64, Creation of Environmental Value).

“THE FOCUS IS ON HOW TO FACE THE PROBLEM. LITTLE HAS BEEN DISCUSSED ABOUT HOW NOT TO GENERATE IT.”

Lucio Di Domenico, civil society organization representative

QUALITY OF RELATIONSHIPS

WE BELIEVE THAT **SOLUTIONS** TO THE CURRENT CHALLENGES FACED BY HUMANITY ENTAIL A **COLLECTIVE PROCESS OF THINKING ABOUT THE FUTURE** WITH A FOCUS ON RAISING **AWARENESS** AND **DIALOGUE**. THEREFORE, NATURA BELIEVES IN THE IMPORTANCE OF MAINTAINING THE QUALITY OF ITS RELATIONSHIPS.

We invest in the development of efficient channels for dialogue, in sharing experiences, in transparency, in ethical behavior, and in the creation of opportunities to find shared solutions.

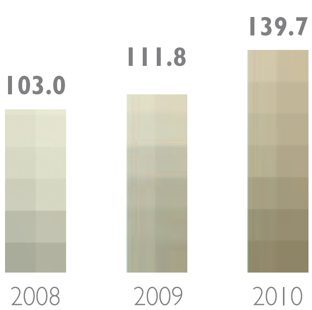
We rely on formal channels of interaction, such as the Natura Service Channel and Natura Consumer Service Channel, specifically created for our consultants and consumers. Through our Ombudsman's Office, our employees, suppliers, and Natura Consultant Advisers can also obtain information or file complaints.

Our objective is to listen to our stakeholders, who we believe can help us improve the way we plan and manage our operations. Last year, we demonstrated this by hosting discussion panels that ultimately led to the establishment of a series of new initiatives at Natura. These initiatives included a waste management program (learn more on the previous page, High-priority Topics/ Product Impact) and our position on the sustainable use of palm (learn more on page 24, High-priority Topics/Amazon). The results of these dialogues influenced our decision-making and the development of our strategic planning, and also helped us develop our processes and behaviors, which contributed to raising the standard of our relationships. We also started to include our international operations in the process of defining the materiality matrix (learn more on page 109, About the Report), by holding discussion panels in Colombia, Mexico, Peru, and Argentina in 2010, and in Chile in March 2011 (learn more on page 36, Quality of Relationships).

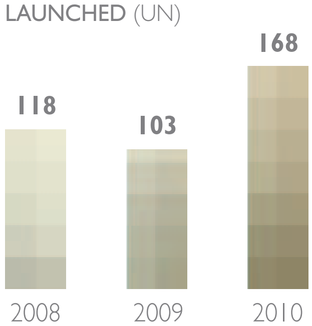
3.3 INNOVATING **INNOVATION**

INNOVATION IS AT THE CENTER OF NATURA'S **VALUE CREATION** AND INVOLVES ALL THE COMPANY'S **STRATEGIC PILLARS**. IT IS EXPRESSED THROUGH THE INNOVATION OF OUR PRODUCTS, SALES MODELS, THE MANAGEMENT SYSTEM AND THE WAY IN WHICH WE TRANSFORM SOCIAL AND ENVIRONMENTAL CHALLENGES INTO OPPORTUNITIES FOR LEARNING AND SUPPORTING **SUSTAINABLE DEVELOPMENT.** FOR US, INNOVATION MEANS **CREATING A FLOW OF WELL-BEING WELL** THAT SURPASSES THE EXPECTATIONS OF OUR STAKEHOLDERS.

1. INVESTMENT IN INNOVATION (R$ MILLIONS)



2. NUMBER OF PRODUCTS LAUNCHED (UN)



Two important developments took place in 2010: the construction of our Vision 2030 (learn more on page 23) and Natura's Vision of Innovation. These independent projects give us a long-term perspective, outlining future opportunities and defining the paths we want to follow.

We have identified the need to develop new competencies, beyond the classical sciences, developing a more comprehensive approach. These strategies include increasing our knowledge of sciences that govern sustainability, social biodiversity, and sensorial experience, while pursuing innovation in other fields of knowledge associated with the perceptions, behaviors, and rituals of groups of people. Through these new strategic fronts, we are fine-tuning our direction in science and technology.

This vision has also reinforced our commitment to searching for alternatives to reduce our environmental impact and to embracing the principles of ecodesign (the development of products, processes, and services that take environmental impact into account). As part of this commitment, for example, Natura established a carbon-emissions limit for the approval of new products in the company (learn more on page 63, Creation of Environmental Value).

Among other innovative initiatives in sustainability management, we prepared a methodology for evaluating the social and economic impacts of our suppliers (learn more on page 49, Suppliers) and developed a pilot experiment to calculate the water footprint of two products in our portfolio – including, in addition to our own operations, the consumption from extracting the raw material. (learn more on page 63, Creation of Environmental Value).

To support these changes, we expanded our investments in research, science, and technology, and in the creation of knowledge networks. The investment of our net revenues in innovation-related activities increased to 2.8% (R$139.7 million). This amount was invested exclusively in science and technology, innovation management and partnerships, product development and marketing, regulatory affairs management, and product safety (graphs 1 and 2).

Strategic portfolio management dictates that the ideal level of innovation, as measured by the Innovation Index (see formula below), should range between 55% and 65%. In 2010, we recorded 61% that guaranteed to Natura a differentiated market presence and the appropriate strenght to the channel.

INNOVATION INDICATORS (%)	2008	2009	2010
Percentage of net sales invested in innovation	2.8	2.6	2.8
Innovation Index [1]	67.5	67.6	61.4

1. Gross revenues for the past 12 months from products launched in the past 24 months, divided by total gross revenues for the past 12 months.

Natura's innovation is sustained by its search for excellence in:

- Scientific research to identify ingredients from Brazilian sociobiodiversity and to enable the use of these new ingredients in the manufacturing of products that offer special benefits;
- Scientific fundamentals on hair and skin, and in-depth knowledge of consumer needs;
- New models and methods to ensure product safety and global strategies on regulatory matters;
- Cosmetic Vigilance System, which monitors possible adverse impacts of products, supports the consumer, and drives the innovation process;
- Focus on scientific understanding of controversial ingredients and replacement strategy;
- Systemic understanding of well-being and its relations in the physical, emotional, cultural, and social dimensions;
- Concept creation 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 different ways of providing benefits to the consumer, with the lowest possible environmental impact;
- Transformation of socio-environmental challenges into business opportunities and products, including the sustainable use of natural resources, social biodiversity, ecodesign, and environmental indicators.

We launched products with concepts that are deeply connected to our beliefs, leading the consumer toward new ideals and experiences. One example is Natura Chronos, a line of anti-aging cream, which we relaunched last year. Knowing that signs of aging can differ among women in the same age group, we developed an innovative product designed for people with different skin types rather than one based on a consumer's age.

OPEN INNOVATION

The broadening of the scope of innovation in 2010 is part of our open innovation strategy, first developed in 2005. This strategy is the foundation for the development of our products, processes, and tools, through partnerships with science and research centers in Brazil and abroad. In 2010, we teamed up with leading technological centers, such as the Massachusetts Institute of Technology, in Boston, United States of America, and we streamlined relationships with our other international partners. We also qualified 27 employees in innovation management through the international certification program offered by the Hult Business School in partnership with the IXL Center. This qualification is accredited by the Global Innovation Management Institute.

We improved employee training to include the development of innovation competencies, including: how to best generate new ideas and concepts; how to leverage technological convergence and our knowledge of sustainability; and other themes related to our Essence. Staff in our business units and Brand and Sustainability departments received more than 8,000 hours of innovation training in 2010. Additionally, we offered technical and functional training in the more traditional areas of science and technology.

We believe that a scientific foundation, together with the systematic acquisition of knowledge using the open-innovation model, will enable the creation of innovative concepts and ideas, enabling more rapid development of new products and processes at a reduced cost to Natura.

NATURA **CAMPUS**

Created in 2007, the Natura Campus Technological Innovation Program is part of our open innovation program. It has the support of the National Council for Scientific and Technological Development, the São Paulo State Research Support Foundation, and the Research and Financing Projects of the Brazilian Innovation Agency to develop partnerships with the academic community. These institutions contribute to the joint financing of projects and provide participants with equipment, scientific scholarships, and research materials.

The Natura Campus Portal (www.natura.net/campus) registered 6,000 visits in 2010. It contains a database of voluntary researchers and has 280 research groups linked to 108 science and technology institutions. The website, which was updated last year, is an important tool for our relationship with the academic community. Through this portal, we received 13 new proposals from nine institutions. Two of these proposals have already been approved.

COMMERCIAL AND RELATIONSHIP INNOVATION

Commercial innovation was in the spotlight last year after the creation of a committee dedicated to this area. We also increased the use of digital tools in our contact and relationships with our sales consultants and consumers. This year, our sales consultants placed 85% of their orders through the Internet. We continued to improve our relationship with consultants through use of the "Consultancy" blog (www.blogconsultoria.natura.net) and Twitter; we use these media to give our consultants information about our actions, products, and sustainability measures (learn more on page 45, Consultants and NCAs).

Internet access to the Natura digital magazine (www.natura.net) increased more than 100% in the period. In February 2011, we launched a version of this publication for the iPad. This application allows for more interactive contact and gives users a 360-degree view of the products. Additionally, on the make-up pages, users can change the color of the products used by the model and gain access to make-up hints. Our pages on Facebook and Twitter and our blogs have also become strategic relationship tools that allow us to offer flexible assistance to our consumers (learn more on page 47, Consumers).

Learn more about Innovation at **www.natura.net/relatorio**

We also redesigned, in February 2011, the Natura Conecta portal (www.naturaconecta.com.br). This allowed us to continue improving the company's use of virtual instruments in its relationship with stakeholders (learn more on page 37, Quality of Relationships).

The new sachets for the **Natura Tododia** moisturizer refills cut the use of plastic by 83% and the generation of waste by 97%.

3.4 COLLECTIVE **CONSTRUCTION**

WE SEEK TO INCLUDE DIFFERENT PERSPECTIVES AND TO **STRENGTHEN TRANSPARENCY** REGARDING THE DISCLOSURE OF OUR RESULTS BY MEANS OF **INNOVATIVE AND COLLABORATIVE TOOLS**. THIS STRATEGY IS PART OF OUR GOAL TO CONTINUOUSLY INCREASE THE SPACE GIVEN TO OUR **STAKEHOLDERS TO EXPRESS THEMSELVES**.

As part of the preparation of this annual report, we relied once again on the Wiki Report, a virtual community of the Natura Conecta platform (www.naturaconecta.com.br) open to the participation of anyone who is interested in our activities. This is an innovative and collaborative experience that enables continuous improvement by capturing the opinions and suggestions of different stakeholders.

The discussions held in the virtual forums gave rise to "The Natura we share" letter, published in our 2009 annual report. In 2010, we did not make the progress we had hoped for because of the reframing of Natura Conecta, which was relaunched in February 2011 (learn more on page 3, Quality of Relationships). We hope to increase the use of this tool and transform the Wiki Report into an active forum for discussion.

We used Wiki to build Natura's new corporate materiality matrix. The main issues identified in dialogues online in Brazil and in our international operations were put to a vote by the online community. More than 150 participants chose the most relevant issues. The results are being analyzed and the new materiality matrix will be disclosed in 2011.

Another initiative to promote dialogue with our stakeholders was the panel to discuss the "Future of the Report." The meeting, held in December 2010, engaged experts in communication and sustainability, as well as employees and suppliers involved in our reporting process, in a discussion about choices for the next 20 years. Many promising ideas arose from this event. Some of the subjects that participants discussed are in line with our goals; these include the need to create more collaborative platforms for reporting and to establish multidisciplinary teams to run the process of disclosing our financial results. The discussions have continued on the virtual platform.

As a result of this meeting, we expanded our most recent annual disclosure. In addition to the traditional videoconference for investors and analysts, we organized an open conference to present our results. This event, held on February 25, 2011, was chaired by Natura's CEO and the Senior Vice President of Financial, Legal, and Information Technology Affairs. The executives presented the key economic, social, and environmental highlights of 2010, and answered questions from participants.

Our goal is to continue to expand these collaborative opportunities. To participate in Natura Conecta, register at www.naturaconecta.com and join the Wiki Report community.

4. WHO WE WORK WITH

OUR RESULTS ARE THE FRUIT OF COLLECTIVE CONSTRUCTION. THUS, WE SEEK TO DEVELOP SPACES AND **QUALITY** RELATIONSHIPS THAT ENABLE THE **JOINT CREATION OF SOLUTIONS**

4.1 QUALITY OF **RELATIONSHIPS**

SINCE 2009, NATURA HAS BEEN DEVELOPING STRUCTURED **RELATIONSHIP-MANAGEMENT** PRACTICES. THESE PRACTICES ENCOURAGE A COLLABORATIVE APPROACH TO FINDING SOLUTIONS TO CHALLENGES WE ALL FACE. THIS SPIRIT IS REFLECTED IN THE IN-PERSON **DIALOGUE PANELS** WE HOLD WITH OUR STAKEHOLDERS, AS WELL AS IN EVENTS THAT INTENDED TO **IMPROVE THEIR SELF-DEVELOPMENT AND AWARENESS.**

In 2010, we heard from 824 people through meetings with employees, consultants, shareholders, suppliers, supplier communities, consumers, the media, and people from the surrounding communities. We also included others in this process — experts on specific issues, key opinion leaders, and representatives of government and civil society.

In all, we held 22 dialogue panels, more than twice as many as in 2009, when nine meetings were held. They included dialogue panels held in our operations in Latin America (Colombia, Mexico, Peru, and Argentina), which together contributed to the construction of our materiality matrix. The purpose was to develop a corporate matrix that reflects the interests of stakeholders from all operations. In February 2011, this cycle will be concluded with the organization of a meeting in Chile. Key issues identified in this process become part of our strategic planning (learn more on page 109, About This Report).

In addition to this quantitative accomplishment, we experienced significant advancements in quality. Through a process of "co-construction," participants discussed priority issues, such as the mapping of external factors linked to our production chain, in partnership with suppliers (learn more on page 49, Suppliers), and the initiatives related to the sustainable use of palm oil and solid waste management (learn more on page 24 and 28, High-priority Topics/Amazon and Impact of Products).

Learn more about the contributions of our stakeholders in the dialogue panels at: **www.naturaconecta.com.br**

In 2011, we relaunched the Natura Conecta virtual network (www.naturaconecta.com.br), which now has its own platform and is integrated with other Natura virtual communities. Because of this relaunch, the use of virtual resources to build relationships with stakeholders did not reach the extent we envisioned; however, these activities have resumed, and everyone who is interested in our business is invited to participate (learn more on page 33, Collective Construction).

With the goal of building transparent and straightforward relationships, we organized a series of actions for different stakeholders. One such activity was the Reflection Cycle on Cultural Biology, with biologist Humberto Maturana and professor Ximena Dávila. This event was designed to foster awareness and generate positive change in relationships. We also continue to develop the Você tem fome de quê? (What Do You Crave?) program by including stakeholders beyond our employees. This program involves lunch-hour talks at the Cajamar unit. In 2010, presenters included top international thinkers, such as quantum physicist Amit Goswami, American entrepreneur Charles Watson, Massachusetts Institute of Technology innovation specialist Otto Scharmer, and spiritual teacher Diane Hamilton.

For the first time ever, we held a meeting with former employees. The event in Cajamar brought together more than 200 people. We thanked each of them for their contributions to the company, seeking to build relationships of friendship and trust with this group.

Learn more about the self-development activities at : **www.natura.net/relatorio**

OMBUDSMAN'S OFFICE

Natura's Ombudsman's Office is a formal dialogue channel between the company and its employees, in-house outsourced workers, and suppliers (Brazil). This important function helps us to monitor compliance with our Relationship Principles commitments and whether our own actions are derived from our Essence. This resource is also available to former employees.

These contacts are recorded and analyzed by the Ombudsman team and submitted to the responsible manager. The Ombudsman's Office investigates complaints and allegations of misconduct, welcomes suggestions and compliments, and receives general inquiries. Natura's historical records do not include any cases of discrimination. All contacts that may be considered misconduct are reported to the ethics committee, of which the company's CEO is also a member. When necessary, the office enlists the support of internal auditors (learn more on page 18, Governance).

TOTAL NUMBER OF INQUIRIES RECEIVED THROUGH THE OMBUDSMAN CHANNEL

	2008	2009	2010
Internal stakeholders, Brazil	783	1,096	1,120
Internal stakeholders, Latin America	26	13	18
Suppliers, Brazil	19	13	17
Consultants, Brazil[1]	52	34	8
Total	**880**	**1,156**	**1,163**

1. Data refer to a pilot project in a sales department in the Greater São Paulo area.

Natura Ombudsman's Office surveys Brazilian employees about their satisfaction with its services. In 2010, the office achieved a 97% satisfaction level, which is statistically equivalent to the figure reported in 2009 (98%). We do not conduct surveys with employees in our international operations or with suppliers or consultants since we still don't have a significant sample for this measurement.

Learn more about the Ombusdman's Office at: **www.natura.net/relatorio**

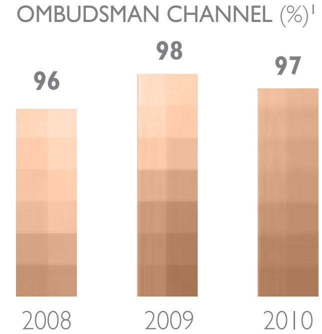
BRAZILIAN OPERATIONS' **INTERNAL STAKEHOLDERS**

In 2010, we recorded 1,120 inquiries from internal stakeholders in Brazil. The percentage of issues handled, 83% in 2009, decreased to 52% last year. This decrease resulted from our decision to change the criteria for use of the Ombudsman's Office in an effort to promote greater dialogue between employees and their managers. Our goal is to create a culture that encourages collaborative problem solving, reserving the Ombudsman's Office for cases where solutions are elusive. As a result, technical inquiries regarding processes, policies, procedures, and infrastructure were rerouted to appropriate managers.

Other changes in channel behavior were also observed. Anonymous reports decreased, thus strengthening the consolidation of the channel as an additional tool of dialogue and relationship for employees and in-house outsourced workers in Brazil.

Some 53% of the inquiries handled by the Ombudsman's Office related to "people management", primarily benefits such as medical and dental assistance, transportation, and meals. In 2009, 73% of the inquiries fielded by the Ombudsman's Office were of this nature.

1. SATISFACTION WITH THE OMBUDSMAN CHANNEL (%)[1]



1. Result refers to positive responses to the question, "Are you satisfied with this dialogue channel?"

4.2 EMPLOYEES

THE **GOOD RESULTS** OF THE ACTIONS TAKEN IN MORE THAN 40 YEARS WERE ONLY ACHIEVED BECAUSE OF OUR **DEDICATED STAFF AND ITS ALIGNMENT TO OUR ESSENCE**. MAINTAINING THE QUALITY OF OUR RELATIONSHIP WITH EMPLOYEES IS ONE OF OUR PILLARS FOR PROMOTING SUSTAINABLE DEVELOPMENT AND VALUE GENERATION.

Because of this, Natura has made a conscious effort to improve its "people management" over the last several years. In this regard, education — a driver of sustainability — received a good deal of attention in 2010. We established education-and-development programs for employees at different levels of the company, strengthened our organizational culture, created more efficient retention processes, and completed the training of our international staff.

NUMBER OF NATURA EMPLOYEES [1 2]

	2008	2009	2010
Brazil	4,386	4,821	5,509
Argentina	306	331	395
Chile	222	264	293
Mexico	277	335	329
Peru	290	296	293
Colombia	135	168	170
France	32	45	48
Total	**5,648**	**6,260**	**7,037**

1. Consolidated data as of December 31, 2010.
2. The operation in Venezuela was closed in 2009 and had 50 employees in 2008.

With Natura's business expansion across Latin America, our staff increased by 12.4% in 2010. The commencement of international activities created challenges, making our structure more complex and more culturally diverse. We intend to extend our best practices to employees working in other countries in which we operate.

OTHER EMPLOYMENT CONTRACTS [1]	2008	2009	2010
Apprentices	12	10	152
Trainees	66	47	68
Temporary staff [2]	445	340	128
In-house outsourced workers [3]	1,787	1,310	2,065

1. Includes operations in Brazil, Argentina, Chile, Colombia, Peru, and Mexico.
2. Staff hired for a fixed period under the CLT Labor Code by employment agencies and subordinated to these agencies are considered temporary.
3. Suppliers that provide services to Natura and that work in or have access to company premises for a period exceeding six months are deemed to be in-house outsourced workers. This includes Cajamar, Itapecerica da Serra, Barueri, São Paulo and our international operations. The scope of the indicator was changed in 2010, but it was not possible to review the historical basis due to the change in the classification and definition of the concept of outsourced workers.

Our organizational climate survey indicated a drop of one percentage point in the overall satisfaction with the workplace environment, with a 73% rate of favorable responses from our employees. This indicator was below our target of 76% (due to a calculation error, a 77% target was included in last year's report). In Brazil, this figure remained at 72%. We achieved a significant improvement among administrative staff and maintained a high rate among the sales force.

Notwithstanding our efforts, there was a decrease in favorable responses from our operational staff. This suggests that actions such as the Renovação (Renewal) Program and its career and development initiative, Meu Caminho (My Way) (learn more on the next page, Education), are falling short of their goals. This program was implemented in the second half of 2010, and we believe that it will begin to show greater benefits in 2011.

Satisfaction with the overall quality of the workplace also declined in our international operations. This was the result of specific factors in countries such as Argentina, Chile, and Peru and because of events related to the implementation of our international business strategy. These events generated restructuring actions in some countries. We aim to improve the execution of strategies that we believe will strengthen the quality of our relationships with international employees.

ORGANIZATIONAL CLIMATE – APPROVAL (%) [1 2]	2008	2009	2010
Brazil	69	72	72
Argentina	80	77	64
Peru	77	78	71
Chile	83	77	69
Mexico	85	84	82
France	60	75	72
Colombia	84	88	84
Natura	72	74	73

1. Percentages indicated are the share of employees who rated 4 and 5 on a scale of 0–5, with 5 being the highest score. The survey considers such issues as management, workplace environment, and career development.
2. The research methodology was adapted to incorporate the assessment of our Culture Drivers. The change, however, does not affect comparability with the results of previous years.

Learn more about Natura´s Organizational Climate Survey at : **www.natura.net/relatorio**

We also measured employee loyalty, which registered 30% in 2010. This indicator tracks general satisfaction, intention to continue a relationship with Natura, and whether they would recommend our brand.

EDUCATION

Education was an important theme in our relationships with employees during 2010. Despite falling short of our goal to provide 100 training hours per employee in Brazil, we reached 90 hours and consider this result very significant. In 2011, we plan to monitor educational efforts in our international operations.

AVERAGE HOURS OF TRAINING PER EMPLOYEE PER YEAR IN BRAZILIAN OPERATIONS [1]	2008	2009	2010
Production	105	86	90
Administrative	90	79	90
Management	68	61	83
Board	9	78	67
Total[2]	**94**	**82**	**90**

1. This indicator includes training of the sales force (sales managers and relationship managers).
2. Includes total hours of all levels divided by the total number of employees in December of the corresponding year.

Delays in the implementation of training programs for our operating staff and our own overly ambitious timetable for implementation contributed to the lower-than-expected number of training hours provided.

This development program is specific for operational employees, and linked to career progress. Employees expand their knowledge and qualify to take on new positions at Natura through training programs. In 2010, about 30% of our operational staff participated. Classes take place during working hours and on weekends, and special classes are offered for the hearing impaired.

Learn more about our educational programs for operational employees and young apprentices at: **www.natura.net/relatorio**

We also developed an educational program specifically for young apprentices. In addition to receiving the legally required technical training, apprentices study subjects related to living our values and career development.

ORGANIZATIONAL **CULTURE**

By developing our organizational culture, we lay the groundwork for our Vision of the Future and reinforce our Essence among our employees. These efforts align behavior, strategies, programs, processes, and relationship expectations.

In 2010, we developed seven Culture Drivers (learn more on page 3), inspired by our Essence. These drivers provide clear guidance for our choices and attitudes and illustrate the behaviors and values expected by the company.

These drivers were the result of a collaborative process that involved the company's founders, the Executive Board, and the leadership team. We also considered suggestions made in 2009 by nearly 150 employees in the administrative, operational, and sales areas. The drivers will be rolled out to all Natura employees in 2011, when we will also review our main practices, symbols and organization systems, and set forth the procedures to guarantee the ongoing promotion and reassertion of our culture.

LEADERSHIP

A leadership team that is committed to our Essence is fundamental to our growth. Natura has invested in the training and development of almost 600 leaders in Brazil and abroad. In 2010, we filled 62% of our open leadership positions with internal staff.

In 2011, we will establish a leadership-specific educational program that will support our desired organizational competencies. We believe this will strengthen our organizational culture. The project will include onsite classes and distance learning; study groups consisting of people with similar interests; workshops; and activities that promote the exchange of knowledge and ideas.

Learn more about leadership at **www.natura.net/relatorio**

The intent of this program is to qualify leaders and to strengthen our succession plans. We map our critical positions and, at the end of 2010, had defined a succession plan for 40% of our short-, medium-, and long-term positions.

ATTRACTION AND **ENGAGEMENT**

Natura relies on recruitment-and-selection processes that attract candidates who are not only technically qualified but who also identify with our Essence and values.

The new attraction model implemented in 2010 moves in this direction and goes beyond the traditional selection model. We view the application process as an opportunity for individual personal and career development. We also seek feedback from applicants at all stages of the selection. We aim to stimulate a reflection about the process. This initiative will formally begin in 2011.

Though we have established a strong track record for filling leadership positions with internal staff, we did not reach the target we established for ourselves in 2010. Compared with 2009, the internal fill rate dropped by 25 percentage points, in part because of Natura's growth and because of steps taken to incorporate strategic market competencies. To reverse this trend, we redesigned our job opportunities program, which encourages employees to seek professional growth. The job opportunities program also addresses the responsibilities of all involved in the process, including candidates, the hiring manager, and Human Resources. In 2011, this program will be extended to our international operations. We also made eligibility-for-advancement criteria more flexible and strengthened efforts to promote job openings.

Outside Brazil, we offer "global opportunity allowances" that enable employees to move to other countries. This initiative will help us form a multicultural team and allow staff to share knowledge and experiences.

Our international operations strategy depends on the formation of mixed teams of employees who are responsive to our value proposition and people who are knowledgeable about these markets. Currently, most of the staff within our international operations consist of local professionals.

We registered a small increase in employee turnover in Brazil in 2010 (see table). This increase is primarily due to Natura's decision to dismiss employees with low performance or commitment.

In our international operations, Mexico registered a significant drop in turnover rates. This was the result of better-defined employment profiles, as well as improved recruitment, selection, and monitoring of new employees. Increased turnover in Peru resulted principally from the restructuring of the Sales Department and the resulting change in job requirements. In Chile, the increase in turnover was driven primarily by temporary outsourcing after a February 2010 earthquake.

EMPLOYEE TURNOVER (%)[1]

	2008	2009	2010
Brazil	12.4	7.5	8.4
Argentina	16.6	12.5	12.3
Chile	13.9	13.6	16.4
Mexico	42.7	25.3	11.6
Peru	12.2	16.6	26.6
France	35.0	15.5	12.6
Colombia	35.4	39.7	21.0

1. Although we monitor data by age group and gender, we do not consider this relevant data to our business.

DIVERSITY

Building a more equitable and sustainable society depends on respect for diversity. In Brazil, the main challenge is social inclusion, and the insertion of classifications such as age group and gender is not, by itself, a guarantee of diversity.

Education provides the best path to social inclusion. Companies' efforts to improve the quality of education beyond their own doors can have a substantial impact on inclusion and promote the personal and professional maturity of the employees (learn more on pages 26 and 67 High-High-priority Topics/Education and Generation of Social Value).

Our vision of diversity also consists of engaging professionals in regions where we operate. Their experience with other societies, cultures, and value systems provides us with a means for improving our relationships with our stakeholders. In our units, 23% of leaders have had professional experience in other countries.

Although our vision on the theme has evolved, we know that we still have to improve our positioning regarding diversity and deploy more effective actions.

Learn more
about diversity at :
www.natura.net/relatorio

COMPENSATION

Our compensation practices follow the corporate policy effective in all countries. However, if inecessary, we may adjust amounts and potential earnings in accordance with each market.

Salaries are established according to reference surveys, the salary structures of Brazilian or multinational companies, publicly held companies, and companies whose compensation practices are similar to ours. The comparability is based on the scope and complexity of functions. We maintain a salary average that is in line with market practices.

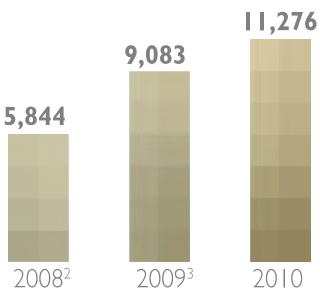
We also offer a variable compensation model adjusted to the characteristics of each stakeholder, with specific forms of payment, targets, and amounts. Income distributions to nonexecutive stakeholders are limited to 3% of the operating income. In 2010, our operational employees received, on average, the equivalent of three additional months' salary in variable pay.

Learn more about our
compensation practices at:
www.natura.net/relatorio

4.3 CONSULTANTS AND NCAs

OUR SALES **CONSULTANTS** ARE A **FUNDAMENTAL COMPONENT** OF OUR BUSINESS MODEL. THEY NOT ONLY SELL OUR PRODUCTS BUT ALSO **DISSEMINATE OUR ESSENCE** AND OUR VALUE PROPOSITION.

1. NUMBER OF NCAs IN BRAZIL [1]



1. Refers to the number of NCAs at year's end.

2. Includes Midwestern, São Paulo Interior, Northeastern, Rio de Janeiro, and Minas Gerais regions.

3. The increase in the number of NCAs is related to the expansion of the model in São Paulo Capital, North, and South regions.

In 2010, we reached an important milestone: Our sales force exceeded 1 million consultants in Brazil and 200,000 in our international operations. The number of sales consultants grew by 18% in Brazil, and by more than 20% internationally.

Favorable economic conditions aside, this development is due primarily to the consolidation of our Natura Consultant Adviser (NCA) model. Natura completed its first operating cycle in all regions of Brazil in 2010 using the new NCA model. NCAs are a significant part of our commercial strategy and enable a closer relationship with our consultants. Within this structure, relationship managers work more closely with NCAs, each of whom, in turn, offers support to up to 150 consultants by providing guidance and assistance to their development, in addition to working as consultants themselves.

In 2010, we had more than 11,000 NCAs, 24% more than in 2009. Relationship, commercial training, and sales actions focused on new consultants played an important role in promoting the growth of the sales channel. Together with the NCA platform, these activities converged to produce one of the lowest turnover rates ever at Natura.

In our international operations, the most significant factors fueling the growth of our sales force were increased recognition of our brand, consultant-recruitment campaigns, management-improvement processes, and better monitoring of the sales channel.

NUMBER OF CONSULTANTS IN BRAZIL AND INTERNATIONAL OPERATIONS (THOUSANDS)[1 2]	2008	2009	2010
Brazil	730.1	879.7	1,028.7
Argentina	37.3	46.5	53.2
Chile	17.5	24.5	31.0
Mexico	20.0	31.2	41.2
Peru	35.2	42.6	45.5
Colombia	5.9	13.0	19.0
France	0.8	1.4	2.5
Total	**846.8[3]**	**1,038.9**	**1,221.1**

1. In Brazil, the figure refers to the number of consultants available at the end of the year.
2. In the international operations, the data refers to the closing position of cycle 17.
3. Operations in Venezuela were discontinued in 2009. In 2008 there was 2,800 consultants.

Our international operations are not based on the NCA model. In 2010, however, we implemented a project in Mexico inspired by the success of this initiative in Brazil. We created the Natura Consultant Entrepreneur (NCE), whose primary function is to attract new consultants and promote entrepreneurship. This strategy is based on the characteristics of local markets and was designed to boost Natura's direct sales in Mexico by attracting new consultants to our business and value generation model.

The quality of our consultant relationships is a key driver of our success. We held six dialogue panels in 2010 to detect improvement opportunities and build collaborative solutions that may assist in the development of our activities. Some of these meetings were attended by consultants and NCAs who had been working with the company for less than a year and a half, as well as by former consultants and NCAs who worked with the company less than 18 months. The purpose was to gain a better understanding of the challenges consultants faced in the early stages of their work with Natura.

The level of satisfaction is permanently monitored, and our relationship-quality rates have remained stable over time. The loyalty of our consultants increased from 17% to 21% in 2010. The loyalty index of our NCAs has fallen. Because of the novelty of the NCA model, we still face challenges, such as our response time in meeting NCA needs. We continue to seek ways to improve this relationship.

QUALITY OF RELATIONSHIPS WITH CONSULTANTS (BRAZILIAN OPERATIONS) (%)[1]	Jan/08	Jan/09	Jan/10
Satisfaction [2]	88	88	90
Loyalty [3]	16	17	21

QUALITY OF RELATIONSHIPS WITH NCAs (BRAZILIAN OPERATIONS) (%)[1]	Jan/08	Jan/09	Jan/10
Satisfaction [2]	93	95	94
Loyalty [3]	31	37	32

1. As of 2010, we have modified the survey criteria, no longer monitoring the relationship with consultants and with NCAs and instead adopting Satisfaction and Loyalty as indicators of the quality of the relationship.
2. Consultants and NCAs either "satisfied" or "completely satisfied." - Top 2 Box
3. Loyalty denotes Top Box for satisfaction, intention to continue a relationship with Natura, and willingness to recommend the brand.

INCOME AND **PRODUCTIVITY**

Average annual income distributed to consultants increased, from R$4,000 in 2009 to R$4,100 last year. These data are positive in light of significant increase in the numbers of new consultants joining us in recent years, and they are now quicker to reach the productivity levels of those who have been active for longer. However, there was a slight decrease in NCA per-capita income due to the business model's rapid growth.

ANNUAL AVERAGE INCOME GENERATED IN THE BRAZILIAN OPERATIONS (R$)	2008	2009	2010
Natura Consultant Advisers (NCAs)[1]	3,380	9,841	9,802
Natura Consultants [2]	4,097	3,987	4,128

1. NCAs are commissioned based on performance in terms of number of consultants submitting orders and volume of orders.
2. We consider the catalogue price (full price) and the consultant's 30% profit.

Learn more about income generation for consultants at: **www.natura.net/relatorio**

TRAINING AND CAPACITY BUILDING

The success of our business strategy also depends on the level of training and engagement of our consultants, so we have been investing increasing amounts of resources in training. In 2010, in Brazil 517,400 consultant trainings took place, exceeding our target of 500,000. We emphasize training opportunities for consultants with less than three years' experience through distance learning and in-person courses; 78% of these consultants have taken advantage of this. We have also developed a specific training model for our international operations, to be applied in 2011, with a revised approach drawing on our experience in Brazil and the content adapted to local needs. These activities are comprehensive and cover product knowledge, sales techniques, and socioenvironmental awareness.

Natura Houses are used for training and for Natura meetings at the beginning of each cycle, when we present new products and developments to our consultants. In 2010, we opened two new Natura Houses in Brazil, one in the Itaquera neighborhood of São Paulo and the other in Santo André, a city inside the metropolitan region of São Paulo. The latter caters to a smaller number of consultants, enabling a closer relationship with them to achieve even greater engagement. We also opened three new units for our international operations: one in Lima, Peru, and one each in Buenos Aires and Cordoba, Argentina. In all, we have seven Natura Houses in Brazil and 15 abroad.

Learn more about consultants training at: **www.natura.net/relatorio**

PARTICIPATION OF CONSULTANTS IN TRAINING IN BRAZIL (IN THOUSANDS)

	2008	2009	2010
New consultants	304.0	430.2	457.9
Initial training	164.9	354.4	360.9
Training participations[1]	458.2	583.0	592.6

1. May include more than one participation by the same Natura consultant even when repeating a training course.

As a signatory to the Brazilian Direct Selling Association code of conduct for business-to-business and direct sellers, Natura develops programs to train consultants for the business and to uphold the company's ethical standards.

In 2010, as in previous years, no legal or administrative cases were filed against Natura involving any violation of privacy or consultants' personal data. Nor was there any record of legal cases on issues such as child, hazardous, or slave labor involving consultants.

We seek to strengthen relationships with our consultants by holding events in which we acknowledge and thank them. In Brazil in 2010, more than 73,000 consultants were thanked for their length of service, and more than 9,000 were recognized for outstanding performance in both sales volume and sales of refills and products from Natura's Crer para Ver (Believing Is Seeing) line. Consultants who have been active for 15 years are invited to visit the Natura plant in Cajamar (São Paulo), where they are welcomed at an event and honored by our directors and vice presidents.

Learn more about consultants recognition at: **www.natura.net/relatorio**

QUALITY OF SERVICES

In 2010, we reduced our non-service rate (NSR), reversing the upward trend of 2009. This indicator measures the nonavailability of products ordered by consultants. Despite this improvement, we are still far from offering the level of service we hope to provide to our sales channel.

When a nonservice cannot be avoided, we try to minimize the inconvenience caused to our consultants by offering substitute products and running promotions. We have aligned business areas for service response, logistics control and marketing planning to ensure effective communication with relationship managers, consultants, and NCAs in dealing with cases of nonservice.

The changes being made to the logistics model are having a benefit on the sales channel. In 2010, we expanded capacity and opened new distribution centers, thus raising the quality of service provided to our consultants and cutting delivery times (Learn more on page 22, Structural Changes).

The increased numbers of distribution centers will improve inventory management and help us avoid product loss. In 2010, as part of our effort to reduce the NSR, we built up the inventories, though this results in a higher level of product loss because of label expirations or, in some cases, discontinuation of sales. In 2011, we will improve inventory management to reduce loss rates.

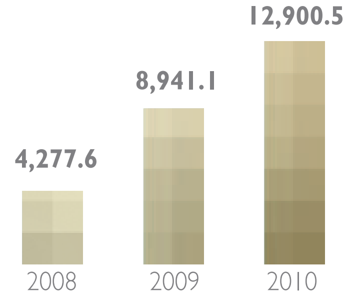
Complaints from consultants about the services we provide have been reduced nearly 40%. Like the NSR, this indicator measures their complaints in relation to problems during the order cycle, from requests for products to their delivery to consultants.

In 2010, we also improved the service through better management of commemorative dates. We surveyed consultants to anticipate demand at particular times, thus influencing planning to cater to extra demand.

COMMUNICATION **CHANNELS**

We have several structured communication channels to support sales activities. The share of consultant orders placed over the Internet rose to 85% in Brazil in 2010. In 2009, the percentage was 70%. The rate for our international operations is 69%. In 2009, consultants only in Chile and France were able to place orders over the Internet; in 2010, Internet ordering was extended to Argentina, Peru, and Colombia. In 2011, it will be extended to Mexico (graph 1).

1. NUMBER OF ORDERS PLACED THROUGH THE CONSULTANT SITE IN BRAZIL (IN THOUSANDS) [1]



1. Orders taken by a consultant over the Internet, as billed for indicated years.

In addition to making the order-taking process more efficient, electronic tools also enabled us to enhance and expand our interaction with consultants. To facilitate access, all Natura offices have computers with internet access for use by consultants, who may be assisted by NCAs to become familiarized with this channel.

Visits to our redesigned Consultancy blog (www.blogconsultoria.natura.net) doubled during 2010, from an average of 40,000 to 80,000 per month. Visits to our Natura digital magazine (www.natura.net) increased 100%. In February 2011, we also launched a revised digital reader version for the iPad (Learn more on page 32, in Innovating Innovation).

The Natura Service Center (NSC) is also available to our consultants. The NSC offers a toll-free hotline for receiving product orders; answering queries about products and services; and handling compliments, complaints and suggestions. We continuously strive to improve this resource, and in 2010 we launched a new project to settle more queries on the first call. Critical issues are forwarded to the Ombudsman's Office.

In 2010, the NSC received 23,700 calls a day, down from 28,000 in 2009. This reduction is a direct result of greater Internet use for placing orders; only 14% of orders were made through the NSC, compared with 29% in 2009.

NATURA MOVEMENT

The Natura Movement is intends to raise awareness of our values among our consultants and influence positive behavioral changes in their families, customers, and surrounding communities. The Natura Movement involves our own projects as well as external initiatives that are focused on two main pillars: reducing environmental impacts (with a focus on Natura products) and social transformation (through social inclusion and human-development projects).

Across Brazil, we have worked with 12 projects. Last year, 113,000 consultants were involved in these activities — more than twice the number in 2009 and exceeded our goal of engaging 100,000 consultants. To achieve this goal, we invest our efforts in raising awareness and mobilization initiatives. In 2010, we set up our Acolher (Welcome) Program, which provides technical and financial support for environmental projects developed by consultants across Brazil. The first projects to receive support from the program will be announced in April 2011.

The program also seeks to promote an exchange of knowledge and to engage consultants in socially responsible actions. This program's portal, www.movimentonatura.com.br/acolher, offers a way for consultants to connect and to share experiences and provides information about other initiatives and social entrepreneurship. Almost 3,000 consultants have registered on the portal, which received more than 100,000 visits between September and December 2010.

Learn more about projects supported by Natura Movement at: **www.natura.net/relatorio**

The Natura Movement also supports Natura's Crer para Ver (Believing Is Seeing) program by encouraging consultants to make online sales of products. In 2010, some 65,000 consultants participated in each sales cycle (learn more on page 67, Creation of Social Value).

4.4 CONSUMERS

OUR CONSUMER-RELATIONS INITIATIVES ARE DRIVEN BY OUR DESIRE TO LEARN ABOUT THE HABITS AND NEEDS OF THE MILLIONS OF CONSUMERS WHO USE OUR PRODUCTS. WE WANT TO OFFER THEM AN **EXPERIENCE THAT STIRS THEIR SENSES AND PROMOTES WELL-BEING WELL.**

Over the past two years, we have significantly expanded our efforts to survey, listen to, and engage in dialogue with consumers to understand them better and to offer products that exceed their expectations. The information we get in return influences our strategic planning and provides input for the innovation process.

In 2010, Natura's investment in market research grew 58% from the previous year. It is worth noting that we had already taken a major step forward in 2009, setting up our Consumer Insight area to improve our knowledge of the market and to identify trends. We expanded this initiative to our international operations in 2010.

In this context, we want to go beyond product-development surveys to examine and understand our consumers' attitudes and behaviors. We want to be present in all the market segments, from the very first moments of a child's life through old age. Therefore, we are studying specific consumer segments, such as men, seniors, and preteens. We are also extending consumer behavior research to areas we consider relevant, such as beauty and conscious consumption.

In 2010, we held our first dialogue panel exclusively for consumers. Twenty-two members of the public from several regions of Brazil and different age groups participated. At the meeting, we discussed their ideas for improving our products, services, and activities.

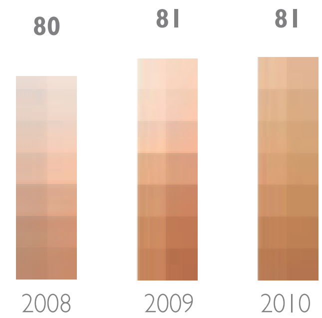
This commitment to strengthening ties with our customers has ensured Natura's continuing high levels of acceptance, as shown by the Brand Essence/Ipsos image survey. According to this study, 81% of consumers gave top marks to our brand. In addition, 49% of cosmetics consumers selected Natura as their brand of choice. Our consumer loyalty rate, which demonstrates consumer satisfaction and their willingness to recommend and continue to buy our products, is 53% — a significant increase over the previous year's rate of 46%. Through our expansion in the Brazilian market, we have reached 55% of homes in Brazil (graphs 1 and 2).

QUALITY OF RELATIONSHIPS WITH CONSUMERS IN BRAZIL (%)[1 2]

	2008	2009	2010
Loyalty [3]	n.a.	46	53
Preference	47	47	49
Would recommend	n.a.	72	78

1. Source: Brand Essence.
2. From 2009 onward, the survey expanded its coverage to include three more cities, totaling six areas. Last year, we did not report the three new survey areas because there was no historical comparison. In 2010, we are including this analysis, and we have revised the 2009 figures accordingly.
3. The loyalty index is calculated based on the percentage of consumers who gave the maximum score for Satisfaction, Intention to Continue Buying, and Recommendation.

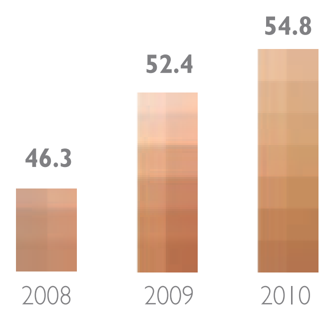
1. GLOBAL EVALUATION OF BRAND IMAGE SURVEY (BRAZIL) (%)[1 2]



1. Source: Brand Essence.
2. The top box overall assessment metric considers respondents that gave top marks to the Natura brand on a scale from 1 to 5.

We maintain other channels for engaging consumers, such as our growing Internet presence through social networks and our own online communities for building relationships with customers. Examples of this practice include portals called I Love Make-Up (www.adoromaquiagem.com.br), Skin Care (www.cuidedapele.com.br), and Love in Motion (www.amoremmovimento.com.br). These sites encourage visitors to exchange experiences. We also launched the Natura Musical portal (www.naturamusical.com.br), a community that offers information about the project and invites our customers to interact with sponsored artists. In 2010, these communities registered 3.3 million accesses and were visited by more than 2.7 million people.

2. PENETRATION IN BRAZILIAN HOMES (%) [1 2]



1. Source: Kantar World Panel.
2. Penetration is the percentage of households in the population covered by the survey that have purchased the brand in the specified period.

CUSTOMER **SERVICE**

The main channel for consumers to contact us is the Natura Customer Service (NCS). The NCS received more than 1 million calls in Brazil in 2010, 31% fewer than the previous year.

This decrease is associated with efforts to reduce false reporting of product defects. We began to analyze products returned by consumers before replacing them and improved our controls as a result. Complaints fell by 62%, a decrease we believe is associated with the reduction of false reports, and we have become more efficient at replacing products that present genuine problems. Information derived from the analysis of genuine problems contributes to innovation and the continuous improvement of our products and services.

The initiative has enhanced our response and prompted an improvement in the quality of our service. With a smaller volume of calls, we have been able to improve the management of NCS services and the number of unanswered calls fell from 7% in 2009 to 4% in 2010.

NCS - NATURA CUSTOMER SERVICE (CALLS IN THOUSANDS)[1]

	2008	2009	2010
Total	1,531.0	1,484.4	1,028.9
Answered	1,471.0	1,375.3	987.0
Unanswered	60.0	109.1	41.8

1 Calls relating to Brazilian operations.

HEALTH AND SAFETY

In 2010, we restructured our consumer safety area. We brought all of our processes related to the safety and effectiveness of ingredients together under a single management system. This includes finished products, regulatory issues, the cosmetic vigilance system, and clinical research. With our international expansion in 2010, we worked with our teams in Latin America to improve our understanding of regulatory issues outside of Brazil.

In 2010, we completed product reformulations to eliminate phthalates from our production and, by June 2011, we expect to eliminate parabens from our formulas. Our target was to have both completely eliminated in 2010, but we revised our goal because of technical challenges. Although these ingredients do not pose proven risks to consumers, we decided to remove them from our formulas because there is no scientific consensus about proper precautions.

Learn more about our relationship with consumers at : **www.natura.net/relatorio**

4.5
SUPPLIERS

OUR PURSUIT OF CONTINUOUS IMPROVEMENT IN THE **QUALITY OF OUR PARTNERSHIPS** WITH SUPPLIERS PLAYS A KEY ROLE IN MAINTAINING OUR **COMMITMENT TO SUSTAINABILITY.**

The number of supplier-partners we work with totaled just over 4,900. Of these, about 5% work with finished goods and production inputs (biodiversity ingredients, raw materials, packaging materials). The remainder provides services or delivers ingredients and materials indirectly required for our business processes. Despite the growth of our international activities, these partners are located mainly in Brazil.

We aim to continually evolve our processes in order to boost our business partners' levels of satisfaction. In 2010, the supplier-satisfaction index remained stable at 81%, compared with 82% in 2009. This fell short of our target of increasing satisfaction to 85%. Some operational issues, such as logistical bottlenecks, contributed to this. We will introduce new processes for planning and handling materials in the first quarter of 2011.

We also did not move forward as fast as we would have liked with improving the flow of contracts and payments, an issue raised by suppliers during the dialogue panels. Through our services center, we have improved monitoring of payments and have optimized the process of drafting contracts and related support systems. We believe these advances, made in the second half of 2010, will be reflected in better service during 2011.

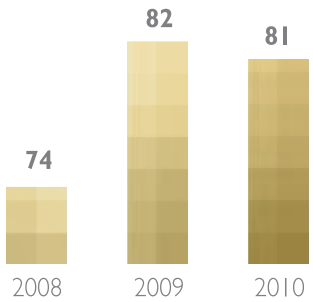
One positive aspect is that our suppliers' loyalty rate rose from 25% in 2009 to 28% in 2010. This indicator, which we are reporting for the first time, has been monitored by Natura since 2008, and it combines overall satisfaction, intention to continue a relationship with Natura, and whether a supplier would recommend Natura to other suppliers. For 2011, we hope to mantain a 28% supplier-loyalty rate, which will now be the main indicator for assessing our relationships with suppliers (graph 1).

Since 2009, we have been active on five fronts identified for improving our supplier relationships: employee awareness of critical issues affecting the supplier relationship; closer relations with strategic suppliers; improving the product innovation funnel process to include suppliers; improving the payment process; and extension of our corporate supplier development program to other categories of supplies and services.

To raise the awareness of new employees as to the importance of supplier relations, we reinforced the theme in the integration program. This is an important point that should be intensified in 2011 to align new employees with the precepts that guide our quality in relations with suppliers.

We held four dialogue panels with suppliers to discuss the following issues: solid waste, the relationship between suppliers and supplier communities, and sustainable supply chains. We continued to hold meetings to monitor the performance of the Qlicar (Quality, Logistics, Innovation, Competitiveness, Service, and Relationship) program, with a focus on continuous improvement, as well as the effectiveness of procedures that define our relationships with strategic partners. These periodic meetings — which include "Breakfast Meetings with Suppliers" and "Alliance Conferences" enable us to maintain and improve these relationships.

1. OVERALL SATISFACTION BY SUPPLIER (%)[1 2]



1 Percentage of suppliers satisfied or fully satisfied - Top 2 Box.

2 The indicators have a margin of error corresponding to a 95% confidence interval.

QLICAR PROGRAM

In 2010, we extended the reach of Qlicar, which covered 97 partners — mainly suppliers of inputs and some of our service providers. Qlicar was extended to vendors that provide such services as marketing and communication campaigns and sub-brand publicity. We also reactivated BioQlicar for our supplier communities (learn more on page 51, Supplier Communities).

We emphasize continuous performance improvement in our programs involving suppliers of finished goods and among our transportation companies, call centers, and logistics vendors. In 2011, we will extend this approach to in-depth awareness of environmental issues.

We also reinforced the educational pillar, staging workshops on how to prepare sustainability reports and use them as a tool for evaluating and monitoring a company's management. We also organized a training course on the production of greenhouse gas emissions inventories.

SUSTAINABLE **SUPPLY CHAINS**

We took on a great challenge in 2010: to develop a methodology to quantify the environmental impacts that our partners' activities may cause for society (known as socio-environmental externalities) and convert the data into monetary values. The new methodology will be incorporated into the process of selecting suppliers and is aligned with our ambition of developing sustainable supply chains.

The study links the primary impacts of the supply chain with Natura's priority sustainability issues. We applied it on a pilot basis for the selection of two suppliers in 2010: one from the services segment and the other from products. In both cases, we decided to select partners who, in addition to meeting traditional technical criteria, demonstrated advantages in social and environmental indicators, such as reducing greenhouse gas emissions and investing in education.

Our goal is to apply this methodology to 16 groups of materials and services (accounting for 60% of the value of our purchases) by the end of the first quarter of 2011, and to reach 100% of our portfolio within the next two years.

This pioneer process is a result of collective construction. We held two dialogue panels gathering 70 people from 14 supplier categories, which helped us identify all the externalities to which each one is exposed.

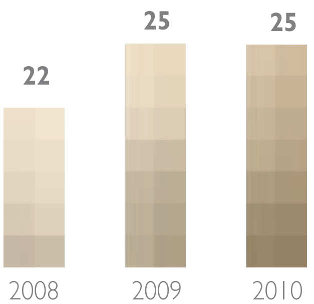
The methodology was developed in partnership with the consulting firm A.T. Kearney, known for its work in supply chain management, and with the support of representatives from The Economics of Ecosystems and Biodiversity (TEEB), of the United Nations.

Learn more about supplier development activities at: **www.natura.net/relatorio**

4.6 SUPPLIER **COMMUNITIES**

WHEN NATURA COMMITTED TO A **TECHNOLOGY PLATFORM** THAT INCORPORATES INPUTS EXTRACTED FROM **BRAZILIAN BIODIVERSITY** IN A SUSTAINABLE WAY, WE INITIATED RELATIONSHIPS WITH SUPPLIER COMMUNITIES THAT PROVIDE NOT ONLY RAW MATERIALS BUT ALSO ACCESS TO **TRADITIONAL KNOWLEDGE.**

1. NUMBER OF COMMUNITIES WITH WHICH NATURA DOES BUSINESS [1]



1. In 2010, we revised the criteria for quantification of supplier communities, which now consider only traditional communities and family farmers. We revised the numbers for 2008 and 2009 accordingly.

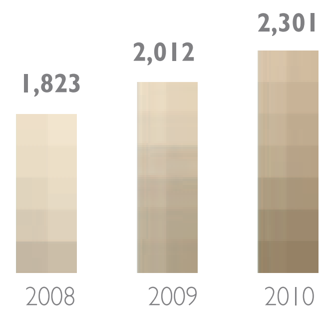
This business model produces value for Natura and helps to create wealth for communities and small farmers while driving local development. In 2010, our network of relationships involved 25 supplier communities comprising 2,301 families in the North, Northeast, Southeast, and South of Brazil and in Ecuador. Eleven supplier communities provide materials for our plant that makes oils and soaps in Benevides (Pará) (learn more on page 53, Surrounding Communities). The number of families involved was 14% higher than the previous year. Examples of progress in this relationship include a 57% increase in resources allocated to communities and the effective implementation of our Rural Supplier Development program, called Bio-Qlicar (Quality, Logistics, Innovation, Competitiveness, Service and Relationship). This program is growing into a robust platform for dialogue and for the development of small farmers and partner communities involved in our supply chains of biodiversity inputs (graphs 1 and 2).

Our relationship with supplier communities is based on the Natura Policy for the Sustainable Use of Biodiversity and Associated Traditional Knowledge, and is aligned with the International Convention on Biological Diversity. This policy, which was formulated in 2008 and disseminated to our stakeholders in 2009, regulates our processes and helps us improve the planning of demand for inputs purchased from these communities. It also sets parameters for negotiating the equitable distribution of benefits obtained from the use of these ingredients.

In 2010, we began to assess the loyalty of supplier communities to Natura, based on a survey similar to that which is conducted with our other suppliers. These methodologies will be consolidated in 2011. The initial assessment revealed the need for improvement in some aspects of these relationships, such as communication, the procurement process, and joint development opportunities in the supply chains.

We also improved dialogue with supplier communities by inviting them to a three-day conference. This meeting, involving 60 people, also included representatives of processing companies (suppliers that take ingredients such as almonds, seeds, or fruit from our supplier communities and convert them into oils or other substances that are incorporated into our products). Through dialogue, we have promoted better integration between these two important groups in our supply chain. At the conference, we showed how the issues discussed in 2009 had evolved and we conducted an assessment of BioQlicar. We also discussed scenarios for the coming years, the future of our relationships, and each side's role in fostering sustainability.

2. BENEFITED FAMILIES [1]



1. In 2010, we revised the criteria for quantification of supplier communities, which now consider only traditional communities and family farmers. We revised the numbers for 2008 and 2009 accordingly.

RESOURCES FOR COMMUNITIES

In 2010, our transfer of resources to supplier communities rose 57% over 2009 levels, to R$8.7 million. This amount refers to payments for the supply of inputs; contracts for sharing benefits; for access to genetic heritage or associated traditional knowledge; for use of images; and for direct investments in local sustainable development.

RESOURCES ALLOCATED (R$ THOUSANDS)[1]

	2008	2009	2010
Supply	2,283.9	2,767.2	4,373.6
Sharing benefits from access to genetic heritage or associated traditional knowledge [2]	1,435.7	1,056.3	1,480.1
Funds and support [3]	631.2	1.087.7	1.551.7
Use of image [4]	15.4	14.5	76.5
Training [5]	56.4	151.8	184.6
Certification and stewardship [6]	23.4	27.8	212.2
Studies and advisory services [7]	555.5	435.1	827.7
Total	**5,001.5**	**5,540.4**	**8,706.4**

1. Data for 2008 and 2009 have been revised due to the reallocation and reclassification of project expenses in supplier communities and the exclusion of amounts associated with one community that is no longer part of this group.
2. Sharing of benefits with the communities enabling access to Genetic Heritage and/or Associated Traditional Knowledge.
3. Corresponds to Funds and Sustainable Development Agreements voluntarily supported by Natura, for which disbursement has always been contingent on projects or sponsorship for infrastructure improvements.
4. Amounts paid by Natura for the use of images of community members in institutional publicity pieces or in marketing.
5. Includes Natura's payments to hold workshops and courses for communities to improve their sustainable production techniques.
6. Amounts invested in certification and stewardship plans in cultivation areas within supplier communities.
7. Includes reports and consulting services provided by specialists and NGOs contracted by Natura to work with supplier communities.

Growth in the amount of resources resulted from higher demand - driven by new product launches - but also by more benefit-sharing payment contracts coming due in 2010 than in previous years. For 2011, we expect total distribution to grow 25%, a lower percentage than last year.

BIOQLICAR PROGRAM

Our supplier communities take part in the BioQlicar Program, an initiative similar to the development program applied to the other suppliers. BioQlicar helps communities organize in different ways, stimulating their development and guiding their relations with the market as a whole. It also guides our procedures and relationship strategies to make supply chains more sustainable. This model considers two indicator categories: bio (economic, physical, environmental, social, and human resources) and Qlicar (monitoring the production performance of rural suppliers). In 2011, we will assess the program together with the communities, and our goal is to reach a score of 3.7 on a scale of 0 to 5.

We also conducted, for the first time, a complete survey of data from the communities for the program. This involved meetings in 23 of the 25 supplier communities and with 7 processing companies. The results were discussed with these two groups, enabling us to prepare joint action plans and improve the supply chains.

Learn more about initiatives involving supplier communities at **www.natura.net/relatorio**

4.7 SURROUNDING **COMMUNITIES**

WE KNOW THAT OUR OPERATIONS **BRING ABOUT CHANGE** IN THE LOCATIONS WHERE WE OPERATE, SO **WE HAVE INVESTED** IN CLOSE RELATIONS WITH THE **COMMUNITIES AROUND OUR UNITS** IN CAJAMAR (SÃO PAULO), ITAPECERICA DA SERRA (SÃO PAULO), AND BENEVIDES (PARÁ).

However, we recognize that we must develop new strategies for ensuring smooth transitions in other communities as our operations grow in Brazil and abroad. For example, our relationship strategy should include places where we have distribution centers: Jundiaí (São Paulo), Matias Barbosa (Minas Gerais), Jaboatão dos Guararapes (Pernambuco), Canoas (Rio Grande do Sul), Simões Filho (Bahia), Uberlândia (Minas Gerais), and Castanhal (Pará). The same should apply to our international operations. Outsourced manufacturing in Argentina started at the end of 2010 and will be extended to Mexico and Colombia. Our aim is to contribute to the development of these regions through partnerships with the community, authorities and representatives of civil society.

In an effort to understand the needs of the communities surrounding our operations at Cajamar and Itapecerica da Serra, we held five dialogue panels involving representatives of civil society, government, associations, and nongovernmental organizations in 2010. At these events, we sought to learn the issues and challenges these communities face, understand how these groups interact with one another in the community, exchange experiences, and find joint solutions.

Investments in projects at Cajamar and Itapecerica da Serra totaled R$438,700 in 2010, of which R$408,700 were corporate-funded and R$30,000 were revenues from the Natura Crer para Ver program. Natura also allocates 1% of its income tax to Municipal Councils for the Rights of Children and Adolescents, and we intend to build relationships with these bodies to monitor the use of these funds more closely (learn more on page 68, Creation of Social Value).

INVESTMENT IN INFRASTRUCTURE AND SERVICES FOR PUBLIC BENEFIT (R$ THOUSANDS) [1]	2008	2009	2010
Investment in communities around Natura units – Natura funds	342.8	407.9	408.7
Investment in communities around Natura units – Crer para Ver program[2]	249.2	2.5	30.0
Total	**592.0**	**410.4**	**438.7**

1. Investments in the municipalities of Itapecerica da Serra and Cajamar.
2. This amount does not include funds intended for the Trilhas (Trails) project at Cajamar or the Encontros de Leitura (Reading) project at Itapecerica, both related to the Crer para Ver program.

In 2010, the number of employees living in Cajamar rose from 565 to 659. This increase was slightly below the rate of growth of Natura's staff as a whole. We have noted in past years that many people from our surrounding communities have sought employment with us but do not have the qualifications we require. This reflects shortcomings in educational and training facilities, which is a challenge not only in these locations but also in Brazil as a whole. In general, youngsters who applied to join Natura through our Young Apprentice program also demonstrated this lack of qualification. We believe there is an opportunity for us to take action in this respect, and in 2011 we will develop training programs for these groups to increase their own marketability, whether for positions at Natura or other companies in the community (learn more on page 26, High-priority Topics/Education).

CAJAMAR

One of the highlights of Natura's performance at Cajamar in 2010 was the revision of the Municipal Education Plan. In 2003, we supported the local government's first plan, and once again we are part of this initiative. In 2003, community involvement was low, whereas now 300 representatives of civil society are involved — evidence that this group is more cohesive and participatory.

Last year, in conjunction with Cajamar's municipal government, we engaged a higher-education institution (Fundação Escola de Sociologia e Política de São Paulo) to help us revise the plan. We covered 70% of the cost of the contract, and the municipal government paid the remainder. The project was planned jointly with the community through meetings held in all districts. The new plan covers education for municipal schools for the next 10 years — setting targets, strategies, and action plans. We also used funds from the Natura *Crer para Ver* (Believing is Seeing) program to produce a booklet to be distributed to the community, providing details on how the plan will work.

ITAPECERICA DA SERRA

Our main activity in Itapecerica da Serra revolves around expanding the selective garbage collection program. Therefore, we support the Municipal Environment Department (Green Division) and the local recycling cooperative. The medium-term goal is for selective collection to cover the entire municipality through a mixed system involving motorized transport, collectors, and voluntary points of delivery.

In 2011 we will transfer our operations in Itapecerica da Serra to the city of São Paulo. We have outgrown our current facilities in Itapecerica da Serra, which no longer offer ideal working conditions (learn more on page 22, Structural Changes). We are aware that this decision will affect the community, and we are carrying out a transition process to minimize these impacts. We have maintained social investment in 2011 and are preparing the cooperative and the municipal government to independently manage the selective collection service. This has been the objective of this project since its outset; throughout the partnership, we have supported the reorganization of the cooperative, the structuring of its processes, the professionalization of the cooperative members, and the increase in the volume collected.

BENEVIDES

The Benevides plant has been in operation since 2006. It has the responsibility for training, negotiating, and maintaining relationships with farmers that supply some of the biodiversity ingredients it uses. These agroextractivist producers and communities (mostly grouped into cooperatives) are called "community enterprises" and are also part of our supplier communities (learn more on page 50, Supplier Communities). They are located in various towns and cities in the state of Pará, well beyond the municipality of Benevides.

In 2010, we worked with 11 associations and cooperatives comprising 1,100 families — 80% more than the 610 families in 2009. There was also growth in the amount of raw materials purchased, from 394 tons in 2009 to 500 tons in 2010. Our operations in Benevides will be expanded in 2011 with the construction of a new soap plant, which is expected to increase the production capacity of our local operations.

Learn more about our relationship with the surrounding communities at: **www.natura.net/relatorio**

4.8 SHAREHOLDERS

SINCE NATURA WENT PUBLIC IN 2004, WE HAVE SOUGHT TO BUILD A **TRANSPARENT AND HIGH-QUALITY RELATIONSHIP** WITH OUR SHAREHOLDERS, INVESTORS, AND CAPITAL MARKET ANALYSTS BY **KEEPING THEM WELL INFORMED**.

We follow the recommendations of Brazil's Securities and Exchange Commission and the rules of the BM&FBovespa, where Natura shares are listed on the New Market segment.

Our Annual Shareholders' Meeting, in April 2010 at our Cajamar facility, brought together more than 200 shareholders. These individuals had an opportunity to develop closer contact with our company, our controlling shareholders, and our executives (learn more on page 16, Governance). This year, we also held the second Natura's Day, a meeting with 80 Brazilian and international capital market analysts and professionals.

To maintain close relations with this group during 2010, we conducted quarterly conference calls and took part in conferences and individual meetings in Brazil and abroad. We held 600 meetings with investors. We also redesigned our website (www.natura.net/investidor), our main communication channel. The site's functionality has improved, facilitating better access to information and providing greater interactivity, such as an investment simulator and the section *Fale com RI* (Talk to IR). Since its launch in June, we have recorded an average of 16,000 visits per month.

PROFILE OF SHAREHOLDERS

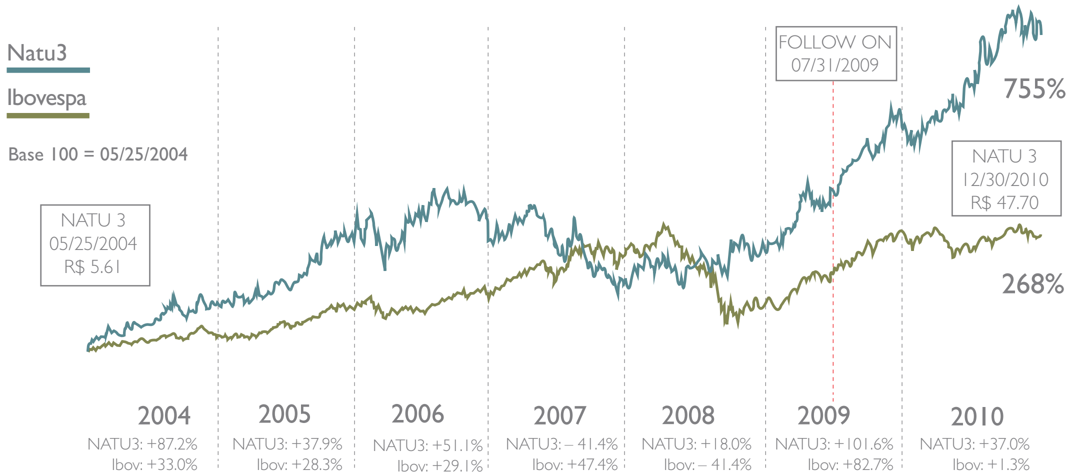
	2008	2009	2010
Individuals	9,993	7,699	7,838
Brazilian legal entities	396	560	560
Foreign legal entities	538	668	850
Total	**10,927**	**8,927**	**9,248**

At the end of 2010, foreign corporate investors held 88% of outstanding shares. Brazilian corporate investors held 7% and individual investors held 5% of these shares.

CAPITAL STRUCTURE		
SHAREHOLDERS	INTEREST	NUMBER OF SHARES
Majority shareholders	59.88%	258,017,219
Treasury shares	0.00%	655
Management shares	0.57%	2,458,016
Outstanding shares	39.55%	170,405,526
Total shares	**100.00%**	**430,881,416**

NATURA **SHARE PERFORMANCE**

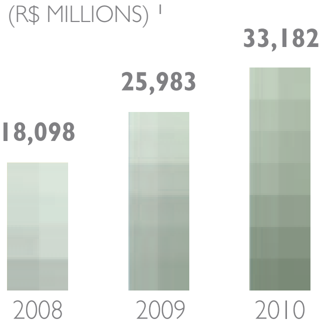
The price of Natura shares rose 37% in 2010, while Brazil's main stock market index (Ibovespa) ended the year just 1.3% higher. Trading volume also rose 30% from the previous year. Since 2004, when we went public, Natura shares have risen 754.7%, while the Ibovespa gained 267.9% in the same period.



We continue to be part of the leading Brazilian stock market indexes - Ibovespa, IBrX-50 (which lists the 50 most liquid shares on the exchange), the Tag Along Stock Index, the Corporate Governance Index, and the Corporate Sustainability Index, the latter of which uses sustainability criteria to select shares of companies. We are also listed on the Morgan Stanley Composite Index, a benchmark for foreign investors.

Particularly noteworthy last year was the inclusion of our shares on the BM&FBovespa's Carbon Efficient Index, which considers each company's greenhouse gas emissions. Created with the aim of encouraging companies to measure, monitor, and disclose their carbon emissions, the index incorporates indicators related to climate change issues. Consisting of companies that were already listed on the IBrX-50 and that voluntarily accepted these emissions standards, the new index requires companies to run periodic emission inventories to remain in the portfolio. Natura has been conducting emission inventories since 2007 (for more details, see page 62 in Creation of Environmental Value).

1. AVERAGE DAILY SHARE VOLUME TRADED (R$ MILLIONS) [1]



1. Source: Economática.

PAYMENT OF DIVIDENDS

On February 23, 2011, Natura's Board of Directors approved a proposal for the payment of R$659.6 million in dividends and R$59.9 million in interest on capital (R$50.9 million net of withholding tax) for the 2010 financial year. This proposal was to be shared at the Annual Shareholders' Meeting on April 8, 2011.

On August 12, 2010, Natura paid dividends amounting to R$253.9 million and interest on capital of R$30.1 million (net of withholding tax). The remaining balance, to be paid on April 14, 2011, following ratification by the Annual Shareholders' Meeting, will be R$405.6 million in dividends and R$20.7 million in interest on capital (net of withholding tax). These dividends and interest on capital referring to earnings for 2009 will represent net earnings per share of R$1.65 (R$1.37 per share in 2009), corresponding to 99% of free cash generation[1] and 95% of net income[2] for 2010.

1. (Internal cash generation) +/- (changes in working capital and long-term liabilities) – (acquisitions of property, plant and equipment).
2. Net income as defined by Law 6404/76.

4.9 GOVERNMENT

NATURA'S RELATIONSHIP WITH THE GOVERNMENT **IS GUIDED BY OPEN, TRANSPARENT, AND UNBIASED DIALOGUE**. WE WANT TO BE RECOGNIZED AS AN IMPORTANT CONTRIBUTOR TO THE PROCESS OF FORMULATING PUBLIC POLICY, PLAYING A LEADING ROLE IN **SOCIAL TRANSFORMATION** ON ISSUES RELATED TO OUR BUSINESS AND OUR **WORLD VISION.**

Once again, our main efforts were aimed at introducing a new legal framework for access to biodiversity and associated traditional knowledge, ensuring the conditions for sustainable use of the nation's genetic heritage and the traditions associated with it.

This matter has been on our agenda for 10 years. We believe that if Brazil is to create wealth from the sustainable use of its biodiversity, consolidating its global leadership in this area, legislation is required to provide guidance and protection to companies and researchers. Today, the issue is regulated by an incomplete and inconsistent Provisional Measure that does not guarantee institutional stability for the development of science and technology. We believe that building a model that brings together production, consumption, and conservation is the only way to contain loss of biological diversity. Establishing alternatives depends on the government resolving the current standoff.

Read more on the full version of the Report at:
www.natura.net/relatorio

Our action plan for moving this issue forward is focused on three priorities: communication, which can improve societal understanding and unite the community to demand action; engagement with communities to seek support for this effort; and influencing decision makers to move forward with the legal framework.

We believe that the bill, which has been stalled with the chief of staff of the President of the Republic since 2007, should be sent to Congress. Throughout 2010, we reaffirmed this belief. In the legislature, the bill will be discussed, negotiated, and adapted to provide an appropriate legal framework.

As a result of Brazil's imperfect regulatory framework, in 2010 we received infraction notices from the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama). We disagree with these findings and have formally challenged them (read more on page 64, Creation of Environmental Value).

Another topic on our agenda was the participation of Guilherme Leal, then co-chairman of the Board of Directors, in the 2010 presidential elections. (read more on page 18, Governance).

In relation to taxation, we worked with the Brazilian Association of Cosmetic, Toiletry and Fragrance Industry (Abihpec), to raise awareness in Congress about the effects of Provisional Measure 497 of July 2010. This measure would dramatically increase the tax burden on cosmetics companies. Taxation is already very high, and further increases would also have a significant impact on consumers.

We obtained financing from government agencies through tax incentives that reached just over R$34 million in 2010. Tax benefits for our research and innovation projects represented the largest share of this funding. Law 11,196 of 2005, known locally as Lei do Bem (Law of the Good), provides incentives for companies developing technological innovations.

GOVERNMENT FUNDS (R$ MILLIONS)

	2008	2009	2010
Tax incentives for support and sponsorship [1]	5.2	6.1	8.5
Lei do Bem (income tax and social contribution tax deductions on up to twice the amount spent on research and technological innovation) [2]	15.6	12.4	19.0
Subsidy for ICMS (state VAT) in Itapecerica da Serra	1.8	3.1	6.0
Incentive for extension of maternity leave [3]	0.0	0.0	0.6
Total	**22.6**	**21.6**	**34.1**

1. In 2010, Natura sponsored projects eligible for tax deduction under the Rouanet Law (Articles 18 and 26) and the Ancine program. Tax incentives were also received for Natura Musical – ICMS in the state of Minas Gerais.
2. Tax benefit related to the 2009 Lei do Bem was amended by the projects' review / audit process.
3. Created by Decree 7052/2009, this expense is not deductible from the calculation of taxable income or from CSLL social contribution tax, but it is fully deductible from corporate income tax (IRPJ).

LOBBYING AND **SOCIAL INFLUENCE**

We favor the practice of political lobbying when it is done transparently and ethically. We support regulation of this activity, which is lawful and legitimate but lacks rules and limits. In attempting to fill this regulatory vacuum, we follow our own guidelines for government relations. Lobbying on behalf of our company is conducted by Daniel Serra, Elizabete Vicentini, Kassia Reis, Rodolfo Guttilla, and Thais Chueiri, who are all Natura employees.

In addition, we publish other documents outlining our positions and our conduct. We distribute these documents at our meetings with government representatives.

To join forces and move forward on collective demands for our industry, Natura is a member of Abihpec and the Brazilian Direct Selling Association (ABEVD). Through these associations, we and our market competitors present a unified voice on issues related to our business and the competitiveness of our industry. Natura is also a member of the World Federation of Direct Selling Associations. In 2010, we were formally represented in 54 industry associations, entities, and organizations.

See the full list of entities in which we are represented at : **www.natura.net/relatorio**

5. WHAT FOOTPRINT WE LEAVE

WE WANT TO CREATE VALUE FOR ALL THOSE DIRECTLY OR INDIRECTLY INVOLVED WITH OUR COMPANY BY **REDUCING OUR ENVIRONMENTAL IMPACT** WHILE GENERATING ECONOMIC AND SOCIAL BENEFITS

5.1 NATURA VALUE CHAIN

NATURA'S MAIN PERFORMANCE INDICATORS IN 2010 RELATED TO THE STAGES OF OUR VALUE CHAIN.

1. EXTRACTION AND TRANSPORTATION OF RAW MATERIALS AND PACKAGING (DIRECT AND INDIRECT SUPPLIERS)

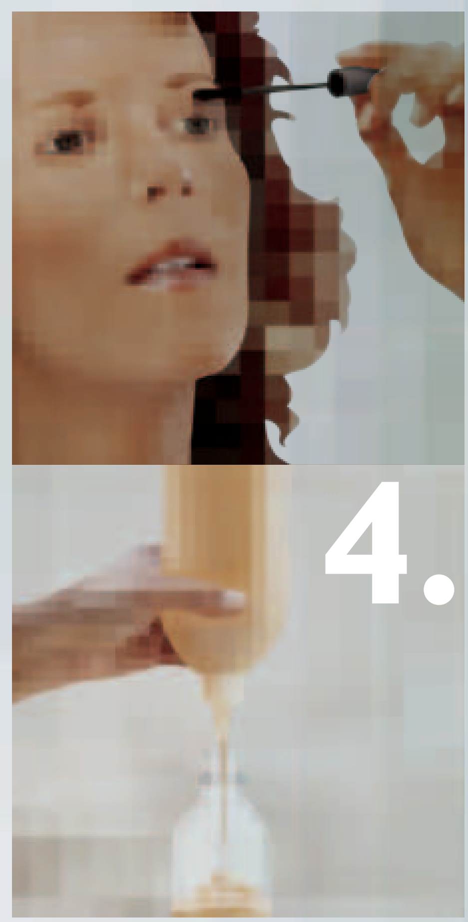
R$ 3.7 BILLION distributed to suppliers for the purchase of ingredients, raw materials, and services

81% of suppliers were satisfied

36 CERTIFIED INGREDIENTS used

106,144 METRIC TONS of greenhouse gases emitted related to the extraction and transportation of raw materials and packaging

24,775 METRIC TONS of greenhouse gases emitted by our direct suppliers (process and transportation to Natura)



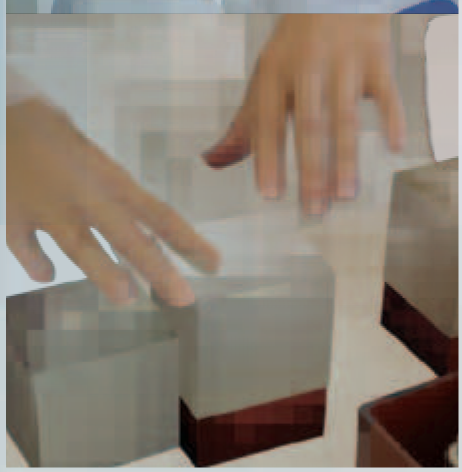
4. USE OF PRODUCTS AND DISPOSAL OF PACKAGING.

16.9% of refills on items billed in Brazil

65.4 millipoints/kg is the environmental impact of packaging per quantity of products[1]

58,509 metric tons of greenhouse gas emissions related to the final disposal of products and packaging

1. This includes the impact of extraction and manufacturing of packaging.



2. INDUSTRIAL AND INTERNAL PROCESSES.

R$ 769.2 MILLION distributed to employees as benefits and salaries

R$ 139.7 MILLION invested in innovation

0.47 LITER of water consumed per unit billed

443.8 KILOJOULES of energy consumed per unit billed

25.7 GRAMS of waste generated per unit billed

25,611 METRIC TONS of greenhouse gases emitted in internal processes

CROSS-SECTIONAL INDICATORS

R$744.1 MILLION in net income

R$5.1 BILLION in net revenues

EBITDA of **R$1.2 BILLION**

EBITDA margin of **24.5%**

R$80 MILLION invested in corporate responsibility

R$1.4 BILLION paid to the government in direct and indirect taxes

R$646.9 MILLION distributed to shareholders as dividends and interest on capital

3. PRODUCT SALES (TRANSPORTATION AND DISTRIBUTION).

R$ 2.7 BILLION distributed to consultants as sales-related earnings

1.2 MILLION consultants in all operations

21% consultant loyalty index

168 new products launched

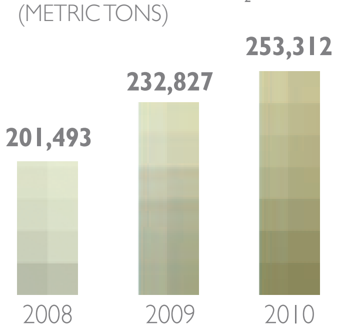
38,275 METRIC TONS of greenhouse gases emitted transporting products to consultants and consumers

5.2 CREATION OF **ENVIRONMENTAL** VALUE

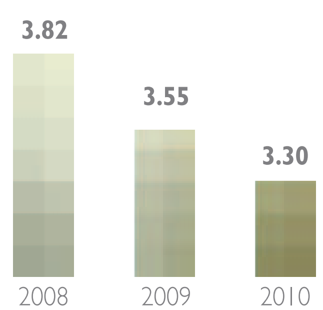
OUR MAIN CHALLENGE IS TO **BALANCE THE GROWTH** OF OUR BUSINESS WITH OUR USE OF NATURAL RESOURCES LEADING US TO **DEVELOP INNOVATIVE TOOLS AND PRACTICES** TO **REDUCE THE IMPACT** OF OUR OPERATIONS AND PRODUCTS.

We continue to build on our intiatives related to waste generation and efficient uses of water and energy. In 2009, we made a decision to be mindful not only of our own impacts on the environment, but to consider the environmental performance when evaluating potential supply chain partners. As such, our calculation of our key indicators – water and electricity consumption and waste generation – included data from contracted suppliers. In 2010, we began to include the performance of our distribution centers and other Natura facilities in these indicators. Our challenge now is to include the results of our international operations in these data. Through these initiatives, we can glean a more accurate portrayal of the impact generated by our business, devise more comprehensive action plans, and influence our suppliers to take measures to ensure environmentally balanced production.

1. TOTAL EMISSIONS CO_2e [1 2]
(METRIC TONS)



2. RELATIVE EMISSIONS
(KG OF CO_2e/KG PRODUCTS BILLED) [1 2]



1. CO_2e (or CO_2 equivalent), a measure used to express GHG emissions, based on their global warming potential.

2 The inventory calculation model was upgraded in 2010. The 2009 base has been recalculated to ensure comparability, and the 2008 base has been maintained because the variation did not exceed the 5% recalculation threshold defined by the GHG protocol.

CARBON NEUTRAL

In 2007, we started our Carbon-Neutral Program to significantly reduce our emissions of greenhouse gases (GHGs). This initiative compels us to find alternatives for improving our efficiency and ensures our success by mitigating the environmental impacts of our rapid growth.

Starting the program was the first step of a commitment we made to society: to reduce the company's GHG emissions by 33% within five years, using our 2006 emissions as a baseline. Since than, we reached a 21% reduction and induced a profound transformation in the processes of our business, besides we neutralized our emissions by supporting social-environmental projects. Through a diagnosis, in 2010 we reviewed the program deadline for achieving the goal of 2011 to 2013 (read more on next page).

Last year, Natura's absolute emissions totaled 253,312 metric tons of CO_2e, continuing the trend we set in recent years for emissions to grow at a slower pace than our business output. In relative terms, there was a 7.3% decline in GHG emissions, due primarily to significant process improvements in our order cycle (which involves product distribution), international operations, and business management.

Three core components form the heart of the Carbon-Neutral Program: expanding the scope of our inventory; reducing GHG emissions; and offsetting those that cannot be avoided (graphs 1 and 2).

EMISSIONS INVENTORY

To calculate our inventory, we take into account the total volume of our emissions related to scope 1, 2 and 3 – in other words, the survey covers the extraction of raw materials in nature to the final disposal of the product. Our inventory follows the standards of the Greenhouse Gas Protocol Initiative and ABNT standard NBR ISO 14064-1, which set out the rules for conceiving, developing, managing and preparing them. PwC, an independent auditing and consulting firm, conducts specific verification (limited assurance) of the data in the 2010 Natura Consolidated GHG Inventory Report.

REDUCTION

Only carbon-emissions cuts will contain climate change and its impacts. That is why reducing our GHG emissions is central to the Carbon Neutral Program.

The complexity of the actions, which involve a deep transformation of how we do business, partly explain the revised deadline for attaining the target reduction of 33%. Several forecasts made at the outset of the program in 2007 turned out to be incorrect or were overly ambitious to achieve the goal in five years. We also found ourselves behind schedule in implementing some of our projects, partly because of a slower-than-expected technological evolution of the market. Among the difficulties we currently face is a low supply of raw materials from plant origin, like biopolymers used in manufacturing lower-impact plastic packaging, and a shortage of commercially viable recycled materials with traceable chains for use in the manufacturing of packaging.

To accelerate carbon-emission reductions in the years ahead, we launched the Less Carbon, More Productivity program in 2010. This initiative is structured on five action fronts: staff engagement, education, and training, identification of projects, improvements in processes, and connecting with the business. In the last three pillars, significant advances have been made in incorporating the carbon impact into business decisions by creating policies for prioritizing materials and new measurement tools.

We also now generate detailed analyses of the emissions from Natura's major processes. We have a tool capable of estimating gas emissions from each process, which enables managers to understand the impact of their activities on the company's emission inventory and to make more conscientious decisions as a result. In the new product development area, we have created a tool for estimating emissions from products and packaging beginning with their conception. In other words, based on specific data, this tool can forecast a potential product's future environmental impact in addition to making comparisons with items of the same category and Business Unit.

We have already begun to reap the fruit of this process by exceeding the relative emissions reduction target, having achieved 7.3% in 2010 compared to a projected target of 4.4%. The decline is primarily due to significant reductions in several processes like the Order Cycle (which involves the distribution of our products), international operations and Business Management.

We also face the additional challenge of reducing absolute GHG emissions by 10% between 2008 and 2012. This target refers to direct emissions and electricity consumption (the so-called scopes 1 and 2 of our Brazilian operations). We are sticking to our commitment, although we have not yet reached the expected results given the delay in implementing projects, in addition to external factors. Because of the delay in release of the environmental license, we postponed by almost a year the installation of a flex boiler, which began operating at the end of 2010. Another postponed initiative was the adoption of ethanol-powered vehicles for the sales force, implemented beginning March 2011, eight months after the initial period. These two initiatives will produce results this year and represent over 60% of the emissions to be cut.

A further difficulty involves the increased use of coal-fired thermal power plants in Brazil. With a more polluting energy matrix, the emission factor of the electricity grid was increased by over 100% in the composition of total GHG emissions.

Learn more about actions that enabled us to reduce our emissions at:
www.natura.net/relatorio

OFFSETTING

Emissions that cannot be avoided are offset through projects that focus on energy efficiency, the exchange of fossil fuels for renewable energy, and the reforestation of degraded areas. Methods are selected using a biannual public tender available throughout Brazil.

In the process for the 2009–2010 two-year period, six projects were selected in Brazil, from among the 82 submitted, which were expected to neutralize 465,237 metric tons of CO_2e emissions in 2009 and 2010. Part of these emissions were offset by purchasing credits and others will be offset with future credits. In 2011, a new contract is expected to be concluded that will include a project to offset emissions in Latin America.

Learn more about the offseting projects at:
www.natura.net/relatorio

BIODIVERSITY

The United Nations declared 2010 as the International Year of Biodiversity. We strengthened our actions in support of a policy that leads to sustainable development through the use of biodiversity assets and the creation of a new Brazilian legal framework for access to genetic heritage and its associated traditional knowledge.

Since 2008, we have relied on the Natura Policy for the Sustainable Use of Biodiversity and Traditional Knowledge. This policy establishes directives for the use of raw materials and the sharing of benefits, such as raw material extraction with the mandatory use of sustainable stewardship through extractivist family agriculture-based systems. It is the fruit of the experience acquired as part of a group that plunged into little-explored complex topics and followed the principles of the Convention on Biological Diversity established by the United Nations. It presents action guidelines for all internal departments involved in product research and development on the basis of genetic resources and/or their associated traditional knowledge. In the case of our relationship network, it serves, among other purposes, as an instrument to support decision making by upholding our values and the manner in which we work (learn more on page 25, High-Priority Topics/Biodiversity).

See the list of certified species at:
www.natura.net/relatorio

SANCTIONS APPLIED BY **IBAMA**

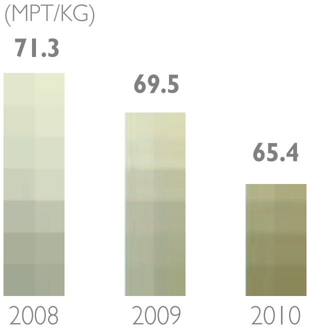
In November and December 2010, Natura received 68 infraction notices from the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) with fines of R$22 million for allegedly irregular access to biodiversity for research and product development. Other local and foreign companies, scientists, and public research institutions also received notices.

Natura does not agree with these actions and has formally challenged them. We believe that the need for authorization from the government to start research is a barrier to the development of science and does not uphold the rights of traditional communities nor does itguarantee protection of biomes. In addition, the time taken to analyze an application, usually about two years, would mean that pure or applied research by business would not be feasible.

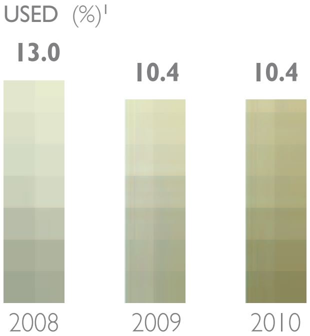
We believe that our activity complies with the principles of the Convention on Biological Diversity (CBD), the United Nations treaty on which Natura bases its policy for the sustainable use of biodiversity and traditional knowledge. Natura has prior approval from all suppliers of biological materials, has signed contracts with them, and shares benefits from the commercial exploitation of species, and does so fairly and equitably.

We view the notifications as a positive opportunity, however, to discuss the urgency of developing a legal framework for biodiversity.

1. ENVIRONMENTAL IMPACT OF PACKAGING BY QUANTITY OF PRODUCT (MPT/KG)



2. RECYCLED MATERIALS USED (%)[1]



1.The indicator considers packaging materials and distribution materials (magazines, distribution boxes, and bags) recycled after use.

CERTIFICATION OF INGREDIENTS

We ended the year with 36 certified species, which means that more than 60% of the biodiversity assets used by Natura have certified production and origin.

This process is part of our Program for the Certification of Ingredients, which is a statement of our commitment to respecting the ecological limits to the production of ingredients we acquire from supplier communities. This program guarantees that production remains within the levels the environment is capable of supporting.

The certifications include family farmers and the traditional communities whose production is certified by three different protocols: organic agriculture (the Biodynamics Institute, Ecocert, the International Agricultural Organization, and the Ecological Market Institute); sustainable agriculture (the Sustainable Agriculture Network); and forestry (the Forest Stewardship Council).

PRODUCT **IMPACT**

We monitor the impact of our product packaging using the Life Cycle Assessment (LCA) tool, in addition to carbon emissions. This tool enables us to quantify and monitor the ecological impact of packaging materials from the extraction of the raw materials through production, use, and disposal (graphs 1 and 2).

In 2010, we launched in Brazil the first cosmetic product with green polyethylene packaging: refills for Natura Erva Doce hand soap. Manufactured from sugar cane, a renewable source, green polyethylene is 100% recyclable and reduces (GHG) emissions by 58% compared with conventional plastic, according to Natura internal studies.

We also launched a new refill for the Todo Dia (Everyday) moisturizer. Internal studies showed 66% less environmental impact in comparison with the previous refill, 83% less plastic than in regular packaging, and a 97% reduction in waste generated.

In spite of these advances, we saw a decline in the use of refills in comparison with all items billed by Natura. We sought to achieve a target an 18.5% of the total of these items; our rate in 2010 was 16.9%. This development was due in part to greater representativeness of sales of items in special or seasonal kits that cannot be refilled. The potential for increasing refills is significant. While 40% of our products have a refill option, they represent 55% of our billed products. In our international operations, use of refills is increasing in most countries except Mexico, with a consistent recovery in Argentina and Chile. For 2011, our challenge is to increase the awareness of refill options for our consumers outside Brazil.

REFILLS PERCENTAGE OF ITEMS BILLED (%)[1]

	2008	2009	2010
Brazil	19.9	18.4	16.9
Argentina	20.7	15.9	18.3
Chile	16.1	11.7	13.9
Colombia	12.1	12.2	13.2
France	9.3	8.5	9.8
Mexico	11.6	11.5	11.3
Peru	21.4	18.6	18.9

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

WASTE MANAGEMENT

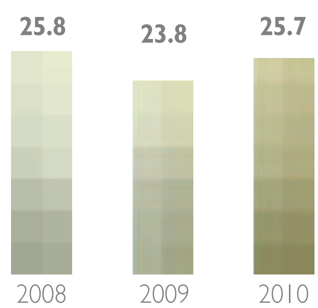
Solid waste management at Natura includes separation, classification, conditioning, collection, transportation, and final disposal, with the aim of reducing volume, expanding recycling, and being particularly careful with hazardous waste. In 2010, we began to develop an extensive solid waste management project covering the entire life cycle of our products, from the extraction of raw materials to the disposal of packaging and the reuse of materials (learn more on page 29, High-Priority Topics/Impact of the Products).

We recorded an increase of 19.8% in total waste generated last year and 8.2% in the relative index, which compares the quantity of waste per product unit billed. This increase can be attributed to the inclusion of data in the indicator from four distribution centers and the Natura Houses in Brazil. Had these areas not been included, the index would have remained at the same level as the previous year. Our increase in production and the higher disposal of obsolete products also affected waste generation. These developments present a glimpse of the challenge we face in improving our waste management processes (graph 1).

To reverse this situation, we have established an action plan that includes alternatives that minimize the environmental impact of the primary waste-generating processes, periodic verification of the indicator, and a review of items currently incinerated or sent to landfills so as to define alternative recycling methods. We also plan to standardize data collection at Natura and third-party units. The goal of this is to improve the quality of the information collected and initiate waste monitoring in our international operations. Our target for 2011 is to reduce the total weight of waste per unit billed by 3%.

With new alternatives for disposing of materials that were previously incinerated, and through a partnership with our cardboard supplier to recycle 100% of this material in Cajamar, we increased the percentage of recycled waste by 8.3%. Today, 92.1% of all waste produced at Natura is recycled.

1. TOTAL QUANTITY OF WASTE PER UNIT BILLED (GRAMS/UNIT)[1]



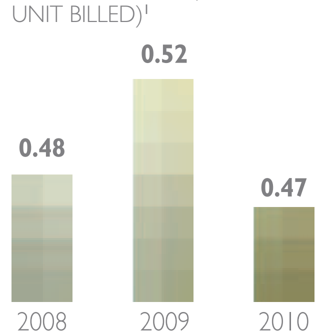
1. Before 2008, the indicator was calculated considering only the waste generated at Natura units. In 2010, we included main contractors and improved the calculation basis to match the indicators of water and energy. For this reason, the historical record was recalculated.

WATER AND **EFFLUENTS**

Following the implementation of efficiency projects, awareness programs and water consumption control, we achieved a 10% reduction in relative consumption per unit billed. Our absolute consumption of water remained stable, even as our production rose. The improvements implemented in waste management also resulted in gains in water reuse and recycling in 2010. Knowing that sustainable use of water is a major global challenge, we have made progress in analyzing our water footprint (learn more on page 29, High-priority Topics/Impact of the Product).

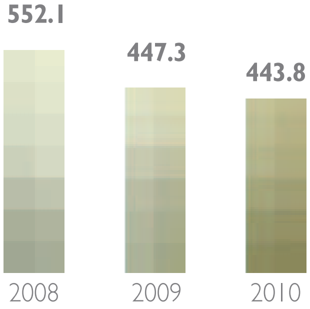
The reduction in relative water consumption was motivated by reductions at Cajamar and Itapecerica da Serra, which reduced consumption by 5%. However, there was a 17% increase in water use in other Natura areas, the result of having incorporated the Simões Filho Distribution Center, in the state of Bahia, into the indicator. We also recorded an increase of 3.5% in absolute consumption at outsourced companies, stemming from an increase in units purchased (graph 2).

2. WATER CONSUMPTION PER UNIT BILLED (LITERS/ UNIT BILLED)[1]



1. The indicator takes into account the volume of water used by Natura and the major contracted parties

1. ENERGY CONSUMPTION (KILOJOULES/ UNIT BILLED)[1]



1. The indicator takes into account the energy used by Natura and major subcontractors parties.

Learn more about generation of environmental value at:
www.natura.net/relatorio

ENERGY

In 2010, we reduced relative energy consumption (consumption per unit billed) by 0.8%. To achieve this result, we implemented several improvements, primarily at Cajamar, in addition to efficiency gains from better energy resource management. In absolute terms, the Cajamar and Itapecerica da Serra units registered a 2.8% combined increase in consumption, owing to the installation of new manufacturing equipment. The 22.1% increase in other Natura areas was the result of having incorporated the Simões Filho Distribution Center, in Bahia, in this indicator, as well as the modernization of three other distribution centers. Total consumption by major subcontractors parties rose by 30.8% because of the greater number of units acquired (graph 1).

We registered a 74% decline in diesel oil consumption in our generators, due to fewer power outages at our head office. This means there was less demand for generators.

2010 ENERGY MATRIX (CAJAMAR AND ITAPECERICA) (%)

	2008	2009	2010
Electricity	75.9	75.9	77.3
LPG	22.0	23.1	22.4
Diesel	2.1	1.0	0.3
Solar energy	0.01	0.01	0.02

Natura Ekos products combine the sustainable use of Brazilian biodiversity with the development of supplier communities and an appreciation of the country's natural and cultural heritage.

5.3 CREATION OF SOCIAL VALUE

OUR GOAL IS TO **CREATE SOCIAL BENEFITS** BY INVESTING IN EDUCATION, SHARING THE GENERATED RESOURCES AND **SUPPORTING PEOPLE** AND INSTITUTIONS THAT ARE COMMITTED TO THE CONSTRUCTION OF A **SUSTAINABLE SOCIETY.**

NATURA **INSTITUTE**

We have made systematic private social investments since the 1990s because we believe this is a way to express our Essence: that the value and longevity of a company are related to its ability to contribute to the evolution of society and its sustainable development.

In 2010, we took an important step forward by founding the Natura Institute, an independent nonprofit organization, to extend and strengthen our initiatives, and improve internal management and governance processes and practices for our social initiatives. Fostering education - a priority for sustainability in Natura's view - is also the pillar that supports all the activities of the new organization.

The Institute was founded with the participation of members of our Board of Directors and executives. In 2011, we will make progress in its administrative organization and set up an audit committee and an advisory board, as well as define a strategic plan for the institution. The institute is given 0.5% of Natura's annual net income in addition to funds from Natura's *Crer para Ver* (Believing is Seeing) program.

CRER PARA VER (BELIEVING IS SEEING) PROGRAM

The highlight of our societal activity in 2010 was the record amount of funds raised by the Natura *Crer para Ver* program. We had committed to reaching R$6 million, but by the end of the year we had reached R$10 million, the largest amount raised by the program since its inception in 1995. In 2010, the program invested more than R$3.9 million in projects. This amount is the result of a R$2.1 million savings from the year's investment plan, estimated at R$6 million, through partnerships and exchanges. Therefore, the difference of more than R$5 million between the amount we collected and what we spent in the year is available in cash holdings for use in 2011 and will help us expand the current projects.

The goal of *Crer para Ver* is to improve the quality of public schooling. The program funds literacy initiatives in preschools and elementary schools, as well as for young adults. Our consultants actively participate in the program by selling the exclusive *Crer para Ver* product line, receiving no commission for doing so. The Natura Institute has assumed the administration of our investments in educational initiatives.

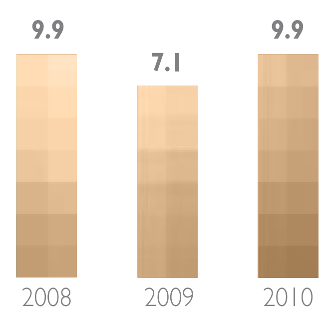
INVESTMENT IN EDUCATION FOR PUBLIC BENEFIT IN BRAZIL (R$ THOUSANDS)

	2008	2009	2010
Net funds raised by the Crer para Ver program[1]	3,767.0	3,768.2	10,098.5
Total amount of projects developed and supported[2]	3,381.0	4,075.6	3,876.4

1. Refers to income before income tax (IR) deduction for the Crer para Ver program's fund. Until 2009, net funds raised by the program had referred to net profit after IR tax.
2. Refers to the total actually contributed in the year (from the fund and directed to projects and their implementation).

Using funds raised by the Natura *Crer para Ver* program, we extended its reach to 100 new municipalities. The program now invests in 350 municipalities across Brazil and benefits nearly 450,000 people, namely students, teachers, coordinators, and principals in 5,690 public schools.

1. PENETRATION - *CRER PARA VER* (% CYCLE) [1]



1. This percentage is based on the number of consultants that purchased at least one item of the Crer para Ver line within a cycle divided by the total number of consultants that placed orders during the same cycle.

Learn more about *Crer para Ver* (Believing Is Seeing) at: **www.natura.net/relatorio**

Our international operations implemented this program in 2009. Net revenues reached R$1.3 million in 2010, compared with R$430,000 in the previous year. Funds in these countries are invested in teacher training and benefit vulnerable populations. In Chile, for instance, some of these funds are helping to rebuild schools destroyed by the February 2010 earthquake.

The main initiative of the *Crer para Ver* program in Brazil is the Trilhas (Trails) Project. This project benefits 310,000 children and 15,000 educators in 4,300 schools. The *Trilhas* Project is designed for children ages 4–6 and provides instructional materials and support for teachers and school principals to help students develop reading, writing, and speaking skills. In 2010, we signed a technical cooperation agreement with the Ministry of Education, enabling the ministry to share this methodology with other municipalities and institutions — transforming the project into a public initiative.

DISTRIBUTION OF **WEALTH**

Our growing business has enabled us to generate wealth and distribute it to our main stakeholders again this year. This is the result of Natura's growth and the expanding market in which we operate. Revenues to suppliers in particular increased, thanks to the growth of output in 2010.

DISTRIBUTION OF WEALTH (R$ MILLIONS)[1]

	2008	2009	2010
Shareholders[2]	425.9	551.9	646.9
Consultants	2,023.8	2,302.5	2,738.2
Employees	556.4	643.0	769.2
Suppliers[3]	2,357.2	3,087.5	3,707.4
Government[3]	1,276.7	1,147.4	1,476.5

1. More details of value-added statements may be found in the Accounting Statements (page 75, 78, 79 and 103).
2. The amount of wealth distributed to shareholders refers to dividends and interest on capital for the period.
3. Data have been revised from last year's report because we identified an inconsistency in the classification criteria used.

In relation to government, transfers were higher due to the growth of Natura's gross revenue in the period, which is the calculation base for sales taxes, and there was also a larger taxable income base for income tax (IR) and social contribution tax (CSLL).

MATRIX FOR INVESTMENT IN CORPORATE RESPONSIBILITY[1] (R$ THOUSANDS)

	2008	2009	2010
Employees, family members, and others	18,729.3	17,251.3	20,159.9
Consultants	2,566.8	3,563.4	4,800.0
Consumers	270.9	480.3	600.0
Suppliers	212.8	243.8	329.8
Supplier communities	647.0	1,424.6	1,805.7
Surrounding communities	342.8	407.9	408.7
Society[2]	8,827.4	15,772.0	23,387.0
Environment	5,467.2	8,073.6	6,638.7
TOTAL invested in stakeholders	**37,064.2**	**47,217.0**	**58,130.2**
Management expenses	7,148.3	4,045.7	4,972.0
TOTAL Natura funds	**44,162.5**	**51,162.7**	**63,032.2**
Percentage of net revenue	1.2%	1.2%	1.3%
Net amount raised by consultants for the Crer para Ver (Believing Is Seeing) program	3,767.0	3,768.2	10,098.5
Tax-deductible investments under Roaunet Law	2,852.8	2,422.2	3,095.1
Audiovisual Law / ANCINE	400.0	920.0	1,100.0
State VAT tax (ICMS) in Minas Gerais	2,000.0	645.0	823.4
State VAT tax (ICMS) in São Paulo[3]	622.1	0	0
1% Income Tax to CMDCA[4]	0	0	319.0
1% Income Tax to Condeca[5]	1,015.0	938.00	1,682.0
GRAND TOTAL	**54,869.4**	**59,956.0**	**80,220.1**

1. Amounts invested in support and sponsorship are included in this matrix, but are shown as they were divided among beneficiaries. The matrix includes investments in projects or actions that are not intrinsic to Natura's business and go beyond legal requirements.
2. The data on society were revised since we added one resource that was not previously considered.
3. Due to an error reported last year, the 2008 data was revised.
4. CMDCA = Municipal Council for Rights of Children and Adolescents. Since 2008, 1% of income tax (IR) has been allocated to the CMDCA.
5. Condeca = Council for Rights of Children and Adolescents.

In 2010, we maintained our level of investment in corporate responsibility at 1.3% of net revenues. These investments include increased spending on the education and training of our consultants and employees, in line with our educational strategy (learn more on page 26 in High-Priority Topics, Education). We also increased our investments to support civil society organizations (learn more below). Total investments with respect to the environment were lower because negotiations on carbon emissions-offsetting projects have yet to be finalized. We concluded negotiations for five environmental projects for the 2009/2010 season, and negotiations for five others are expected to be concluded in the first quarter of 2011.

SUPPORT AND **SPONSORSHIPS**

Our social investments not only express our *well-being well* concept, but also reiterate the underlying drivers of our corporate behavior. In 2010, we allocated R$24.3 million to intiatives that fall under three broad themes: strengthening civil society organizations, supporting sustainable development, and promoting Brazilian culture with a focus on music.

Our business model entails the expansion of relationships with organizations that are committed to building a sustainable society, which is why we invest in organizations that share our vision for the world and that support causes that are significant to our industry. For instance, we sponsored several programs of the Ethos Institute for Business and Social Responsibility. These Ethos programs included the Sustainable Amazon Forum, Sustainable Connections, Corporate Responsibility in the Media, and Promotion of Integrity and Fighting Corruption.

In 2010, we participated once again in the Global Entrepreneurship Week, coordinated by the Endeavor Institute, which is located in Brazil. As the largest global movement focused on entrepreneurship, the event took place simultaneously in 102 countries for seven days of talks, competitions, workshops, games, fairs, and awareness-building activities.

We continued to support the Global Reporting Initiative (GRI), which develops international guidelines and standards for compiling sustainability reports. We sponsored GRI's Amsterdam Global Conference on Sustainability and Transparency (May 26–28, 2010), at which our stakeholders met to discuss sustainability and transparency-related issues.

We enjoy a partnership with Associação Brasileira de Comunicação Empresarial (Brazilian Association of Corporate Communication – Aberje). This organization presented an event designed to help Brazilian companies develop guiding principles for communicating with the news media and key opinion leaders. Natura sponsored this event and presented its connection with biodiversity, focusing on its relationship with supplier communities.

We continue to underwrite initiatives that increase societal awareness about sustainable development. One such example is our support of the documentary *Tudo mudo pode mudar o mundo* (Everyone Can Change the World). This film, by Mara Mourão, presents stories of societal leaders and the Afro-Reggae cultural group.

The Natura Musical (Musical Natura) program continues as our primary expression of support for Brazilian culture. A national call for projects and another regional call in the state of Minas Gerais allowed us to choose projects from different artistic areas, as well as those selected directly by the program. In 2010, we supported 17 projects. Since Natura Musical began in 2005, we have supported more than 140 such initiatives.

Learn more about the projects supported in 2010 at: **www.natura.net/relatorio**

SUPPORT AND SPONSORSHIP – INVESTMENT BY TOPIC (R$ THOUSANDS)[1]

	2008	2009	2010
Sustainable development[2]	3,382.0	2,174.0	2,052.4
Civil society and governmental organizations	2,247.1	2,725.6	6,809.9
Promoting Brazilian culture with a focus on music[3]	6,077.0	7,833.0	15,442.5

1 Includes funds invested by Natura and funds from incentive legislation.

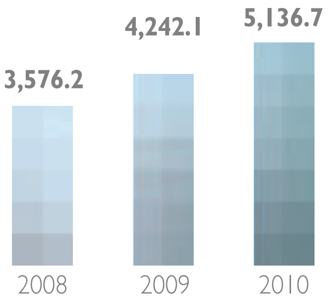
2 Funds related to sustainable development have been revised from previous reports, given that we included a sponsorship that was not previously included in the reported figures.

3 Data on promoting Brazilian culture has been revised from previous reports due to a reporting error

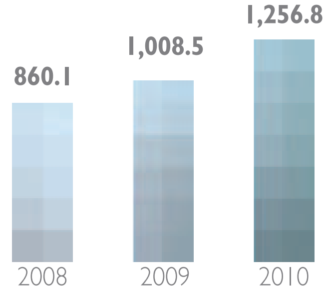
5.4 CREATION OF ECONOMIC VALUE

NATURA'S STRONG PERFORMANCE, COUPLED WITH THE **GROWTH OF** THE COSMETIC, TOILETRY, AND FRAGRANCE **MARKET** RESULTED IN **POSITIVE ECONOMIC AND FINANCIAL INDICATORS**.

1. CONSOLIDATED NET REVENUE (R$ MILLIONS)



2. CONSOLIDATED EBITDA (R$ MILLIONS)



Consolidated net revenue in 2010 was R$5.136 billion, an increase of 21.1% over 2009. EBITDA (earnings before interest, taxes, depreciation, and amortization) was R$1.256 billion with an EBITDA margin of 24.5%. Net income was R$744.1 million. This performance reflects the strength of our marketing strategy, the launch of new products, and an 18% increase in the number of consultants — who now total more than 1,221,000 in our operations in Brazil and overseas.

COSTS AND EXPENSES

We reduced the costs of goods sold (COGS) from 30.5% in 2009 to 30.3% in 2010. Inflationary pressure remained under control, the exchange rate was favorable during this period, and our strategy for increasing prices proved to be efficient, with less dispersion among the categories. These positive effects, however, were partly offset by higher product losses in Brazil — the result of additional inventories generated in the final quarter of 2009. For 2011, the loss-prevention process is being strengthened, and we expect a significant improvement in this indicator.

We also recorded a reduction in sales expenses, accounting for 33.2% of net revenues in 2010 (35.3% in 2009). We made greater investments in marketing, which provides vigorous support for product launches, as well as training and events for the sales force. This increase was mitigated by greater logistical efficiency and the dilution of sales force costs. The highlight was the percentage of orders placed over the Internet in Brazil, which stood at 86% in 2010 (71.2% in 2009).

Administration and general expenses accounted for 11.8% in 2010 (10.6% in 2009). The increase in the year-over-year comparison, which was in line with our forecasts, is due to higher expenditures for research and development (rising from 2.5% of net revenues in 2009 to 2.8% in 2010); higher investments in projects that enable the company to grow, primarily in the areas of information technology, logistics, and leadership development; a higher head count to support the advance of the model of Management by Process, Business Units, and Regional Units; and the cost of maintaining investments made in information technology.

EBITDA AND NET INCOME

In 2010 our consolidated net income stood at R$744.1 million, which represents growth of 8.8% compared with the previous year. In 2009, we recorded a lower effective IR/CSLL rate as a result of having accelerated the fiscal amortization of goodwill in the period. This fiscal benefit ended last year. This year, the effective tax rate was 33.5%.

Consolidated EBITDA stood at R$1.256 billion in 2010, up 24.6% over 2009. The margin rose from 23.8% to 24.5% in 2010 (graph 2).

SUMMARY OF **CASH FLOW**

Free cash generation for the year was R$716.3 million versus R$418.6 million in 2009. This 71.1% increase resulted from more efficient working capital management by extending payment terms for suppliers; reducing inventory coverage; reducing the balance of recoverable taxes; and making the change from annual to quarterly income tax assessments and payments. We are refining cash flow management processes, which should result in even more efficiency in 2011.

Internal cash generation was R$832.9 million for the year. This growth of 7.3% over the previous year is in line with the growth of 8.8% recorded in net income for the period.

SUMMARY OF CONSOLIDATED CASH FLOWS (R$ MILLIONS)

	2009	2010	Var. %
Net income for financial year	683.9	744.1	8.8
(+) Depreciation and amortization	92.4	88.8	(3.9)
Internal cash generation	776.3	832.9	7.3
(Increase)/decrease in Working Capital	(189.9)	99,6	(152.4)
Non-cash items (exchange variation)	(27.5)	20.7	(175.3)
Operational cash generation	558.9	953.2	70.5
Additions of intangible assets	(140.4)	(236.9)	68.7
Free cash generation[1]	418.6	716.3	71.1

1 (Internal cash generation) +/- (changes in working capital and long-term liabilities) – (acquisitions of property, plant and equipment).

Investments in property, plant, and equipment in 2010 totaled R$236.9 million and were concentrated in information technology, manufacturing capacity, and logistics infrastructure. Investments in property, plant and equipment in 2011 are estimated at R$300 million and will concentrate on the ongoing development of our information technology platform, including a sound base for the international area, in addition to continuing our project to improve logistics and increase our industrial capacity.

PRO FORMA RESULTS PER OPERATION BLOCK

The profit margin achieved on exports from Brazil to international operations was deducted from the COGS of the respective operations, revealing the real impact of these subsidiaries on the company's consolidated results. Accordingly, the Pro Forma Statement of Results for Brazil shows only sales in the domestic market.

The performance of our operation in Brazil remained strong, with growth of 20.6% in net revenues, reaching R$4.764 billion. The EBITDA in Brazil was R$1.335 billion compared to R$1.085 billion in 2009, representing growth of 23%. Margins were 28% in 2010 and 27.5% in 2009.

PRO FORMA FINANCIAL HIGHLIGHTS, BRAZIL (R$ MILLION)

	2009	2010	Var %
Total number of consultants - end of period (thousands)	875.2	1,028.7	17.5
Product units for resale (millions)	348.1	378.7	8.8
Gross revenue	5,418.5	6,489.6	19.8
Net revenue	3,949.5	4,764.6	20.6
Gross profit	2,761.4	3,356.4	21.5
Gross margin (%)	69.9	70.4	0.5pp
Selling expenses	(1,300.5)	(1,487.4)	14.4
General and administrative expenses	(376.5)	(516.2)	37.1
Employee profit sharing	(55.8)	(70.4)	26.1
Management compensation	(14.1)	(14.4)	2.5
Other operating income / (expenses), net	(15.8)	(15.7)	(1.0)
Financial income / (expenses), net	(40.9)	(47.9)	17.1
Earnings before taxes	957.8	1,204.4	25.7
Net income	778.6	836.0	7.4
EBITDA	1,085.9	1,335.2	23.0
EBITDA Margin (%)	27.5	28	0.5pp

1. Number of consultants by the end of the 18th cycle of sales.

The year 2010 was positive for our international operations and marked a new phase in business expansion. International operations represented 7.2% of Natura's consolidated net revenues last year. Net revenues from these operations grew by 37.3% in local currency (27.2% in Brazilian reais). The sales channel expanded by 20.8%, enabling us to achieve the figure of 192,000 consultants in the region.

PRO FORMA EBITDA PER OPERATION BLOCK (R$ MILLIONS)

	2009	2010	Var %
Brazil	1,085.9	1,335.2	23.0
Argentina, Chile and Peru	8.9	13.1	47.8
Mexico and Colombia	(42.3)	(32.5)	(23.2)
Other investments	(44.1)	(59.1)	34.1
Total	**1,008.5**	**1,256.8**	24.6

The operations under consolidation (Argentina, Chile, and Peru) showed growth of 27.4% in local currency (17% in Brazilian reais) in net revenue. The result was influenced by several negative factors, such as the earthquake in Chile in February of 2010, which partially destroyed our facilities and interrupted billings for 22 days.

The pro forma EBITDA of this group of operations showed positive consolidation at R$13.1 million for the year, a growth of 47.8% over 2009. This reflected a dilution in sales and administrative expenses in spite of the increasing investment in our brand in these countries.

Operations under implementation (Mexico and Colombia) showed high growth rates of 69.2% in local currency (64.5% in Brazilian reais), disregarding the revenue from the operation in Venezuela, which was closed in 2009. Pro forma EBITDA showed a loss of R$32.5 million (versus R$42.3 million in 2009), reflecting recent and continuing investments to expand these operations.

PRO FORMA FINANCIAL HIGHLIGHTS - OPERATIONS UNDER CONSOLIDATION (ARGENTINA, CHILE, PERU) - (R$ MILLIONS)

	2009	2010	Var %
Total consultants - end of period [1] (thousands)	113.6	129.6	14.1
Product units for resale (millions)	22.5	28.4	26.2
Gross revenue	285.4	335.9	17.7
Net revenue	218.5	255.7	17.0
Gross profit	138.1	157.3	13.9
Gross margin (%)	63.2%	61.5	-1.7pp
Selling expenses	(109.3)	(124.4)	13.8
General and administrative expenses	(23.4)	(21.5)	(8.1)
Other operating income / (expenses), net	1.4	(1.7)	na
Financial income / (expenses), net	0.3	(0.8)	na
Earnings before taxes	7.1	8.9	25.6
Net income / (loss)	(1.1)	3.7	na
EBITDA	8.9	13.1	47.8
Ebitda margin (%)	4.1	5.1	1.1pp

PRO FORMA FINANCIAL HIGHLIGHTS - OPERATIONS UNDER IMPLEMENTATION (MEXICO AND COLOMBIA)[1] (R$ MILLIONS)

	2009	2010	Var %
Total consultants - end of period [1] (thousands)	44.2	60.2	36.3
Product units for resale (millions)	7.1	13.1	83.6
Gross revenue	76.3	114.0	49.4
Net revenue	66.5	98.3	47.8
Gross profit	41.8	56.3	34.8
Gross margin (%)	***62.8***	***57.3***	***-5.5pp***
Selling expenses	(69.7)	(76.0)	9.0
General and administrative expenses	(16.1)	(14.8)	(7.9)
Other operating revenues / (expenses), net	(0.2)	(0.1)	(54.3)
Financial income / (expenses), net	(1.3)	(1.0)	na
Earnings before taxes	(45.5)	(35.6)	(21.8)
Net income / (loss)	(48.0)	(36.0)	(25.0)
Ebtida	(42.3)	(32.5)	(23.2)
Ebitda margin (%)	(63.6)	(33.1)	30.5pp

1. Number of consultants by the end of the 18th cycle of sales.

6. ATTACHMENTS

FINANCIAL STATEMENTS

NATURA COSMÉTICOS S.A.

Financial statements related to fiscal year ended at December 31, 2010 and auditors' report.

In accordance with the legal and statutory rules we submit, to the appreciation of your honour, the balance sheet and the financial statements related to the fiscal year ended at December 31, 2010. Together with the information included in the footnotes here in, the Company's Management is entirely available to the shareholders to any other clarification.

Balance Sheets

As of december 31, 2010

(In thousands of Brazilian reais - R$)

		Company (BRGAAP)		Consolidated (BRGAAP e IFRS)	
ASSETS	Note	2010	2009	2010	2009
CURRENT ASSETS					
Cash and cash equivalents	5	206,125	254,463	560,229	500,294
Trade accounts receivable	6	493,692	414,645	570,280	452,868
Inventories	7	185,092	94,338	571,525	509,551
Recoverable taxes	8	34,799	93,760	101,464	191,195
Related parties	28.1.	25,361	26,757	-	-
Other receivables		52.470	27,620	66,399	62,454
Total current assets		**997,539**	**911,583**	**1,869,897**	**1,716,362**
NONCURRENT ASSETS					
Long-term assets:					
Recoverable taxes	8	4,921	33,697	109,264	63,931
Deferred income tax and social contribution	9.a)	87,491	82,952	180,259	146,146
Escrow deposits	10	289,070	187,656	337,007	232,354
Other noncurrent assets	11	20,052	90	44,904	7,429
Investments	12	1,099,188	1,000,600	-	-
Property, plant and equipment	13	92,175	50,375	560,467	492,256
Intangible assets	13	18,586	11,527	120,073	82,740
Total noncurrent assets		**1,611,483**	**1,366,897**	**1,351,974**	**1,024,856**
TOTAL ASSETS		2,609,022	2,278,480	3,221,871	2,741,218

		Company (BRGAAP)		Consolidated (BRGAAP e IFRS)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2010	2009	2010	2009
CURRENT LIABILITIES					
Borrowings and financing	15	60,086	469,590	226,595	569,366
Trade and other payables	16	113,232	84,471	366,494	255,282
Suppliers - related parties	28.1	246,589	211,591	-	-
Payroll, profit sharing and related taxes		63,769	56,750	162,747	130,792
Taxes payable	17	205,361	85,161	371,815	239,574
Provision for tax, civil and labor risks	18	-	1,465	-	1,465
Derivatives	4.2	3,340	6,869	4,061	8,652
Other payables		54,471	26,339	64,747	30,219
Total current liabilities		**746,848**	**942,236**	**1,196,459**	**1,235,350**
NONCURRENT LIABILITIES					
Borrowings and financing	15	368,356	25,707	465,068	134,992
Taxes payable	17	169,912	113,383	209,316	150,280
Provision for tax, civil and labor risks	18	53,282	54,384	73,784	71,432
Allowance for investment losses	12	-	565	-	-
Provision for healthcare plan	24.2.	13,123	2,384	19,742	9,342
Total noncurrent liabilities		**604,673**	**196,423**	**767,910**	**366,046**
SHAREHOLDERS' EQUITY					
Capital	19.a)	418,061	404,261	418,061	404,261
Capital reserves		149,627	142,993	149,627	142,993
Earnings reserves		282,944	253,693	282,944	253,693
Treasury shares	19.c)	(14)	(14)	(14)	(14)
Proposed additional dividend	19.b)	430,079	357,611	430,079	357,611
Other comprehensive losses		(23,196)	(18,723)	(23,196)	(18,723)
Total equity attributable to owners of the Company		**1,257,501**	**1,139,821**	**1,257,501**	**1,139,821**
Noncontrolling interests		-	-	1	1
Total shareholders' equity		**1,257,501**	**1,139,821**	**1,257,502**	**1,139,822**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,609,022	2,278,480	3,221,871	2,741,218

The accompanying notes are an integral part of these financial statements.

Statement of Income

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Company (BRGAAP)		Consolidated (BRGAAP e IFRS)	
		2010	2009	2010	2009
NET REVENUE	21	5,514,315	4,593,165	5,136,712	4,242,057
Cost of sales		(2,283,926)	(1,956,558)	(1,556,806)	(1,294,565)
GROSS PROFIT		3,230,389	2,636,607	3,579,906	2,947,492
OPERATING (EXPENSES) INCOME					
Selling	22	(1,292,365)	(1,062,579)	(1,704,322)	(1,496,125)
Administrative and general	22	(837,808)	(698,241)	(605,442)	(450,868)
Employee profit sharing	22	(18,174)	(21,049)	(70,351)	(55,784)
Management compensation	28	(14,417)	(13,139)	(14,417)	(14,063)
Equity in subsidiaries	12	25,764	(2,830)	-	-
Other operating (expenses) income, net	26	456	961	(17,468)	(14,624)
INCOME FROM OPERATIONS BEFORE		-	-	-	-
FINANCIAL (EXPENSES) INCOME		1,093,845	839,730	1,167,905	916,028
Financial income	25	17,515	56,794	53,639	84,176
Financial expenses	25	(58,237)	(83,805)	(103,375)	(126,050)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,053,123	812,719	1,118,169	874,154
Income tax and social contribution	9.b)	(309,073)	(128,795)	(374,120)	(190,230)
NET INCOME		744,050	683,924	744,050	683,924
ATTRIBUTABLE TO:					
Owners of the Company		744,050	683,924	744,050	683,924
Noncontrolling interests		-	-	-	-
EARNINGS PER SHARE - R$					
Basic	27.1.	1,7281	1,5926	1,7281	1,5926
Diluted	27.2.	1,7219	1,5880	1,7219	1,5880

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$)

	Note	Company (BRGAAP)		Consolidated (BRGAAP e IFRS)	
		2010	2009	2010	2009
NET INCOME		744,050	683,924	744,050	683,924
Other comprehensive losses-					
Losses from translation of financial statements of foreign subsidiaries	12	(4,473)	(23,884)	(4,473)	(23,884)
TOTAL COMPREHENSIVE INCOME		739,577	660,040	739,577	660,040
ATTRIBUTABLE TO					
Owners of the Company		739,577	660,040	739,577	660,040
Noncontrolling interests		-	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$, except for dividends per share)

	Note	Capital	Capital reserve: Share premium	Capital reserve: Tax incentive reserve - Investment grants	Capital reserve: Additional paid-in capital
BALANCES AS OF DECEMBER 31, 2008		**391,423**	**101,853**	**17,378**	**19,423**
Net income		-	-	-	-
Other comprehensive income	12	-	-	-	-
Total comprehensive income		-	-	-	-
2008 dividends and interest on capital approved at the Annual Shareholders' Meeting of March 23, 2009	19.b	-	-	-	-
Absorption of accumulated losses with profit retention reserve		-	-	-	-
Sale of treasury shares due to exercise of stock options		-	-	-	-
Capital increase through subscription of shares	19.a	12,838	-	-	-
Changes in stock option plans:					
Grant of stock options	23.2	-	-	-	4,339
Exercise of stock options	23.2	-	1,767	-	(1,767)
Allocation of net income:					
Recognition of tax incentive reserve		-	-	-	-
Interim dividends - R$0,50 per outstanding share	19.b	-	-	-	-
Proposed interest on capital - R$0,06 per outstanding share	19.b	-	-	-	-
Proposed dividends on February 24, 2010	19.b	-	-	-	-
Proposed interest on capital on February 24, 2010	19.b	-	-	-	-
Retained earnings reserve	19.f	-	-	-	-
BALANCES AS OF DECEMBER 31, 2009		**404,261**	**103,620**	**17,378**	**21,995**
Net income		-	-	-	-
Other comprehensive income	12	-	-	-	-
Total comprehensive income		-	-	-	-
2009 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 6, 2010		-	-	-	-
Capital increase through subscription of shares	19.a	13,800	-	-	-
Changes in stock option plans:					
Grant of stock options	23.2	-	-	-	11,288
Exercise of stock options	23.2	-	-	-	(4,654)
Allocation of net income:					
Recognition of tax incentive reserve		-	-	-	-
Interim dividends and interest on capital	19.b	-	-	-	-
Proposed dividends on February 23, 2011	19.b	-	-	-	-
Proposed interest on capital on February 23, 2011	19.b	-	-	-	-
Retained earnings reserve	19.f	-	-	-	-
BALANCES AS OF DECEMBER 31, 2010		**418,061**	**103,620**	**17,378**	**28,629**

The accompanying notes are an integral part of these consolidated financial statements.

Profit reserve									
Legal	Tax incentives	Retained earnings	Treasury shares	Proposed additional dividend	Accumulated losses	Other comprehensive income (losses)	Equity attributable to owners of the Company	Noncontrolling interest	Total shareholders' equity
18,650	**1,816**	**155,018**	**(369)**	**311,680**	**(7,924)**	**5,161**	**1,014,109**	**1**	**1,014,110**
-	-	-	-	-	683,924	-	683,924	-	683,924
-	-	-	-	-	-	(23,884)	(23,884)	-	(23,884)
-	-	-	-	-	683,924	(23,884)	660,040	-	660,040
-	-	-	-	(311,680)	-	-	(311,680)	-	(311,680)
-	-	(7,924)	-	-	7,924	-	-	-	-
-	-	-	355	-	-	-	355	-	355
-	-	-	-	-	-	-	12,838	-	12,838
-	-	-	-	-	-	-	4,339	-	4,339
-	-	-	-	-	-	-	-	-	-
-	3,145	-	-	-	(3,145)	-	-	-	-
-	-	-	-	-	(215,152)	-	(215,152)	-	(215,152)
-	-	-	-	-	(25,028)	-	(25,028)	-	(25,028)
-	-	-	-	339,385	(339,385)	-	-	-	-
-	-	-	-	18,226	(18,226)	-	-	-	-
-	-	82,988	-	-	(82,988)	-	-	-	-
18,650	**4,961**	**230,082**	**(14)**	**357,611**	**-**	**(18,723)**	**1,139,821**	**1**	**1,139,822**
-	-	-	-	-	744,050	-	744,050	-	744,050
-	-	-	-	-	-	(4,473)	(4,473)	-	(4,473)
-	-	-	-	-	744,050	(4,473)	739,577	-	739,577
-	-	-	-	(357,611)	-	-	(357,611)	-	(357,611)
-	-	-	-	-	-	-	13,800	-	13,800
-	-	-	-	-	-	-	11,288	-	11,288
-	-	4,654	-	-	-	-	-	-	-
-	5,973	-	-	-	(5,973)	-	-	-	-
-	-	-	-	-	(289,374)	-	(289,374)	-	(289,374)
-	-	-	-	405,623	(405,623)	-	-	-	-
-	-	-	-	24,456	(24,456)	-	-	-	-
-	-	18,624	-	-	(18,624)	-	-	-	-
18,650	**10,934**	**253,360**	**(14)**	**430,079**	**-**	**(23,196)**	**1,257,501**	**1**	**1,257,502**

Statement of Cash Flows

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$)

	Note	Company (BRGAAP) 2010	Company (BRGAAP) 2009	Consolidated (BRGAAP e IFRS) 2010	Consolidated (BRGAAP e IFRS) 2009
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		744,050	683,924	744,050	683,924
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	13	15,305	11,918	88,848	92,426
Provision for losses on swap and forward contracts		5,477	(4,539)	8,787	(4,004)
Provision for tax, civil and labor contingencies	18	106	12,188	3,545	9,090
Interest and inflation adjustment of escrow deposits		(15,318)	(10,266)	(18,129)	(13,240)
Income tax and social contribution	9.a	309,073	128,795	374,120	190,230
(Gain) Loss on sale on property, plant and equipment and intangible assets	26	(468)	(702)	32,620	19,834
Equity in subsidiaries		(25,764)	2,830	-	-
Interest and exchange rate change on borrowings and financing and other liabilities	25	(4,668)	33,662	(5,137)	10,825
Stock options plans expenses		4,081	4,339	11,288	8,573
Provision for discount on sale of ICMS credits		-	-	465	2,414
Allowance for doubtful accounts	6	9,005	8,211	9,149	10,051
Allowance for inventory losses	7	3,981	3,635	30,132	9,650
Provision for healthcare plan	24.2	10,739	2,384	10,400	9,342
		1,055,598	**876,379**	**1,290,137**	**1,029,115**
(INCREASE) DECREASE IN ASSETS					
Current:					
Trade accounts receivable		(88,052)	5,565	(126,561)	7,482
Inventories		(77,360)	(56,996)	(92,106)	(185,569)
Recoverable taxes		58,961	(60,485)	89,731	(83,912)
Other receivables		(23,433)	4,081	(3,945)	8,734
Noncurrent:					
Recoverable taxes		38,703	(13,509)	(44,597)	(30,441)
Other receivables		(19,962)	(45)	(37,475)	(108)
Subtotal		**(111,143)**	**(121,389)**	**(214,953)**	**(283,814)**
INCREASE (DECREASE) IN LIABILITIES					
Current:					
Domestic and foreign suppliers		28,761	(29,302)	111,212	45,499
Payroll, profit sharing and related taxes, net		7,019	1,688	31,955	86
Taxes payable		18,197	(70,140)	(8,192)	(94,059)
Other payables		63,130	1,433	34,528	(1,005)
Noncurrent:					
Taxes payable		56,529	113,383	59,036	150,280
Provision for tax, civil and labor contingencies		(2,673)	(22,184)	(2,658)	(22,216)
Other payables		(565)	(14,439)	-	(10,652)
Subtotal		**170,398**	**(19,561)**	**225,881**	**67,933**
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Payments of income tax and social contribution		(221,535)	(128,758)	(269,001)	(184,365)
Payments of derivatives		(9,006)	(13,924)	(13,378)	(16,255)
Payment of interest on borrowings and financing		(35,405)	(4,574)	(44,902)	(19,919)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**848,906**	**588,173**	**973,784**	**592,695**
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	13	(66,870)	(30,568)	(236,876)	(140,632)
Proceeds from sale of property, plant and equipment and intangible assets		3,174	4,323	9,864	6,066
Escrow deposits		(86,096)	(55,272)	(86,524)	(55,858)
Dividends received from subsidiaries		30,000	-	-	-
Investments in subsidiaries	12	(117,486)	(154,720)	-	-
NET CASH USED IN INVESTING ACTIVITIES		**(237,278)**	**(236,237)**	**(313,536)**	**(190,424)**
CASH FLOW FROM FINANCING ACTIVITIES					
Payments of borrowings and financing - principal		(592,075)	(634,274)	(781,931)	(827,121)
Proceeds from borrowings and financing		565,293	988,310	819,275	1,109,497
Payment of dividends and interest on capital	19.b	(646,985)	(551,860)	(646,985)	(551,860)
Capital increase through subscription of shares	19.a	13,800	12,838	13,800	12,838

continue...

Statement of Cash Flows

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$)

...continuation	Note	Company (BRGAAP) 2010	Company (BRGAAP) 2009	Consolidated (BRGAAP e IFRS) 2010	Consolidated (BRGAAP e IFRS) 2009
NET CASH USED IN FINANCING ACTIVITIES		(659,967)	(184,986)	(595,840)	(256,646)
Gains (losses) on translation of foreign-currency cash and cash equivalents		-	-	(4,473)	4,172
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(48,338)	166,950	59,935	149,797
Cash and cash equivalents at the beginning of the year		254,463	87,513	500,294	350,497
Cash and cash equivalents at the end of the year		206,125	254,463	560,229	500,294
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(48,338)	166,950	59,935	149,797
Additional statements of cash flows information:					
Restricted cash	11	-	-	6,155	5,769
Bank overdrafts - unused		147,900	197,720	265,500	242,145

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Value Added

For the year ended December 31, 2010

(In thousands of Brazilian reais - R$)

	Note	Company (BRGAAP) 2010		Company (BRGAAP) 2009		Consolidated (BRGAAP) 2010		Consolidated (BRGAAP) 2009	
REVENUES		6,394,783		5,333,613		6,850,225		5,705,072	
Sales of products and services		6,477,739		5,402,269		6,951,106		5,789,313	
Other operating (expenses) income, net		456		961		(17,468)		(14,624)	
Allowance for doubtful accounts		(83,412)		(69,617)		(83,412)		(69,617)	
INPUTS PURCHASED FROM THIRD PARTIES		(4,278,970)		(3,590,406)		(3,707,385)		(3,087,532)	
Cost of sales and services		(2,488,991)		(2,133,895)		(2,355,631)		(1,957,104)	
Materials, electricity, services and others		(1,789,979)		(1,456,511)		(1,351,754)		(1,130,427)	
GROSS VALUE ADDED		2,115,813		1,743,207		3,142,841		2,617,540	
RETENTIONS		(15,305)		(11,918)		(88,848)		(92,426)	
Depreciation and amortization	13	(15,305)		(11,918)		(88,848)		(92,426)	
VALUE ADDED GENERATED BY THE COMPANY		2,100,508		1,731,289		3,053,993		2,525,114	
TRANSFERRED VALUE ADDED		66,933		53,964		53,639		84,176	
Equity in subsidiaries	12	25,764		(2,830)		-		-	
Financial income - includes inflation and exchange rate variations		41,169		56,794		53,639		84,176	
TOTAL VALUE ADDED TO BE DISTRIBUTED		2,167,440		1,785,253		3,107,632		2,609,290	
DISTRIBUTION OF VALUE ADDED:		(2,167,440)	100%	(1,785,253)	100%	(3,107,632)	100%	(2,609,290)	100%
Employees and social charges		(222,957)	10%	(191,654)	11%	(769,245)	25%	(642,954)	21%
Taxes and contributions		(1,111,331)	51%	(818,464)	46%	(1,476,512)	47%	(1,147,364)	52%
Financial expenses and rentals		(89,102)	4%	(86,349)	5%	(117,825)	4%	(130,187)	4%
Dividends		(659,570)	31%	(554,537)	11%	(659,570)	21%	(554,537)	7%
Interest on capital		(59,883)	3%	(43,254)	2%	(59,883)	2%	(43,254)	1%
Retained earnings		(24,597)	1%	(90,995)	25%	(24,597)	1%	(90,995)	15%

Supplemental statement of value added information

R$454,114 and R$424,222 are included in caption 'Taxes and contribution' in 2010 and 2009, respectively, and refer to reverse charge State VAT (ICMS) levied on the estimated profit margin set by the State Departments of Finance based on sales made by Natura consultants to final customer.

For the analysis of this tax impact on the statement of value added, these amounts should be deducted from those recorded in 'Sales of products and services' and 'Taxes and contributions', since sales revenue does not include the estimated profit attributable to Natura consultants on the sale of products, in the amounts of R$2,738,227 and R$2,302,549 in 2010 and 2009, respectively, considering an estimated profit margin of 30%.

The accompanying notes are an integral part of these financial statements.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Natura Cosméticos S.A. (the "Company") is a publicly-traded company, headquartered in Itapecerica da Serra, State of São Paulo, registered in the São Paulo Stock Exchange (BM&FBOVESPA), under the ticker "NATU3".

The Company's and its subsidiaries' activities ("Natura's Group" or the "Group") include 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. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of presentation

The Company's financial statements include:

• The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and the accounting practices adopted in Brazil, identified as Consolidated – IFRS and BR GAAP.

• The Parent's individual financial statements prepared in accordance with the accounting practices adopted in Brazil, identified as Company – BR GAAP.

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

The individual financial statements include investments in subsidiaries, joint ventures and associates which are measured under the equity method, as required by the legislation prevailing in Brazil. Therefore, these individual financial statements are not fully compliant with IFRS, which requires that these investments be stated at fair value or acquisition cost. Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the Company's shareholders recorded in the consolidated financial statements prepared under IFRS and the accounting practices adopted in Brazil, the Company elected to present the individual and the consolidated financial statements as a single set in the side-by-side comparison format.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The main accounting practices adopted in preparing these consolidated financial statements are summarized below. These practices are consistent with those adopted in the prior reporting period, except otherwise indicated.

2.2. Consolidation

a) Subsidiaries and joint-controlled entities

Subsidiaries are all the entities in which the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities and that the 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 no longer exists.

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

	Interest holding - %	
	2010	2009
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Cosméticos S.A. - Chile	99.99	99.99
Natura Cosméticos S.A. - Peru	99.94	99.94
Natura Cosméticos S.A. - Argentina	99.97	99.97
Natura Brasil Cosmética Ltda. - Portugal	-	98.00
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Cosméticos y Servicios de Mexico. S.A. de C.V.	99.99	99.99
Natura Cosméticos de Mexico, S.A. de C.V.	99.99	99.99
Natura Distribuidora de Mexico, S.A. de C.V.	99.99	99.99
Natura Cosméticos C.A. - Venezuela	-	99.99
Natura Cosméticos Ltda. - Colômbia	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda. – under dissolution	-	99.99
Natura Cosméticos España S.L. - Espanha	100.00	100.00
Natura (Brasil) International B.V. - Holanda	100.00	100.00
Natura Cosméticos y Vestimentas S.A. - Uruguai	-	99.99
Indirect interest:		
Through Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda.	99.99	99.99
Through Natura Inovação e Tecnologia de Produtos Ltda.:		
Ybios S.A. (proportional consolidation - joint control)	42.11	33.33
Natura Innovation et Technologie de Produits SAS - France	100.00	100.00
Through Natura (Brasil) International B.V. - The Netherlands:		
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 - França	100.00	100.00
Natura Brasil Inc. - EUA - Nevada	100.00	100.00
Natura Europa SAS - França	100.00	100.00

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the Company's accounting practices. Investments in subsidiaries were proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits, net of taxes, were also eliminated.

The operations of the direct and indirect subsidiaries are as follows:

• 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.

• 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.

• 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 Products SAS - France, a research and technology satellite center opened in 2007 in Paris.

• 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.

• 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.

• 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.

• Natura Cosméticos España S.L. - Spain: company in start-up stage and its activities will be an extension of the activities developed by the parent company Natura Cosméticos S.A. - Brazil.

• Flora Medicinal J. Monteiro da Silva Ltda. – under dissolution: used to be engaged in the sale of phytotherapic 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. In December 2010, the company has obtained approval for dissolution and its net assets were absorbed by Natura Cosméticos S.A.

• Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil.

• 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.

• 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 42.11% of interest (33.33% in December 31, 2009) after ownership elimination adjustments, are stated below:

	2010	2009
Current assets	630	409
Property, plant and equipment	98	197
Current liabilities	87	282
Net losses	(682)	(630)

• 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.

c) 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 start-up 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, 2010, 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$273.

2.3. 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.

2.4. Translation into foreign currency

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").

b) Foreign currency transactions and balances

The financial statements are presented in Reais (R$), which corresponds to the Group's presentation currency.

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 through the statement of income, under the captions "Financial income" and "Financial expenses".

c) Translation

In preparing the consolidated financial statements, the statements of income and cash flows, and all other changes in assets and liabilities are translated into Brazilian reais at the average monthly exchange rate, which approximates the exchange rate prevailing at the date of the underlying transactions. Balance sheets are translated into Brazilian reais at the exchange rates prevailing at year end.

The effects of the exchange differences resulting from these translations are presented in line item 'Other comprehensive income', in shareholders' equity. In case of disposal or partial disposal of interest in a Group company, through sale or as a result of capital payment, the cumulative exchange difference is recognized in the statement of income as part of the gain or loss on the disposal of the investment.

2.5. Cash and cash equivalents

Include cash, demand deposits and short-term investments redeemable in up to 90 days from the investment date, 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.

2.6. Financial instruments

2.6.1. Categories

The category depends on the purpose for which the financial assets and liabilities were acquired or contracted and is determined upon initial recognition of the financial instruments.

The Company classifies its financial assets under the following categories:

Financial assets measured at fair value through profit or loss

The financial assets are measured at fair value through profit or loss when they are 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, 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".

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 acquisition cost plus income earned according to contractual terms and conditions.

Available-for-sale financial assets

When applicable, available-for-sale financial assets include non-derivative financial assets, which are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held for trading or (c) financial assets at fair value through profit or loss. As of December 31, 2010 and 2009, the Company did not have assets recorded in the financial statements under this classification.

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. As of December 31, 2010 and 2009, include cash and cash equivalents (note 5) and trade accounts receivable (note 6).

Financial liabilities held by the Company are classified into the following categories:

Financial liabilities measured at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when they are held for trading or designated as fair value through profit or loss.

Other financial liabilities

Other financial liabilities are measured at the amortized cost using the effective interest method. As of December 31, 2010 and 2009 other financial liabilities comprised borrowings and financing (note 15) and trade and other payables.

2.6.2. Measurement

Regular purchases and sales of financial assets are recognized upon the date transactions occur, i.e., on the date the Company agrees 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 recognized through the statement of income. 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", if applicable, these changes are recorded in caption "Other comprehensive income", within equity, until they are settled, when they are reclassified to the statement of income.

2.6.3. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to set off recognized amounts and the intent to either settle them on a net basis, or to recover the asset and settle the liability simultaneously.

2.6.4. Derivative financial instruments and hedge accounting

Derivative transactions contracted by the Company and its subsidiaries are limited to swaps and currency Non Deliverable Forwards (NDFs) intended exclusively to hedge against the currency risks related to the positions in the balance sheet plus projected cash outflows in foreign currency for capital increases in foreign subsidiaries

They are measured at fair value, and changes in fair value are recognized through profit or loss, except when they are designated as cash flow hedges, to which changes in fair value are recorded in 'Other comprehensive income' within shareholders' equity.

The fair value of derivatives is measured by the Company's treasury department 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 Group uses derivatives for hedging purposes, it does not apply hedge accounting.

The fair values of derivatives are disclosed in note 4.

2.7. Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at their nominal value, less the allowance for doubtful accounts, which is recognized based on an analysis of past experience with losses, in an amount considered sufficient to cover possible losses, as described in note 6.

2.8. Inventories

Stated at the lower of average cost of acquisition or production and net realizable value. The details are shown in note 7.

2.9. Investments in subsidiaries, associates and joint-controlled entities

The Group holds interest in subsidiaries, associates and joint-controlled entities.

Subsidiaries are entities that are controlled by the Company. Control is the power to govern the financing and operating policies so as to obtain benefits from its activities, what usually means .the capacity to exercise the majority of voting rights. The potential voting rights are considered in the evaluation of control exercised by the Group in another entity, when they are exercisable at the time of such evaluation

Associates are entities over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policies of the investee without exercising individual or joint control on these policies.

Joint-controlled entities are entities where the venturers have a contractual agreement which establishes joint control on its economic activities.

Investments in subsidiaries, associates and joint-controlled entities are accounted for using the equity method. The financial statements of subsidiaries, associates and joint-controlled entities are prepared on the same date as the Company's financial statements. Adjustments are made, if necessary, to comply their accounting policies with the ones adopted by the Company.

Under the equity method the Group's interest on the investee's net income or loss is recorded in the statement of income under the caption "Equity in subsidiaries". Unrealized gains and losses resulting from transactions between the Company and its investees are eliminated based on its interest on each investee. Investee's other comprehensive income are recorded directly in the Company's equity under the caption "Other comprehensive income".

2.10. Property, plant and equipment

Stated at acquisition cost and/or construction, plus interest capitalized during construction period, when applicable, for the case of eligible assets and reduced by accumulated depreciation and by impairment losses, if applicable. Depending on the nature of the asset and the time it was purchased, cost refers to the historic cost of purchase or the historic cost of purchase adjusted for the effects of hyperinflation until December 31, 1997, when the Brazilian economy was considered hyperinflationary for IFRS purposes.

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 also submitted to depreciation calculated based on the estimated useful lives of the assets.

Land is not depreciated. Depreciation of the other assets is calculated under the straight-line method to distribute their cost over their useful lives, as follows:

	Years
Buildings	25
Machinery and equipment	13
Molds	3
Facilities and leasehold improvements	5 - 13
Furniture and fixtures	14
Vehicles	3

Useful lives are revised annually.

Gains and losses on disposals are calculated by comparing the proceeds from the sale with the carrying amount, and are recognized in the statement of income.

2.11. 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 there is evidence that future economic benefits will flow through the Company, 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.. Amortization is calculated under the straight-line method at the annual rates described in note 13.

2.12. 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 22.

2.13. 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 2.10 or the lease term.

2.14. 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 will not 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 its value in use and its fair value less costs to sell, 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.

2.15. Trade payables

They are recognized initially at its nominal amounts. They are subsequently carried at amortized cost, i.e., plus interest, monetary and exchange variations incurred through the balance sheet dates.

2.16. Loans and financings

Initially recognized at fair value of proceeds received less transaction costs. They are subsequently carried at amortized cost, i.e., plus charges, interest, inflation and exchange rate changes incurred through the balance sheet dates, as shown in note 15.

2.17. Provisions for tax, civil and labor contingencies

The provisions 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. Provisions 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 legal counsel. The basis and nature of the reserves for tax, civil and labor contingencies are described in note 18.

2.18. 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 is 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 are calculated based on deductible temporary differences between tax and financial reporting basis of assets and liabilities. Deferred income tax and social contribution are calculated using the tax rates enacted 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 offset when there is a legally enforceable right to offset tax assets against 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.

2.19. Stock option plans

The Company offers equity-settled share-based compensation plans to its employees and executives based on the Company's shares.

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.

2.20. Profit sharing

The Company recognizes a profit-sharing liability and expense based on a formula that takes into consideration the taxable income attributable to the owner of the Company after certain adjustments, which is linked to the achievement of operational goals and specific objectives, established and approved at the beginning of each year.

2.21. 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 "Other payables" in current 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" within equity, and its effects are presented in note 19.b).

For corporate and accounting purposes, interest on capital is stated as allocation of income directly in shareholders' equity.

2.22. 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 IAS 19 and CPC 33, based on the actuarial calculation prepared by an independent actuary, as detailed in note 24.2.

2.23. Results of operation and revenue recognition

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.

2.24. Effective interest method

Effective interest method is used to calculate the amortized cost of a debt instrument and allocate its interest income over the related period. The effective interest rate is the rate that discounts exactly the estimated future cash receipts (including fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the estimated useful life of the debt instrument or, when applicable, by a shorter period, for the net carrying amount on the date of initial recognition.

Income is recognized based on the effective interest of debt instruments not classified as financial assets at fair value through profit or loss.

2.25. Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 Statement of Value Added. The first part of this statement includes the wealth created by the Company, represented by revenue (gross sales revenue, including taxes levied thereon, other income, and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchase of materials, electricity, and services from third parties, including taxes levied at the time of the acquisition, the effects of impairment losses, and depreciation and amortization), and the value added received from third parties (equity in subsidiaries, financial income, and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, remuneration of third parties capital and shareholders' equity.

2.26. New standards, changes and interpretation of standards

a) Standards, interpretations and revised standards effective on December 31, 2010 which did not have a material impact on the Company's financial statements.

The following interpretations and revised standards were issued and were effective on December 31, 2010. However, they did not have a material impact on the Company's financial statements:

Standards	Main requirements	Effective date
Improvements to IFRSs - 2009	Amendment of several standards	Effective for annual periods beginning on or after January 1, 2010
Amendments to IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first -time adopters	Effective for annual periods beginning on or after July 1, 2010
Amendments to IFRS 1	Additional exemptions for first-time adopters	Effective for annual periods beginning on or after January 1, 2010
Amendments to IAS 32	Classification of issue rights	Effective for annual periods beginning on or after February 1, 2010
Amendments to IFRS 2	Intragroup share-based payments settled in cash	Effective for annual periods beginning on or after January 1, 2010
IFRIC 19	Extinguishing liabilities by issues of equity instruments	Effective for annual periods beginning on or after January 1, 2010

In August 2010, CVM issued Resolution 636/10, which approves pronouncement CPC 41 - Earnings per Share, issued based on IAS 33 - Earnings per Share. CPC 41 provides for the disclosure of earnings per share, without impact on recognition, measurement and presentation of individual financial statements. The Company adopted CPC 41 in its individual and consolidated financial statements for the year ended December 31, 2010.

b) Standards, interpretations and revised standards not yet effective and which were not early adopted by the Company.

The following standards and revised standards have been issued and are mandatory for reporting periods beginning on or after January 1, 2011. However, the Company did not early adopt these standards and revised standards.

Standards	Main requirements	Effective date
Improvements to IFRSs - 2010	Amendment of several standards	Effective for annual periods beginning on or after January 1, 2011
IFRS 9 (as changed in 2010)	Financial instruments	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 24	Related-party disclosures	Effective for annual periods beginning on or after January 1, 2011
Amendments to IFRS 1	Removal of fixed dates for first-time adopters	Effective for annual periods beginning on or after July 1, 2011
Amendments to IFRS 7	Disclosures - transfers of financial assets	Effective for annual periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred taxes - recovery of the underlying assets when an asset is measured using the fair value model in IAS 40	Effective for annual periods beginning on or after January 1, 2012
Amendments to IFRIC 14	Prepayments of minimum funding requirements	Effective for annual periods beginning on or after January 1, 2011

IFRS 9 Financial Instruments (effective beginning January 1, 2013). The publication is part of the improvement project of IASB on the measurement, classification and recognition of financial instruments issued in November 2009 and replaces the part of IAS 39 related to the measurement and classification of financial assets. This standard prescribes the classification of financial assets into two categories: assets measured at fair value and assets at amortized cost, where the classification is determined at the time of recognition of the asset and in accordance with the entity's business model and features of the contracted financial instrument. Due to the features of the financial instruments currently contracted by the Company, no significant effects are expected at the time of adoption of this standard beginning January 1, 2013.

Considering the current operations of the Company and its subsidiaries, management does not expect that the adoption of these new rules, interpretations and changes will have a relevant effect on the financial statements.

The Accounting Pronouncements Committee - CPC has not yet issued the pronouncements and amendments related to the new and revised IFRSs above. Because of the CPC's and the Comissão de Valores Mobiliários - CVM's commitment to keep the set of standards issued updated according to the changes made by the International Accounting Standards Board - IASB, we expect that such pronouncements and amendments be issued by the CPC and approved by the CVM by the date they become effective.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires Management to use certain significant accounting estimates and judgment in applying the accounting policies.

Accounting estimates and assumptions, reviewed on an ongoing basis, are based on historical experience and other factors, including expectations of future events that are considered to be reasonable in the circumstances. These estimates and assumptions could differ from actual results. The effects of the accounting estimates revisions are recognized in the period in which they occur.

These significant assumptions and accounting estimates are follows:

a) Income tax, social contribution and other taxes

The Company recognizes deferred tax assets and liabilities based on differences between the carrying amount stated in the financial statements and the tax base assets and liabilities using statutory tax rates. The Company reviews regularly deferred tax assets in terms of possible recovery, considering historical profit generated and projected future taxable income, based on a technical feasibility study.

b) Provision for tax, civil and labor contingencies

The Company is a party to several lawsuits and administrative proceedings, as described in note 18. Provisions are recognized for all contingencies arising from lawsuits that represent probable losses and that can be reasonably estimated. The probability assessment includes assessing available evidences, the hierarchy of the laws, available previous decisions, most recent court decisions and their relevance within the legal system, and the assessment of the outside legal counsel. Management believes that these provisions for tax, civil and labor contingencies are fairly presented in the financial statements.

c) Healthcare plan

The current amount of the healthcare plan is contingent to a series of factors determined based on actuarial calculations that update a series of assumptions, for example, the discount and other rates, which are disclosed in note 24.2. The change in one of these estimates could impact the results presented.

4. FINANCIAL RISK MANAGEMENT

4.1. General considerations and policies

The Company and its subsidiaries enter into transactions involving financial instruments, all of which are recorded in balance sheet accounts, for the purpose of reducing its exposure to currency and interest risks, as well as maintaining their investment capacity and growth strategy. The Company contracts short-term 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 approved by the Board of Directors, which establish foreign exchange exposure limits and 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 consolidated foreign exchange exposure, on which Management's decision-making is based.

The Short-term Investments Policy established by the Company's Management elects the financial institutions with which contracts can be entered into and sets limits for the amounts to be invested in each financial institution.

Almost in their entirety (98.7% on December 31, 2010 and 99.9% on December 31, 2009), foreign-currency denominated loans and financing have been hedged against foreign exchange fluctuations by contracting swap derivatives to hedge the related transactions.

4.2. Financial risk factors

The Group and its subsidiaries' activities expose the companies to several financial risks: market risk (including currency and interest risks), 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 Internal Committees and the Board of Directors. The treasury identifies, assesses and hedges the Company against possible financial risks, mainly arising from interest and foreign exchange rates.

a) Market risk

The Company is exposed to market risks arising from its business activities. These market risks mainly comprise possible changes in exchange and interest rates.

i) Currency risk

Due to different types of trade receivables and 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, as well as future cash flows, with average maturity of six-month period, 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.

For exchange rate exposure, the Company and its subsidiaries contract derivative (swaps) and Non Deliverable Forward (NDFs) 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 Reais against the U.S. dollar. This limit defines the ceiling, or maximum exchange rate the Company may be exposed.

As of December 31, 2010 and 2009, the consolidated exchange rate exposure, excluding investments in foreign subsidiaries exposure, is as follows:

	Consolidated	
	2010	2009
Assets position		
Trade accounts receivable (1)	5,239	3,386
Derivative instruments (2)	94,358	186,654
Total assets	**99,598**	**190,040**
Liabilities position:		
Loans and financing (3)	(58,675)	(142,649)
Trade accounts payable (4)	(4,964)	(4,409)
Total liabilities	**(63,639)**	**(147,058)**
Total exposure	**35,959**	**42,982**

(1)Trade accounts receivable: correspond to receivables related to the Company and its Brazilian subsidiaries' exports, excluding the balances of foreign subsidiaries, maintained in their functional currencies.

(2) Derivative instruments: swap and forward outstanding contracts, stated below, with maturities between January 2011 and February 2017, were signed by the counterparts represented by the Banks Bradesco (54%), Brasil (2%), HSBC (6%), ItauBBA (19%) and Citibank (19%) as follows:

	Consolidated			
	Notional amount		Assets (liabilities) at fair value	
Type of operation	2010	2009	2010	2009
Financial Swaps (2.1)	59,817	133,033	(2,830)	(8,430)
Financial Forwards (2.1)	-	187	-	(8)
Operating forwards (2.2)	34,542	53,464	(1,231)	(214)
	94,359	186,684	(4,061)	(8,652)

As of December 31, 2010, the notional amount, totaling R$94,359 (R$186,684 as of December 31, 2009) represents the assets of derivative financial instruments contracted to hedge the exposure of Company and its subsidiaries liabilities to foreign exchange risks. The assets (liabilities) balances refer to the net adjustment receivable and payable, respectively, calculated at fair value as of December 31, 2010 and 2009 of outstanding derivatives contracted by the Company and its subsidiaries effective at year-end.

(2.1) For financial exchange rate exposures, generated by trade accounts receivable, accounts payable and loans and financing denominated in foreign currency, the Company and its subsidiaries have contracted swap and forward transactions aiming to mitigate exchange rate risks to which these loans and financing are subject. Swap transactions consist of swapping the exchange rate changes by a percentage of CDI – Interbank Deposit Rate - 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, which are related to cash flows from future capital increases in foreign subsidiaries, forward transactions are contracted.

(3) Loans and financing: refer to loans and financing payables denominated in foreign currency. As of December 31, 2010, the equivalent amount in U.S. dollar was US$35,215 million.

(4) Trade accounts payable: refer to payable balances in foreign currency due to trade accounts payable.

As of December 31, 2010 and 2009, the company exchange rate exposure is shown as follows:

	Company	
	2010	2009
Assets position:		
Derivative instruments (1)	86,676	168,505
Total assets	**86,676**	**168,505**
Liabilities position:		
Loans and financing (2)	(52,567)	(114,712)
Trade accounts payable (3)	(842)	(497)
Total liabilities	**(53,409)**	**(115,209)**
Total exposure	**33,267**	**53,296**

(1) Derivative instruments: swap and forward outstanding contracts, stated below, with maturities between January 2011 and July 2014, were signed by the counterparts represented by the Banks Bradesco (57%), Brasil (1%), HSBC (2%), ItauBBA (20%) and Citibank (20%) as follows:

	Company			
	Notional amount		Assets (liabilities) at fair value	
Type of operation	2010	2009	2010	2009
Financial Swaps (1.1)	53,534	94,231	(2,109)	(6,647)
Financial Forwards (1.1)	-	187	-	(8)
Operating forwards (1.2)	34,542	53,464	(1,231)	(214)
	88,076	147,882	(3,340)	(6,869)

As of December 31, 2010, the notional amount, totaling R$88,076 (R$147,882 as of December 31, 2009) represents the assets of derivative financial instruments contracted to hedge the exposure of Company and its subsidiaries' liabilities to foreign exchange risks. The assets (liabilities) balances refer to the net adjustment receivable and payable, respectively, calculated at fair value as of December 31, 2010 and 2009 of outstanding derivatives contracted by the Company and its subsidiaries, effective at year-end.

(1.1) 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 to which these loans and financing are subject. Swap transactions consist of swapping the exchange rate change by a percentage of changes 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.

(1.2) For operating forwards, related to future cash flows, forward transactions are contracted.

(2) Loans and financing: refer to loans and financing payables denominated in foreign currency. As of December 31, 2010, the equivalent amount in U.S. dollar was US$31,550.

(3) 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 short- and long-term loans and financing. The Company's Management has the policy of maintaining its indices 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 Interbank Deposit Rate - CDI floating rate, pursuant to contracts entered into with financial institutions and by trading securities with stock exchange investors.

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 financial 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:

	Consolidated
Total loans and financing in foreign currency	58,675
Notional amounts of financial derivatives	(59,817)
Net exposure	(1,142)

Similarly, the Company considers that part of operating derivatives in the amount of R$34,542 should not be included in the sensitivity analysis as they were settled on January 3, 2011 to which was recorded a loss of R$1,231. Thus, the sensitivity analysis will be applied only to the amount of R$59,817 as a result of the aforementioned considerations.

Exposure	Company's risk	Scenario Probable	Scenario Possible	Scenario Remote
Financial	Depreciation of U.S. dollar	23	(286)	(571)

The probable scenario reflects BM&FBOVESPA – São Paulo's Stock Exchange quotation as of January 12, 2011 (R$1.70/US$). Considering asset exposures in U.S. dollar (risk of depreciation of this currency), the possible scenario takes into consideration a 25% depreciation as of December 31, 2010 (R$1.25/US$) and a 50% depreciation (R$0.83/US$) for the remote scenario.

	Company
Total loans and financing in foreign currency	52,567
Notional amount of financial derivatives	(53,534)
Net exposure	(967)

Similarly, the Company considers that part of operating derivatives in the amount of R$34,542 should not be included in the sensitivity analysis as they were settled on January 3, 2011 to which was recorded a loss of R$1.231. Thus, the sensitivity analysis will be applied only to the amount of R$53,534 as a result of the aforementioned considerations

Exposure	Company's risk	Scenario Probable	Scenario Possible	Scenario Remote
Financial	Depreciation of U.S. dollar	20	(242)	(483)

The probable scenario reflects BMF&BOVESPA quotation as of January 12, 2011 (R$1.70/US$). Considering asset exposures in U.S. dollar (risk of depreciation of this currency), the possible scenario takes into consideration a 25% depreciation as of December 31, 2010 (R$1.25/US$) and a 50% depreciation (R$0.83/US$) for 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, 2010 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 linked to the variation of CDI and TJLP ("Long Term Interest Rate"):

	Company	Consolidated
Total loans and financing	(428,442)	(569,073)
Short-term investments	196,437	521,915
Net exposure	(232,005)	(47,158)

Concerning the net exposure of loans and financing linked to the interest rates CDI and TJLP, from which the Company has deducted the balances of short-term investments, also linked to CDI (note 5), the Company's Management understands that, in view of the low risk of major fluctuations in CDI in 2010 because 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$1,179.

b) Credit risk

Credit risk refers to the risk that the counterparty will not fulfill its contractual obligations, which may cause financial losses to the Group. Company's sales are made to a great number of Beauty Consultants 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 Group is also subject to credit risks related to financial instruments contracted for the management of its business.

The Company believes that credit risk in operations that it holds 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 marketable securities, funds available through credit facilities used and the ability to settle market positions.

Management monitors the Company's consolidated liquidity level considering the expected cash flow against unused credit facilities.

d) Financial liabilities

Carrying amounts of consolidated financial liabilities measured at amortized cost and its corresponding maturities are as follows:

Consolidated As of December 31, 2010	Less than one year	Between one and two years	Between three and five years	More than five years	Fair value 2010	Discount effect	Carrying amount 2010
Current assets:							
Loans and financing	226,595	-	-	-	226,595	-	226,595
Trade accounts payable	331,909	-	-	-	331,909	-	331,909
Noncurrent:							
Loans and financing	-	39,425	421,403	4,240	465,068	-	465,068

4,3, Capital management

The Group's intention in managing its capital is to safeguard its capacity to continuously provide return to the Company's shareholders and benefits to other stakeholders and to 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 total equity,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 financial leverage indices as of December 31, 2010 and 2009 can be summarized as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Short- and long-term loans and financing	428,442	495,297	691,663	704,358
(-) Cash and cash equivalents	(206,125)	(254,463)	(560,229)	(500,294)
Net debt	222,317	240,834	131,434	204,064
Shareholders' equity	1,257,501	1,139,821	1,257,501	1,139,821
Financial leverage index	17,7%	21,1%	10,5%	17,9%

4,4 Financial derivatives

Regarding swap and forward transactions outstanding as of December 31, 2010 and 2009, gains and losses at fair value, are as follows:

	Company		Consolidated	
Gains (losses) on changes in fair values on swap and forward transactions	2010	2009	2010	2009
Financial "Swaps"	(2,109)	(6,647)	(2,830)	(8,430)
Financial "Forwards"	-	(8)	-	(8)
Operating forwards	(1,231)	(214)	(1,231)	(214)
	(3,340)	(6,869)	(4,061)	(8,652)

a) Details on derivative transactions

i) Financial derivatives

Information on financial derivatives as of December 31, 2010 and 2009, contracted by the Company and its subsidiaries, arising from loans and financing denominated in foreign currency, is as follows:

Company	Notional amount		Fair value		Accumulated effect through December 31, 2010 - at fair value
Description	2010	2009	2010	2009	
Swap contracts:					
Asset position:					
Long position - U.S. dollar	53,534	4,231	52,121	2,997	(2,109)
Long position - yen	-	90,000	-	111,192	-
	53,534	94,231	52,121	114,189	(2,109)
Liability position:					
CDI floating rate:					
Long position - U.S. dollar	53,534	4,231	54,231	4,027	-
Long position - yen	-	90,000	-	116,809	-
	53,534	94,231	54,231	120,836	-
Forward contracts:					
Long position - U.S. dollar	-	187	-	192	-
Liability position:					
Fixed rate	-	187	-	200	-

Consolidated	Notional amount		Fair value		Accumulated effect through December 31, 2010 - at fair value
Description	2010	2009	2010	2009	
Swap contracts-					
Asset position:					
Long position - U.S. dollar	59,817	43,003	57,367	28,138	(2,830)
Long position - yen	-	90,000	-	111,192	-
	59,817	133,003	57,367	139,330	(2,830)
Liability position-					
CDI floating rate:					
Long position - U.S. dollar	59,817	43,003	60,197	30,951	-
Long position - yen	-	90,000	-	116,809	-
	59,817	133,003	60,197	147,760	-
Forward contracts-					
Long position - U.S. dollar	-	187	-	192	-
Liability position-					
Fixed rate	-	187	-	200	-

ii) Operating derivatives

Information on operating derivatives as of December 31, 2010 and 2009, contracted by the Company and its subsidiaries for hedging the exposure arising from future cash flows, is as follows:

Company and Consolidated	Notional amount		Fair value		Accumulated effect through December 31, 2010 - at fair value
Description	2010	2009	2010	2009	
Forward contracts:					
Long position - U,S, dollar	34,542	53,464	34,555	54,124	(1,231)
	34,542	53,464	34,555	54,124	(1,231)
Liability position-					
Fixed rate:					
Long position - U,S, dollar	34,542	53,464	35,786	54,338	-
	34,542	53,464	35,786	54,338	-

For derivatives maintained by the Company as of December 31, 2010, due to the fact contracts are directly entered into with the financial institutions and not through a Mercantile and Futures Exchange, there are no margins deposited as guarantee of the related operations.

4.5. 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 uses several methods and sets 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.

The amounts of trade receivables and trade payables recognized at their carrying amounts approximate their fair 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 its financial instruments, as set out in CPC 40 - Financial Instruments: Disclosure, for financial instruments measured in the balance sheet, which requires the disclosure of fair value measurements at the following hierarchy level:

• Prices quoted (unadjusted) 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).

• Inputs 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 and liabilities measured at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value				
- Derivatives	-	90,298	-	90,298
Total assets	-	90,298	-	90,298

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 the 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 inputs are 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 Group does not have financial instruments measured at fair value under Level 3 for the year ended December 31, 2010.

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 loans and financing indexed to TJLP, approximate their collectible amounts as they are indexed to CDI fluctuation.

Financing indexed to TJLP approximates the collectible amount recorded in the financial statements as TJLP is also correlated to CDI and is a floating rate.

Trade accounts receivable and trade accounts payable

Additionally, the amounts of trade accounts receivable and trade accounts payable recognized at their carrying amounts approximate their fair value in view of the short term of the transactions conducted.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2010	2009	2010	2009
Cash and banks	9,688	12,010	38,314	61,242
Bank certificates of deposit (CDB) - floating rate	196,437	242,453	528,070	444,821
	206,125	254,463	566,384	506,063
Current	206,125	254,463	560,229	500,294
Noncurrent - short-term investments (note 17.(c) - tax contingencies)	-	-	6,155	5,769
	206,125	254,463	566,384	506,.063

As of December 31, 2010, CDBs carry interest at rates ranging from 100.0% to 101.5% (100.0% to 103.1% as of December 31, 2009) of the Interbank Deposit Rate (CDI).

CDBs are classified by Management of the Company and its subsidiaries as "Cash and cash equivalents" as they are considered financial assets that may be redeemed immediately and subject to insignificant risk of changes in its value.

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2010	2009	2010	2009
Trade accounts receivable	550,355	462,303	635,944	509,383
Allowance for doubtful accounts	(56,663)	(47,658)	(65,664)	(56,515)
	493,692	414,645	570,280	452,868

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Current	432,703	355,402	492,947	402,482
Up to 30 days past due	79,136	73,330	93,967	73,330
31 to 60 days past due	10,897	9,757	16,777	9,757
61 to 90 days past due	8,072	6,655	9,406	6,655
91 to 180 days past due	19,547	17,159	22,847	17,159
	550,355	462,303	635,944	509,383

The balance of trade accounts receivable in consolidated is basically denominated in Brazilian reais, and approximately 91% of the outstanding balance as of December 31, 2010 refers to real-denominated transactions (95% as of December 31, 2009). 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, 2010 are as follows:

Company

Balance at 2009	Additions (a)	Reversals (b)	Balance at 2010
(47,658)	(92,417)	83,412	(56,663)

Consolidated

Balance at 2009	Additions (a)	Reversals (b)	Balance at 2010
(56,515)	(99,679)	90,530	(65,664)

(a) Allowance recognized according to note 2.7.

(b) Refers to accounts that are over 180 days past due, which were written off due to uncollectible amounts and due to receipts of balances that were previously written off.

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 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	
	2010	2009	2010	2009
Finished products	181,188	95,202	465,027	397,783
Raw materials and packaging	-	-	127,305	126,479
Promotional material	14,383	5,634	37,576	16,503
Work in process	-	-	17,290	14,327
Allowance for losses	(10,479)	(6,498)	(75,673)	(45,541)
	185,092	94,338	571,525	509,551

The increase recorded in the finished product balance in 2010 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 observed in recent years and also in 2010, as well as the decline in the indices of failure to meet point-of-sale orders.

The changes in the allowance for inventory losses for the year ended December 31, 2010 are as follows:

Company

Balance at 2009	Additions (a)	Reversals (b)	Balance at 2010
(6,498)	(14,880)	10,899	(10,479)

Consolidated

Balance at 2009	Additions (a)	Reversals (b)	Balance at 2010
(45,541)	(159,227)	129,095	(75,673)

(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	
	2010	2009	2010	2009
ICMS on purchases of goods	-	-	97,888	68,556
Refundable ICMS - ST on interstate sales – RS	3,022	20,967	3,022	20,967
Refundable ICMS - ST on interstate sales - SP (a)	7,120	89,767	7,120	89,767
ICMS (state VAT) - ST (reverse charge) - Santa Catarina State	-	3,335	-	3,335
Refundable ICMS - ST - voluntary reporting proceeding - SP (b)	-	-	16,421	15,200
Taxes - foreign subsidiaries	-	-	21,567	17,070
ICMS on purchases of fixed assets	6,825	3,836	16,136	11,891
COFINS on purchases of fixed assets	-	-	9,589	10,983
PIS on purchases of fixed assets	-	-	2,237	2,562
PIS and COFINS on purchase of goods	19,743	8,448	20,025	8,448
IRPJ (withholding income tax) and CSLL (social contribution tax)	10	-	1,746	2,176
PIS/COFINS/CSLL - withheld at source	-	-	5,574	3,436
Other	3,000	1,104	12,282	3,149
(-) Provision for discount on sale of ICMS credits	-	-	(2,879)	(2,414)
	39,720	127,457	210,728	255,126
Current	34,799	93,760	101,464	191,195
Noncurrent	4,921	33,697	109,264	63,931

(a) Refers to the State Reverse Charge 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 Department of Finance (SeFaz - SP) in January 2009, when determining monthly Company's ICMS, since February 2008, it was allowed to offset an amount equivalent to 75% of the ICMS - ST, arising from subsequent transactions not carried out in the State of São Paulo. The remaining recoverable ICMS - ST balance, equivalent to 25%, was 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 and was rectified during the second half of 2010, once the Company had complied with all the requirements related to the documentation requested by tax authorities.

The amounts related to the 25% of the credits of ICMS - ST that were recorded previously in noncurrent assets were reclassified to current assets for the quarter ended September 30, 2010 due to a special regime called "Fast Track" that was approved by SeFaz, which allows the Company to offset the credits as of the date of the financial statements through a bank guarantee in the minimum amount of the credits that were offset through the date of the financial statements.

As of December 31, 2010 the Company has offset the amount of R$76.9 million which was supported by a bank guarantee.

The tax credits recorded under the self-assessment process, totaling R$16,953 as of December 31, 2009, were offset in the first half of 2010 based on authorization granted by tax authorities, as the Company amended its tax books for the period from February to May 2008.

(b) On September 24, 2008, the Tax Administration Coordinator of the SeFaz - SP accepted the voluntary reporting request filed by the 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). The 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$16,421 as of December 31, 2010 and R$15,200 as of December 31, 2009.

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, 2010 is remote.

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred income tax (IRPJ) and social contribution (CSLL) result from Company and its subsidiaries' temporary differences. These credits are recorded in noncurrent assets, in accordance with CPC 26. The amounts are as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Temporary differences				
Allowance for doubtful accounts (note 6))	19,266	16,204	19,266	16,204
Allowance for losses on inventories realization (note 7)	3,563	2,209	21,725	12,591
Reserve for tax, civil and labor contingencies (note 18)	18,884	20,224	40,375	38,940
Non-inclusion of ICMS in the PIS and COFINS basis (note 17)	573	534	28,869	19,668
Actuarial liability - healthcare plan (note 24.2.)	4,462	811	6,702	3,176
Allowance for losses on swap and forward contracts (note 25)	1,136	2,335	1,381	2,941
Provision for ICMS - ST - Paraná State, Federal District and Mato Grosso do Sul (note 17)	13,672	10,970	13,672	10,970
Allowances for losses on advances to suppliers	3,879	4,483	4,432	4,997
Accrued contractual obligations	1,947	733	2,777	1,419
Provision for Profit sharing	-	1,761	-	4,139
Provision for discount on assignment of ICMS credits	-	-	979	821
Accrued benefits sharing and partnerships	6,874	4,553	6,874	4,553
Provision for international operations	-	-	6,562	4,420
Other temporary differences	13,235	18,135	26,645	21,307
	87,491	82,952	180,259	146,146

Changes in deferred income tax and social contribution assets in Company for the annual reporting periods are stated as follows:

Company	2009	(Charged) credited to the statement of income	2010
Temporary differences			
Allowance for doubtful accounts	16,204	3,062	19,266
Allowance for losses on inventories realization	2,209	1,354	3,563
Reserve for tax, civil and labor contingencies	20,224	(1,340)	18,884
Non-inclusion of ICMS in the PIS and COFINS basis	534	39	573
Allowance for losses on swap and forward contracts	2,335	(1,199)	1,136
Provision for ICMS - ST - Paraná State, Federal District and Mato Grosso do Sul State	10,970	2,702	13,672
Allowances for losses on advances to suppliers	4,483	(604)	3,879
Accrued benefits sharing and partnerships	4,553	2,321	6,874
Actuarial liability - healthcare plan	811	3,651	4,462
Accrued contractual obligations	733	1,214	1,947
Provision for Profit sharing	1,761	(1,761)	-
Other temporary differences	18,135	(4,900)	13,235
	82,952	4,539	87,491

Changes in deferred income tax and social contribution assets on a consolidated basis for the years presented are stated as follows:

Consolidated	2009	(Charged) credited to the statement of income	2010
Temporary differences			
Allowance for doubtful accounts	16,204	3,062	19,266
Allowance for losses on inventories realization	12,591	9,134	21,725
Reserve for tax, civil and labor contingencies	38,940	1,435	40,375
Non-inclusion of ICMS in the PIS and COFINS basis	19,668	9,201	28,869
Allowance for losses on swap and forward contracts	2,941	(1,560)	1,381
Provision for ICMS - ST - Paraná State, Federal District and Mato Grosso do Sul Statel	10,970	2,702	13,672
Allowances for losses on advances to suppliers	4,997	(565)	4,432
Accrued benefits sharing and partnerships	4,553	2,321	6,874
Temporary differences of international operations	4,420	2,142	6,562
Actuarial liability - healthcare plan	3,176	3,526	6,702
Accrued contractual obligations	1,419	1,358	2,777
Provision for Profit sharing	4,139	(4,139)	-
Provision for discount on assignment of ICMS credits	821	158	979
Other temporary differences	21,307	5,338	26,645
	146,146	34,113	180,259

Management, based on projections of future taxable income, estimates that the recorded tax credits will be fully realized within five years.

The amounts recorded as deferred income tax and social contribution will be realized as follows:

	Company	Consolidated
2011	45,607	86,263
2012	10,254	11,977
2013	5,416	36,993
2014 and thereafter	26,214	45,026
	87,491	180,259

In addition, as of December 31, 2010, the Company had unrecognized tax loss carryforwards and temporary differences from foreign subsidiaries not recorded in the financial statements of the foreign subsidiaries due to the lack of a history of taxable income and taxable income projections for coming years, as shown below.

Tax credits, calculated at the prevailing tax rates in the related countries where the subsidiaries are located, are stated as follows:

Total temporary differences	
Tax loss carryforwards:	
Argentina	13,594
Chile	75,926
Mexico	79,156
Colombia	48,072
France	45,761

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:

	Argentina	Mexico
2011	3,203	-
2012	2,944	-
2013	4,390	-
2014	-	11
2015	2,518	6,869
2016 and thereafter	539	72,276
	13,594	79,156

a) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2010	2009	2010	2009
Income before income tax and social contribution	1,053,122	812,719	1,118,169	874,154
Income tax and social contribution at the rate of 34%	(358,062)	(276,324)	(380,178)	(297,212)
Technological research and innovation benefit - Law 11196/05 (*)	19,035	9,956	19,035	9,956
Tax incentives - donations	5,820	2,868	8,296	5,278
Equity in subsidiaries (note 12)	8,760	(962)	-	-
Unrecognized deferred taxes on tax losses generated by foreign subsidiariesor	-	-	(31,459)	(37,739)
Interest on capital tax benefit	18,242	28,048	18,242	28,048
Other adjustments due to Law 11638/07 and Provisional Act 449/08	649	(1,037)	(1,623)	(2,035)
Write-off of goodwill – liquidation of Flora Medicinal	8,332	-	8,332	-
Tax utilization of goodwill (note 14)	-	108,189	-	108,189
Other permanent differences	(11,849)	467	(14,765)	(4,715)
Income tax and social contribution expenses	(309,073)	(128,795)	(374,120)	(190,230)
Income tax and social contribution - current	(313,612)	(144,403)	(408,233)	(224,457)
Income tax and social contribution - deferred	4,539	15,608	34,113	34,227
Effective rate - %	29.3	15.8	33.5	21.8

(*) 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. ESCROW DEPOSITS

Represent Group's restricted assets related to amounts deposited and held

by the courts until the litigation to which they are linked is resolved.
The Company and its subsidiaries' escrow deposits as of December 31, 2010 and December 31, 2009 are as follows:

	Company		Consolidated	
	2010	2009	2010	2009
ICMS - ST (*) - unaccrued (note 18 (a))	53,809	29,162	53,809	29,162
ICMS - ST suspended collection (*) (note 17.(b))	167,019	110,640	167,019	110,640
Other accrued tax obligations (note 17.(d) and (g))	2,893	2,743	42,297	39,640
Unaccrued tax lawsuits	41,102	25,581	46,460	29,103
Accrued tax lawsuits (note 18))	15,263	14,296	16,563	15,721
Unaccrued civil lawsuits	938	313	1,343	636
Accrued civil lawsuits (note 18)	1,874	231	1,976	1,878
Unaccrued labor lawsuits	4,410	2,994	5,130	3,381
Accrued labor lawsuits (note 18)	1,762	1,696	2,410	2,193
	289,070	187,656	337,007	232,354

(*) Refers to the ICMS - ST declaratory action filed by Paraná State, the Federal District and Mato Grosso do Sul State, as discussed in notes 17.(b) and 18 - "Contingent tax liabilities - possible risk", item (a).

11. OTHER NONCURRENT ASSETS

	Company		Consolidated	
	2010	2009	2010	2009
Advances to advertisement services	20,052	-	20,997	1,660
Asset held for sale	-	-	17,752	-
Advance for future capital increase	-	90	-	-
Restricted cash - CDBs (*) (note 18.(f) - "Tax risks")	-	-	6,155	5,769
	20,052	90	44,904	7,429

(*) Refers to amounts pledged as collateral by restricted temporary investments of the subsidiary Natura Inovação e Tecnologia de Produtos Ltda., related to the court collection of Federal VAT (IPI) for July 1989, when wholesale units were held equivalent to manufacturing establishments by Law 7798/89.

12. INVESTMENTS

	Company	
	2010	2009
Investments in subsidiaries	1,099,188	1,000,600

Information on and changes for period ended December 31, 2010

	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. Monteiro da Silva Ltda.
Capital	526,155	99,175	5,116	96,143	5,872	-
Interest - %	99.99%	99.99%	99.94%	99.97%	99.99%	99.99%
Subsidiary's shareholders' equity (deficit)	947,995	23,249	(892)	56,919	273	(514)
Interest in shareholders' equity	947,900	23,247	(891)	56,902	273	(514)
Subsidiaries net income (loss) for the year of subsidiaries, net of translation effects	105,630	(5,827)	(2,613)	(11,381)	(629)	(514)
Carrying amount of investments						
Balances as of December 31, 2009	836,851	24,074	3,769	30,908	511	-
Equity in subsidiaries	105,625	(5,827)	(2,612)	(11,378)	(629)	-
Exchange rate change and other adjustments in the translation of investments in foreign subsidiaries	-	1,907	(2,048)	(3,699)	215	-
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	5,513	-	-	-	-	-
Reclassification of profits on inventories not eliminated	(17,375)	-	-	-	-	-
Earnings distribution	-	-	-	-	-	-
Capital increases	-	3,092	-	41,071	176	-
Balances as of December 31, 2010	930,614	23,246	(891)	56,902	273	-
Allowance for losses						
Balances as of December 31, 2009	-	-	-	-	-	(564)
Merger of advance for future capital increase (AFAC)	-	-	-	-	-	120
Allowance for losses	-	-	-	-	-	(514)
Merger of Flora Medicinal	-	-	-	-	-	958
Balances as of December 31, 2010	-	-	-	-	-	-

	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Cosméticos de México S.A. (*)	Natura Cosméticos Ltda. - Colombia	Natura (Brazil) International B.V. - Holanda (*)	Natura Cosméticos España S.L.	Total
Capital	5,008	126,550	41,782	66,744	9	972,554
Interest - %	99.99%	99.99%	99.99%	100.00%	100.00%	-
Subsidiary's shareholders' equity (deficit)	45,026	26,953	8,783	8,207	83	1,116,082
Interest in shareholders' equity	45,021	26,950	8,782	8,207	83	1,115,960
Subsidiaries net income (loss) for the year of subsidiaries, net of translation effects	12,575	(27,811)	(17,552)	(26,116)	-	25,762
Carrying amount of investments						
Balances as of December 31, 2009	61,713	25,315	6,535	10,864	60	1,000,600
Equity in subsidiaries	12,575	(27,808)	(17,550)	(26,120)	-	26,276
Exchange rate change and other adjustments in the translation of investments in foreign subsidiaries	(428)	(666)	(240)	486	-	(4,473)
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	1,161	-	-	-	-	6,674
Reclassification of profits on inventories not eliminated	-	-	-	-	-	(17,375)
Earnings distribution	(30,000)	-	-	-	-	(30,000)
Capital increases	-	30,109	20,037	22,978	23	117,486
Balances as of December 31, 2010	45,021	26,950	8,782	8,208	83	1,099,188
Allowance for losses						
Balances as of December 31, 2009	-	-	-	-	-	(564)
Merger of advance for future capital increase (AFAC)	-	-	-	-	-	120
Allowance for losses	-	-	-	-	-	(514)
Merger of Flora Medicinal	-	-	-	-	-	958
Balances as of December 31, 2010	-	-	-	-	-	-

(*) Consolidated information of 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 (Brazil) International B.V. (The Netherlands), Natura Brasil Inc. (USA - Delaware), Natura International Inc. (USA - New York), Natura International Inc. (USA - Nevada), Natura Worldwide Trading Company (Costa Rica), Natura Europa SAS (France) and Natura Brasil SAS (France).

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

		Company					
	Weighted average annual depreciation rate - %	2010			2009		
PROPERTY, PLANT AND EQUIPMENT		Adjusted cost	Accumulated depreciation	Net book value	Adjusted cost	Accumulated depreciation	Net book value
Vehicles	21	34,234	(14,491)	19,743	31,358	(13,259)	18,099
Leasehold improvements (b)	15	23,486	(9,053)	14,433	19,246	(5,627)	13,619
Machinery and equipment	4	27,668	(3,018)	24,650	13,478	(2,039)	11,439
Furniture and fixtures	7	6,264	(2,584)	3,680	5,676	(2,479)	3,197
IT equipment	18	6,614	(3,803)	2,811	6,507	(4,337)	2,170
Projects in progress	-	11,699	-	11,699	1,212	-	1,212
Advances to suppliers	-	15,159	-	15,159	639	-	639
		125,124	(32,949)	92,175	78,116	(27,741)	50,375

		Company					
	Weighted average annual amortization rate - %	2010			2009		
INTANGIBLE ASSETS		Adjusted cost	Accumulated amortization	Net book value	Adjusted cost	Accumulated amortization	Net book value
Software	17	29.190	(10.604)	18.586	19.441	(7.914)	11.527

The **Natura TodoDia** line seeks to transform the daily care of hygiene and beauty into an experience of well-being.

PROPERTY, PLANT AND EQUIPMENT	Weighted average annual depreciation rate - %	Consolidated 2010 Adjusted cost	Accumulated depreciation	Net book value	2009 Adjusted cost	Accumulated depreciation	Net book value
Machinery and equipment	6	308,262	(124,315)	183,947	278,805	(122,623)	156,182
Buildings	4	151,161	(54,305)	96,856	151,142	(48,210)	102,932
Installations	9	120,440	(65,066)	55,374	110,476	(59,339)	51,137
Land	-	27,180	-	27,180	33,662	-	33,662
Molds	30	105,362	(79,921)	25,441	85,698	(68,283)	17,415
Vehicles	21	56,361	(21,181)	35,180	48,312	(18,581)	29,731
IT equipment	19	75,749	(45,969)	29,780	65,469	(44,714)	20,755
Furniture and fixtures	11	27,164	(11,926)	15,238	27,732	(12,557)	15,175
Leasehold improvements (b)	15	44,273	(18,725)	25,548	36,106	(14,363)	21,743
Projects in progress	-	35,489	-	35,489	16,269	-	16,269
Advances to suppliers	-	28,648	-	28,648	25,213	-	25,213
Other	3	3,897	(2,111)	1,786	6,660	(4,618)	2,042
		983,986	(423,519)	560,467	885,544	(393,288)	492,256

INTANGIBLE ASSETS	Weighted average annual amortization rate - %	Consolidated 2010 Adjusted cost	Accumulated amortization	Net book value	2009 Adjusted cost	Accumulated amortization	Net book value
Business lease - Natura Europa SAS - France (a)	-	4,629	-	4,629	5,250	-	5,250
Software	18	188,660	(73,376)	115,284	131,429	(54,546)	76,883
Trademarks and patents	10	1,573	(1,413)	160	1,951	(1,344)	607
		194,862	(74,789)	120,073	138,630	(55,890)	82,740

(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, 2010 and December 31, 2009 is basically due to the effects of the exchange variation for the period.

(b)The depreciation rates consider the terms of the property lease agreements.

The Company conducted an analysis of the useful economic life of the remaining property, plant and equipment items and intangible assets, with effects being recorded beginning January 1, 2010. As a result of the review of the accounting estimate, which was intended to realign the remaining useful life of assets, and, consequently, the depreciation over the remaining life of assets, a positive impact was recorded in depreciation for year of 2010, compared to the prior period, in the amount of R$14,634.

Additional information on property, plant and equipment

a) Assets pledged as collateral

As of December 31, 2010, 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	3,171	3,171
Land	-	700
IT equipment	3,506	4,092
Vehicles	4,730	7,730
Balances at end of year	11,407	15,693

b) Expenses on operating leases

	Company 2010	2009	Consolidated 2010	2009
Leases	1,217	1,217	6,539	8,960

c) Balance of capitalized interest

	Consolidated 2010	2009
Buildings	1,479	1,531

Consolidated amortization expenses of intangible assets estimated for the next years

	Company	Consolidated
2011	2.690	19.436
2012	2.690	19.436
2013	2.690	19.436
2014 and thereafter	10.516	61.765
	18.586	120.073

Changes in property, plant and equipment

	Company 2010	2009	Consolidated 2010	2009
Balances at the beginning of the year	50,75	37,865	492,256	477.661
Additions (less transfers from projects in progress - when terminated):				
Machinery and equipment	8,884	5,061	29,669	21.468
Projects in progress/advances to suppliers	32,389	7,787	84,555	49,058
Vehicles	13,498	11,094	24,193	18,099
Molds	-	-	16,986	8,787
Facilities	-	-	7,208	3,414
IT equipment	769	980	7,304	5,825
Furniture and fixtures	545	432	1,618	1,578
Other	1,036	627	3,696	2,896
	57,121	25,981	175,228	111,125
(-) Write-offs, net	(2,706)	(3,552)	(37,605)	(20,984)
(-) Depreciation	(12,615)	(9,919)	(69,412)	(75,546)
Balances at the end of the year	92,175	50,375	560,467	492,256

Changes in intangible assets

	Company 2010	2009	Consolidated 2010	2009
Balances at the beginning of the year	11,527	9,008	82,740	75,029
Additions:				
Software (including implementation costs)	9,749	4.587	61,648	29,507
(-) Write-offs and others, net	-	(69)	(4,879)	(4,916)
(-) Amortization	(2,690)	(1,999)	(19,436)	(16,880)
Balances at the end of the year	18,586	11,527	120,073	82,740

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	
	2010	2009
Goodwill on investments	318,203	318,203
Provision for maintenance of future dividend payment capacitys	(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		
Local currency	2010	2009	2010	2009	Reference
BNDES - EXIM (a)	-	-	116,388	41,707	A
FINEP (Financing Agency for Studies and Projects)	-	-	27,633	39,985	B
Promissory notes	-	350,856	-	350,856	C
Debentures	352,669	-	352,669	-	D
BNDES (a)	23,206	29,549	110,996	100,949	E
Guaranteed account	-	180	2,001	355	F
BNDES - FINAME	-	-	6,506	6,168	G
Banco do Brasil - FAT Fomentar (Workers' Assistance Fund)	-	-	3,908	4,970	H
Capital lease - financing	-	-	940	1,660	I
FINEP - grant	-	-	2,086	1,211	J
Total local currency	375,875	380,585	623,127	547,861	

	Company		Consolidated		
Foreign currency	2010	2009	2010	2009	Reference
BNDES - EXIM (a)	-	-	1,229	10,427	A
BNDES (a)	2,479	2,921	7,358	9,984	E
Export financing - ACC/ACE (a)	-	-	-	10,447	K
Resolution 2770 (a)	-	111,791	-	111,791	L
Resolution 4131 (a)	50,088	-	50,088	-	M
International operation - Peru	-	-	9,861	13,848	N
Total foreign currency	52,567	114,712	68,536	156,497	
Grand total	428,442	495,297	691,663	704,358	
Current	60,086	469,590	226,595	569,366	
Noncurrent	368,356	25,707	465,068	134,992	

Reference	Currency	Maturity	Charges	Collaterals
A	Real	February and December 2011	6.7% of the debt with interest of 8.3% p.a. + exchange fluctuation (dollar) for 20% of the debt maturing in February 2011 and 93.3% of the debt with fixed interest of 7% p.a. maturing in December 2011.	Guarantee of Natura Cosméticos S.A.
B	Real	March 2013	TJLP (b)	Guarantee of Natura Cosméticos S.A. and bank guarantee
C	Real	June 2010	Interest of 106% CDI (c)	N/A
D	Real	May 2013	Interest of 108 % do CDI (c)	N/A
E	Real	April 2010 and February 2017	For the installment maturing in April 2010: interest of 4.5% p.a. + TJLP (b) + UMBNDES (e)	Mortgages (f)
			For the installment maturing in February 2017: (i) TJLP (b) + interest of 2.8% p.a. for 85% of the debt; (ii) exchange fluctuation (dollar) + interest of 8.54% p.a. or 9% of the debt; and (iii) TJLP (b) + interest of 2.3% p.a. for 6% of the debt	Bank guarantee
F	Real	April 2011	123.9% of CDI (c) p.a. + IOF (d)	Guarantee of Natura Cosméticos S.A.
G	Real	November 2015	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% to 102.99% of DI - CETIP (g)	Leases are collateralized by the underlying assets
J	Real	January 2011	N/A	N/A
K	US dollar	March 2010	Exchange fluctuation + 0.52% p.a.	Guarantee of Natura Cosméticos S.A.
L	US dollar	January 2011	Exchange fluctuation + 2.11% p.a.	Guarantee of subsidiary Indústria e Comércio de Cosméticos Ltda.
M	US dollar	February 2011	Exchange fluctuation + 1.22% p.a.	Guarantee of subsidiary Indústria e Comércio de Cosméticos Ltda.
N	Novo sol	December 2011	Interest of 4.15% 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) 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.

(f) Mortgages - relate to real estate of the Cajamar unit of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda.

(g) 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:

	Company		Consolidated	
	2010	2009	2010	2009
2011	-	6,556	-	42,695
2012	6,530	6,556	39,425	33,799
2013	355,820	6,556	379,440	23,728
2014	4,450	4,470	22,963	16,991
2015	1,539	1,569	19,001	17,779
2016 and thereafter	17	-	4,239	-
Total	368,356	25,707	465,068	134,992

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 Itapecerica 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 nº 4131/62

Bank Credit Note - Onlending of Funds Raised Abroad - Resolution 4131/62, raised with Banco Bradesco on November 10, 2010 and maturing on February 10, 2011, whose principal totals US$ 30,0000.

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 Brazilian Securities and Exchange Commission (CVM) Instruction 476, on December 17, 2009. The promissory notes were settled in June 2010, with the debenture issuance.

7. Debentures

First issuance of simple debentures, nonconvertible into shares, totaling R$350,000, in single series, without guarantee and without financial covenants, with face value of R$1,000, in conformity with CVM Instruction 476/09, issued on May 26, 2010 and subscribed and paid in May 28, with the payment of semiannual interest in May and November, and principal maturing on May 26, 2013.

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:

	2010	2009
Gross finance lease obligations - minimum lease payments:		
Less than one year	642	844
More than one year and less than five years	377	950
	1,019	1,794
Future financing charges on finance leases	(79)	(134)
Financial lease obligations - accounting balance	940	1,660

c) Contract covenants

As of December 31, 2010 and 2009, 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. The Company were in compliance with all the restrictive clauses.

16. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2010	2009	2010	2009
Domestic and foreign suppliers	78,647	60,876	331,909	231,687
Freight payable	34,585	23,595	34,585	23,595
	113,232	84,471	366,494	255,282

The Company and consolidated balances payable to foreign suppliers as of December 31, 2010 is R$4,964 e R$842, respectively (R$4,409 e R$497, respectively, as of December 31, 2009), and mostly refers to U.S. dollar-denominated amounts.

17. TAXES PAYABLE

	Company 2010	Company 2009	Consolidated 2010	Consolidated 2009
ICMS Company and reverse charge payable (b)	217,826	150,095	242,676	213,860
PIS/COFINS payable (injunction) (a)	1,686	1,570	84,908	57,848
IRPJ and CSLL payable	99,347	15,520	125,816	25,786
IRPJ and CSLL (injunction) (c)	33,472	13,624	33,472	13,624
IRPJ and CSLL (injunction - PAT)	-	-	2,261	965
IRRF	7,901	5,436	13,203	9,574
IPI – exempt and zero-taxed products (d)	-	-	39,404	36,897
UFIR adjustment on federal taxes (e)	6,216	5,181	6,360	5,313
IPI credit on purchase of property, plant and equipment and supplies for own use and consumption (f)	-	-	3,768	3,595
Action for the annulment of a tax liability – INSS (g)	2,893	2,743	2,893	2,743
PIS/COFINS/CSLL	5,319	4,100	7,554	5,557
PIS/COFINS payable	-	-	6,663	5,284
Taxes - foreign subsidiaries	-	-	9,354	7,220
ISS payable	613	275	2,799	1,588
	375,273	198,544	581,131	389,854
Escrow deposits ((b), (d) and (g))(note 10)	(169,912)	(113,383)	(209,316)	(150,280)
Current	205,361	85,161	371,815	239,574
Noncurrent	169,912	113,383	209,316	150,280

(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 balance recognized as of December 31, 2010 refers to the unpaid amounts of PIS and COFINS, from April 2007 to December 2010 adjusted based on the SELIC (Central Bank overnight rate), and to which the obligation is on hold. Part of the balance, in the adjusted amount of R$2,606, is deposited in escrow.

(b) As of December 31, 2010, R$119,371, R$34,969 and R$12,679 of the total amount recognized refer to the ICMS - ST of State of Paraná, Federal District and State of Mato Grosso do Sul, respectively (R$95,834 for State of Paraná and R$14,806 for Federal District as of December 31, 2009), which is being challenged in court, as also mentioned in note 18 - "Contingent tax liabilities - possible risk", (a). 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 to the Natura Beauty Consultants. The appeal filed by the Federal Government is awaiting judgment.

(d) Refers to Federal VAT (IPI) on zero-taxed, untaxed or exempt raw materials and packaging materials. Subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a writ of mandamus and obtained an injunction granting the right to the credit. On September 25, 2006, the injunction was revoked by a decision that considered the request invalid. The Company filed an appeal for reconsideration of merits and reinstatement of the injunction. To suspend the payment of tax, in October 2006, the Company made an escrow deposit in the amount offset under the injunction, whose adjusted balance totals R$39,404 as of December 31, 2010 (R$36,897 as of December 31, 2009). In the fourth quarter of 2009, in order to utilize the benefits granted under Provisional Act 470/09, which creates a program for the payment and payment in installments of tax debts, the subsidiary filed a motion partially withdrawing the claims made in the injunction filed that maintains only the claim of tax credits on tax-exempt products, thus dropping the lawsuits claiming IPI credits of zero-taxed and untaxed products (see details in note 18, in topic 'Tax installment plans created under Provisional Act 470/09). 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 suspended collection amounts and the corresponding escrow deposits.

(e) Refers to the inflation adjustment of 1991 federal taxes on income (IRPJ/CSLL/ILL) based on the UFIR (fiscal reference unit), discussed in a writ of mandamus. The amount involved is deposited in escrow. On February 26, 2010, the Company filed a motion for the withdrawal of this lawsuit to be able to utilize the benefits granted under Law 11941/09, which creates a program for the payment and payment in installments of tax debts.

(f) Subsidiary Indústria e Comércio de Cosméticos Natura Ltda. discusses, through writs of mandamus, the right to IPI credit on the purchase of property, plant and equipment items and consumables. On February 26, 2010, this subsidiary filed a motion for the withdrawal of this lawsuit to be able to utilize the benefits granted under Law 11941/09, which creates a program for the payment and payment in installments of tax debts.

(g) Refers to the social security contribution required by tax assessments issued by the National Institute of Social Security as a result of an inspection, which claims that 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 being challenged in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice comprise 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). On March 1, 2010, the Company filed a request that withdraws part of the claims made and partially waiving its right to utilize the benefits granted under Law 11941/09 regarding the social security contributions due by the companies that provided services to the Company during the period from November 1994 to December 1998.

Tax installment plans created by Law 11941/09

On May 27, 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, the National Social Security Institute and the National Treasury Attorney General (PGFN), including the remaining balance of consolidated debts in the REFIS (Law 9964/00), Special Installment Plan (PAES) (Law 10684/03) and the Exceptional Installment Plan (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.

The entities that 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 legally enforceable 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 at Court formalizing the withdrawal of lawsuits whose taxes would be paid in installments, applied for installment payments, choosing installment plans and indicating the generic nature of tax debts, paying the respective initial installments, pursuant to the provisions of Federal Revenue Service (SRF) and National Treasury Attorney General (PGFN) Joint Administrative Rule.

The tax debts recorded for payment in installments by the Company and its subsidiaries, pursuant to Law 11941/09, are as follows:

	Company			
	2009	Reversals	Interest and inflation adjustment	2010
INSS tax liability - tax notification (a)	2,743	-	150	2,893
IRPJ/CSLL/ILL (b)	5,182	-	1,034	6,216
Others	1,439	-	100	1,539
	9,364	-	1,284	10,648

	Consolidated			
	2009	Reversals	Interest and inflation adjustment	2010
INSS tax liability - tax notification (a)	2,743	-	150	2,893
IRPJ/CSLL/ILL (b)	5,313	-	1,048	6,361
IPI on the acquisition of property, plant and equipment and materials for own use and consumption (c)	3,595	-	173	3,768
Others	2,280	(368)	123	2,035
	13,931	(368)	1,494	15,057

(a)The details of this lawsuit are mentioned in note 17 (g) of item "Tax contingencies". 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 on the fourth quarter of 2009, corresponding to 100% of the late-payment fine and 45% of the interest.

(b)The details of this lawsuit are mentioned in note 17 (e) of item "Tax contingencies". 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 note 17 (f) of item "Tax contingencies". Due to the withdrawal from this lawsuit, as the Company opted to pay all its debt at sight, it reversed to income R$1,375 on the fourth quarter of 2009, corresponding to 100% of the late-payment fine and 45% of the interest.

Due to the lack of tax loss carryforwards, the Company and its subsidiaries will not offset them against the remaining balance of the interest on installments.

The following steps of the tax debt installment plan include the consolidation of tax debts by the PGFN and the Federal Revenue Service; in this step the Companies will indicate the debts to be paid in installments and the number of installments. This consolidation stage of tax debts is estimated to occur by the end of the first semester of 2011.

Tax installment plans created under 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 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 note 17, item (d), the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a motion partially withdrawing from the injunction filed related to IPI credits arising from the products purchased at zero tax rate or tax exempt, which amounted to R$24,071 as of December 31, 2010.

As of December 31, 2010, 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. PROVISION 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 reserves for tax, civil and labor contingencies are sufficient to cover possible losses. These reserves, net of escrow deposits, are as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Tax	29,867	33,932	42,970	45,076
Civil	9,284	8,469	14,137	10,750
Labor	14,131	13,448	16,677	17,071
	53,282	55,849	73,784	72,897
Current	-	1,465	-	1,465
Noncurrent	53,282	54,384	73,784	71,432

Tax contingencies

The provisions for tax contingencies are shown below:

Changes for the years ended December 31, 2009 and 2010

	Company				
	2009	Additions	Reversals	Inflation adjustment	2010
Late payment fines on Federal taxes paid in arrears (a)	1,024	-	(70)	46	999
Deductibility of CSLL (Law 9316/96) (b)	7,295	-	-	267	7,562
Federal VAT (IPI) - tax collection lawsuit (c)	4,952	-	(4,970)	18	-
IRPJ and CSLL tax assessment - legal fees (d)	5,799	-	(1,709)	362	4,452
Tax notification - IRPJ 1990 (e)	3,198	-	-	144	3,342
Legal fees and other (h)	11,664	3,299	(2,195)	744	13,512
Total reserve for tax contingencies	33,932	3,299	(8,944)	1,581	29,867
Escrow deposits (note 10)	(14,296)	-	-	(967)	(15,263)

	Consolidated				
	2009	Additions	Reversals	Inflation adjustment	2010
Late payment fines on Federal taxes paid in arrears (a)	1,511	-	(71)	65	1,505
Deductibility of CSLL (Law 9316/96) (b)	7,295	-	-	267	7,562
Federal VAT (IPI) - tax collection lawsuit (c)	4,952	-	(4,970)	18	-
IRPJ and CSLL tax assessment - legal fees (d)	5,776	-	(1,710)	386	4,452
Tax notification - IRPJ 1990 (e)	3,198	-	-	144	3,342
Failure to include ICMS in tax bases for PIS and COFINS - legal fees (f)	2,633	-	-	147	2,780
Semiannual PIS - Decree Laws 2445/88 and 2449/88 (g)	2,085	-	-	106	2,191
Legal fees and other (h)	17,626	4,165	(3,211)	2,558	21,138
Total reserve for tax contingencies	45,076	4,165	(9,962)	3,691	42,970
Escrow deposits (note 10)	(15,721)	-	-	(842)	(16,563)

(a) Refers to fine for late payment of Federal taxes.

(b) 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$5,559 (R$5,272 as of December 31, 2009), is deposited in escrow.

(c) 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$6,155 as of December 31, 2010 (R$5,769 as of December 31, 2009). The balance of the reserve for this lawsuit was reversed in the first quarter of 2010 because of the change in the likelihood of loss from probable to remote based on the analysis carried out by the Company's legal counsel.

(d) Refers to attorneys' fees for the defense in the tax assessment notices issued against the Company in December 2006 and December 2007 by the Federal Revenue Service, claiming the payment of income tax and social contribution on the deductibility of the yield of debentures issued by the Company for fiscal years 2001 and 2002, respectively. The legal counsel's opinion is that the likelihood of unfavorable outcome in these tax assessment notices is remote.

A final and unappealable administrative decision on the tax assessment notice issued against the Company in August 2003 challenging the deductibility, in fiscal year 1999, was issued on January 2010 that maintains part of the income tax assessed and the whole of the social contribution. After this decision, on April 7, 2010, the Company filed a lawsuit to cancel the remaining installment of IRPJ and CSLL. The legal counsel considers that the likelihood of an unfavorable outcome is remote.

(e) Refers to a tax assessment notice issued by the Federal Revenue Service claiming the payment of income tax on the earnings obtained on exports entitled to tax benefits carried out in fiscal year 1989, at the rate of 18% (Law 7988, of December 29, 1989) and not 3%, as set out in article 1 of Decree Law 2413/88, used by the Company at the time to pay its taxes.

(f) 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.

(g) 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.

(h) The balance refers to lawyers' fees to defend the Company's and its subsidiaries' interests in tax lawsuits. The amount of R$4,000, 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 resulting from the merger of Natura Participações S.A. 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 for the years ended December 31, 2009 and 2010

	Company					
	2009	Additions	Reversals	Payments	Interest and inflation adjustmen	2010
Sundry civil lawsuits (a)	5,111	5,265	(4,658)	(1,177)	287	4,828
Legal fees - environmental civil lawsuit (b)	1,363	-	-	-	149	1,512
Civil lawsuits and legal fees - Nova Flora Participações Ltda.	1,995	2,346	-	(1,466)	69	2,944
Total reserve for civil lawsuits	8,469	7,611	(4,658)	(2,644)	506	9,284
Escrow deposits (note 10)	(231)	(1,643)	-	-	-	(1,874)
Current	1,465	-	-	-	-	-
Noncurrent	7,004	-	-	-	-	9,284

	Consolidated					
	2009	Additions	Reversals	Payments	Interest and inflation adjustmen	2010
Sundry civil lawsuits (a)	5,353	5.892	(4,822)	(1,192)	486	5,717
Legal fees - environmental civil lawsuit (b)	1,363	-	-	-	149	1,512
Legal fees - IBAMA lawsuit (c)	-	3,965	-	-	-	3,965
Civil lawsuits and legal fees - Nova Flora Participações Ltda.	4,034	135	-	(1,466)	240	2,943
Total reserve for civil lawsuits	10,750	9,992	(4,822)	(2,658)	875	14,137
Escrow deposits (note 10)	(1,878)	-	-	-	(98)	(1,976)
Current	1,465	-	-	-	-	-
Noncurrent	9,285	-	-	-	-	14,137

(a) As of December 31, 2010, the Company and its subsidiaries are parties to 1,211 civil lawsuits and administrative proceedings (1,578 as of December 31, 2009), of which 1,127 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) 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")..

(c) Refers to attorney's fees for the defense in the tax assessment notice issued by Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA) against the Company in November 2010 for alleged irregular access to biodiversity. The Company's management and its legal counsel consider the risk of loss in these tax assessment notices as remote due to full compliance with all the principles established in the Biological Diversity Convention ("CDB"), an international treaty signed during Rio-92 and of illegality and unconstitutionality of legal mark which has incorporated CDB in the Brazilian legal system. Except for inputs from Federal Government land—which refuses to negotiate—the Company shares benefits in 100% of the accesses in the use of biodiversity; it is the first to share benefits with traditional communities and detains approximately 68% of the requests with the Regulatory Body for authorization to have access to biodiversity.

Labor risk

As of December 31, 2010, the Company and its subsidiaries are parties to 766 labor lawsuits filed by former employees and third parties (641 as of December 31, 2009), 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 for the years ended December 31, 2009 and 2010

	Company				
	2009	Additions	Reversals	Inflation adjustment	2010
Total provision for labor risk	13,448	1,308	(2,216)	1,591	14,131
Escrow deposits (note 10)	(1,696)	(66)	-	-	(1,762)

	Consolidated				
	2009	Additions	Reversals	Inflation adjustment	2010
Total provision for labor risk	17,071	1,842	(4,278)	2,042	16,677
Escrow deposits (note 10)	(2,193)	(217)	-	-	(2,410)

Contingent liabilities - possible risk

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	
	2010	2009	2010	2009
Tax:				
Declaratory action - ICMS - ST (a)	53,809	29,162	53,809	29,162
Offset of 1/3 of COFINS - Law 9718/98 (b)	5,121	4,925	5,121	4,925
Tax notification - INSS (c)	4,567	4,456	4,567	4,456
IPI tax assessment notice (d)	5,178	-	5,178	-
Administrative proceeding – tax assessment notice ICMS – ST – DF (e)	25,077	7,720	25,077	7,720
Administrative proceeding – tax debt – ICMS – ST – RS (f)	15,919	7,255	15,919	7,255
Tax assessment notice – São Paulo State Department of Finance – ICMS inspection (g)	9,837	-	9,837	-
Tax assessment - transfer pricing on loan agreements with foreign related company (h)	1,779	1,716	1,779	1,716
Tax debt notification - GFIP (i)	974	902	974	902
ICMS - ST deficiency notice (j)	440	529	440	529
Request for offset of taxes of the same type - IRPJ and IRRF (k)	568	532	568	532
Other	44,051	23,619	52,373	28,849
	167,320	80,816	175,642	86,047
Civil	3,315	16,858	4,133	18,024
Labor	61,547	48,986	85,899	74,710
	232,182	146,660	265,674	178,781

(a) As of December 31, 2010, the balance recorded is as follows:

1. ICMS - ST - Paraná State - R$46,768 (R$28,186 as of December 31, 2009) - lawsuit filed by the Company challenging the changes in ICMS - ST tax basis introduced by Paraná Decree 7018/06. The amount discussed in the lawsuit, related to the period from January 2007 to December 2010, is fully deposited in escrow, as mentioned in notes 10 and 17, and its collection is suspended

2. ICMS - ST - Federal District - R$5,574 (R$976 as of December 31, 2009) - declaratory 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 2009 to December 2010, is fully deposited in escrow, as referred to in notes 10 and 17, and its collection is suspended.

3. ICMS ST MS - R$1.467 - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Mato Grosso do Sul 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 2009 to December 2010, is fully deposited in escrow, as referred to in notes 10 and 17, and its collection is suspended.

(b) Law 9718/98 increased the COFINS 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.

(c) 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 being challenged 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 1994 to October 1999.

(d) Refers to a tax collection lawsuit intended to collect IPI due to the lack of payment e inappropriate classification of products. The Company has filed a defense in the court and is awaiting for definitive ruling

(e) Refers to a tax assessment notice related to ICMS – ST, issued by the State of Federal District, regarding a supposed underpayment related to the difference in the payment of Company's own ICMS and ICMS – ST. Company has filed a defense in the administrative level and is awaiting for definitive ruling..

(f) Refers to a tax assessment notice by Rio Grande do Sul State Department of Finance against the Company due to its condition of tax substitute, in order to charge ICMS that is supposedly due, related to subsequent operations applied by its Sales representatives which live in the State of Rio Grande do Sul Company has proposed annulment to cancel this requirement, which is awaiting final trial.

(g) Refers to a tax assessment notice by São Paulo Department of Finance with respect to a supposed offset of ICMS related to the acquisition of property, plant and equipment which were transferred to other facility on the acquisition date, as well as assets acquired that are not related to the production and trading activities.

(h) 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.

(i) 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 challenging the collection at the judicial level.

(j) Tax assessment notice for ICMS - ST, collected by Goiás State, due to alleged underpayment by the Company. The Company has filed its defense at the administrative level and is awaiting the final judgment.

(k) Refers to the non-approval of the offset of IRRF (Withholding Income Tax) credits related to the second quarter of 2000 against IRPJ debts for the fourth quarter of 1999. The Company has filed 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.

Contingent assets

The Company and its subsidiaries handle the following material contingent assets:

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, 2010, total R$20,920 (R$20,078 as of December 31, 2009). 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 Companies, which await the judgment by the 3rd Region Federal Court (TRF). 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, 2010 are R$288,584 (R$265,277 as of December 31, 2009). The legal counsel believes that the chance of a favorable outcome is probable.

The Company and its subsidiaries have the accounting policy of recognizing contingent assets only after there is a final and unappealable decision on the lawsuits. Since no unappealable decisions have been issued on said lawsuits favorable to the Company and its subsidiaries, they did not recognize credits related to contingent assets.

19. SHAREHOLDERS' EQUITY

a) Capital

As of December 31, 2009, the Company's capital was R$404,261.

In March 2010, 181,212 common shares without par value were subscribed at the average price of R$15.53, totaling R$2,826, and, therefore, the Company's capital is represented by 430,455,773 subscribed and paid-in registered common shares without par value, totaling R$407,087. Authorized capital decreased from 11,035,564 to 10,854,352 registered common shares.

In June 2010, 101,439 common shares without par value were subscribed at the average price of R$26.57, totaling R$2,696, and, therefore, the Company's capital is represented by 430,557,212 subscribed and paid-in registered common shares without par value, totaling R$409,783. Authorized capital decreased from 10,854,352 to 10,752,913 registered common shares.

In September 2010, 242,098 common shares without par value were subscribed at the average price of R$25.50, totaling R$6,172, and, therefore, as of September 30, 2010 the Company's capital increased to 430,799,310 subscribed and paid-in registered common shares without par value, totaling R$415,955. Authorized capital increased from 10,752,913 to 10,510,815 registered common shares.

In December 2010, 82,106 common shares without par value were subscribed at the average price of R$25.65, totaling R$2,106, and, therefore, as of December 31, 2010 the Company's capital increased to 430,881,416 subscribed and paid-in registered common shares without par value, totaling R$418,061. Authorized capital increased from 10,510,815 to 10,428,709 registered common shares.

b) Dividend and interest on capital payment policy

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, 2010, the Company paid dividends totaling R$339,385 (R$0.79 per share) and interest on capital in the total gross amount of R$18,226 (R$0.042 gross per share), pursuant to payment approved by the Board of Directors on February 24, 2010 and ratified at the Annual Shareholders' Meeting held on April 6, 2010, related to net income of 2009.

On July 21, 2010, the Board of Directors approved, for confirmation at the Annual Shareholders' Meeting that will resolve on the approval of the financial statements for the year ending December 31, 2010, a proposal for the payment of interim dividends and interest on capital on income recorded in the first half of 2010, in the amount of R$253,947 (R$0.59 per share) and R$35,427, gross of withholding income tax (R$0.082 per share), respectively. The total amount of interim dividends and interest on capital corresponds to 86.9% of net income recorded in the first half of 2010 and was paid on August 12, 2010.

In addition, on February 23, 2011, the Board of Directors appreciated a proposal to be submitted to the Annual Shareholders' Meeting to be held on April 8, 2011, for the payment of dividends and interest on capital (gross), in the total amounts of R$405,623 and R$24,456 (R$20,788, net of IRRF), respectively, related to income for 2010, which, together with the R$253,947 - dividends and R$35,427 - interest on capital (gross) paid in August 2010, correspond to 95% of net income for 2010.

Dividends were calculated as follows:

	Company	
	2010	2009
Net income for the year	744,050	683,924
Tax incentive reserve - investment grant	(5.973)	(3,145)
Calculation basis for minimum dividends	738,077	680,779
Mandatory minimum dividends	30%	30%
Annual minimum dividend	221,423	204,234
Proposed dividends	659,570	554,537
Interest on capital	59,883	43,254
IRRF (Withholding tax) on interest on capital	(8,983)	(6,488)
Total dividends and interest on capital, net of IRRF	710,470	591,303
Amount exceeding the mandatory minimum dividend	489,047	387,069
Dividends per share	1,5312	1,2888
Interest on capital per share	0,1182	0,0854
Total dividends and interest on capital per share	1,6494	1,3742

As mentioned in note 2.21, 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, 2010 and 2009, 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	
	2010	2009
Dividends	405,623	339,385
Interest on capital	24,456	18,226
	430,079	357,611

c) Treasury shares

As of December 31, 2010, the caption "Treasury shares" was as follows:

Stock	R$	Average cost - R$ R$
655	14	21.37

d) Share premium

Refers to the premium 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) Legal reserve

Since the balance of 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 earned in fiscal years 2006, 2007, 2008, 2009 and 2010.

f) Reserve for retained earnings

As of December 31, 2010, the reserve for retained earnings was recognized pursuant to article 196 of Law 6404/76 for use in future investments, in the amount of R$23,421 (R$82,988 as of December 31, 2009). The retention for 2010, prepared by Management and approved by the Board of Directors on February 23, 2011, will be submitted to the approval of the Annual Shareholders' Meeting to be held on April 8, 2011.

g) Other comprehensive income (loss)

The Company records in this line the effects of exchange variation through its foreign investments. The accumulated effect will be reverted to income as a gain or loss only at the time of the sale or write-off of the investment.

20. BUSINESS SEGMENT REPORTING

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 2010:

• Brazil: 92.8% • Argentina, Chile and Peru: 5.0% • Mexico, Venezuela and Colombia: 1.9% • Other: 0.3%

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 IFRS 8 - Operating Segments, 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 applied by the Company. 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, 2010 and 2009 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.

	2010							
	Net revenue	Net income (loss)	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	4.767,741	835,484	(82,692)	(47,918)	(374,412)	1,258,950	2,970,381	1,236,800
Argentina, Chile and Peru	255,702	(19,822)	(3,405)	(842)	(1,027)	19,489	156,666	76,802
Mexico, Venezuela and Colombia	98,275	(45,992)	(2,104)	(976)	1,319	10,858	69,041	33,009
Other (*)	14,994	(25,620)	(647)	-	-	16,177	25,783	6,738
Consolidated	5,136,712	744,050	(88,848)	(49,736)	(374,120)	1,305,474	3,221,871	1,353,349

	2009							
	Net revenue	Net income (loss)	Depreciation and amortization	Financial expenses, net	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 and Peru	218,541	(14,357)	(2,128)	317	(1,441)	14,108	123,891	64,749
Mexico, Venezuela and Colombia	66,473	(52,519)	(1,945)	(1,279)	(230)	5,532	50,337	17,972
Other (*)	10,622	(91,414)	(1,490)	-	-	20,650	33,729	9,408
Consolidated	4,242,057	683,924	(92,426)	(41,874)	(190,230)	1,024,856	2,741,218	1,337,082

(*) Includes operations France and expenses in the United States in 2009.

The Company has only on class of products that is sold to Natura Beauty Consultants which is classified as "Cosmetics". As such, disclosure of information by products and services is not applicable.

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.

21. NET OPERATING REVENUE

	Company		Consolidated	
	2010	2009	2010	2009
Gross revenue:				
Domestic market	6,486,421	5,410,052	6,487,124	5,410,545
Foreign market	-	-	471,185	377,445
Other sales	-	-	1,479	1,323
	6,486,421	5,410,052	6,959,788	5,789,313
Taxes on sales	(8,682)	(7,782)	(8,682)	(7,782)
Returns and cancellations	(963,424)	(809,105)	(1,814,394)	(1,539,474)
Net revenue	5,514,315	4,593,165	5,136,712	4,242,057

22. OPERATING EXPENSES AND COST OF SALES

a) Breakdown of operating expenses and cost of sales by function:

	Company		Consolidated	
	2010	2009	2010	2009
Cost of sales	2,283,926	1,956,558	1,556,806	1,294,565
Marketing and selling expenses	1,292,365	1,062,579	1,704,322	1,496,125
General and administrative expenses	837,808	698,241	605,442	450,868
Management compensation	18,174	21,049	70,351	55,784
Compensation of key management personnel (note 28.2)	14,417	13,139	14,417	14,063
Total	4,446,690	3.751,566	3,951,338	3,311,405

b) Breakdown of operating expenses and cost of sales by nature:

	Company		Consolidated	
	2010	2009	2010	2009
Variable costs and indirect costs of resale materials and productsa	2,283,926	1,956,558	1,319.106	1,093,965
Marketing and selling expenses	846,913	661,316	910,489	716,420
Freight expenses	223,236	200,922	234,066	216,259
Research and product development expenses (note 2.12.)	299	-	51,958	111,794
Project expenses	33,601	37,804	101,587	90,418
Services expenses	65,227	57,739	171,970	133,470
Employee benefit expenses (note 23)	261,441	253,456	628,078	521,938
Compensation of key management personnel (note 28.2)	14,417	13,139	14,417	14,063
Depreciation and amortization charges	15,305	11,918	88,848	92,426
Others expenses	107,183	86,345	430,819	320,652
Provision of administrative services (note 28.1)	328,183	252,015	-	-
Provision of research and development services (note 28.1)	266,959	220,354	-	-
Total	4,446,690	3,751,566	3,951,338	3,311,405

23. EMPLOYEE BENEFIT EXPENSES

	Company		Consolidated	
	2010	2009	2010	2009
Payroll and bonuses	177,326	174,908	414,167	354,037
Management compensation (note 23.1.)	18,174	21,049	70,351	55,784
Pension plan (note 24.1.)	2,167	961	2,528	1,387
Executives' compensation	4,081	4,826	11,288	8,573
Taxes payable	59,693	51,711	129,744	102,157
	261,441	253,456	628,078	521,938

23.1. 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, 2010 and 2009, the amounts below were recorded as profit sharing:

	Company		Consolidated	
	2010	2009	2010	2009
Employee	18,174	21,049	70,351	55,784
Management (*)	6,018	5,424	6,018	5,749
	24,192	26,473	76,369	61,533

(*)Included in caption "Management compensation".

23.2. Stock option plan

Once a year the Board of Directors meets in order to choose 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 vesting period, after which 50% of the options could be exercised 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 year of the vesting period.

In 2009, the plan was revised to establish the end of the fourth year as the vesting date of all the options granted, with the possibility of reducing the vesting period to three years through the cancelation of 50% of the options granted and setting the four years as the maximum term for the exercise of the options.

On March 19, 2010, 2,175,646 options were granted under this new plan format, with the exercise price of R$34.17.

The changes in the number of outstanding stock options and their related weighted-average prices are as follows:

	2010		2009	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
Balance at beginning of year	23.22	5,538	19.24	4,733
Granted	34.17	2,176	22.44	2,583
Cancelled	22.80	(268)	23.96	(568)
Exercised	22.74	(607)	10.78	(1,210)
Balance at end of year	28.10	6,839	23.22	5,538

Out of the 6,839,000 outstanding options as of December 31, 2010 (5,538,000 outstanding options as of December 31, 2009), 822,000 outstanding options are vested (685,000 outstanding options as of December 31, 2009). The options exercised by employees of the Company and/or its subsidiaries as of December 31, 2010 resulted in the issuance of 607,000 shares (1,210,000 shares as of December 31, 2009).

The expense related to the fair value of the options granted during the period ended December 31, 2010, according to the elapsed vesting period, was R$4,081 and R$11,288, Company and on a consolidated basis, respectively (R$4,339 and R$8,573 Company and on a consolidated basis, respectively, as of December 31, 2009).

The outstanding stock options at the end of the quarter/year have the following vesting dates and exercise prices

December 31, 2010:

Date of grant	Exercise price - R$	Outstanding options	Remaining contractual live (years)	Exercisable options
March 16, 2005	20.25	82,981	0.21	82,981
March 29, 2006	30.17	414,120	1.23	414,120
April 24, 2007	28.53	650,333	2.35	325,167
April 22, 2008	22.16	1,128,902	3.36	-
April 22, 2009	24.17	2,436,105	6.40	-
March 19, 2010	35.46	2,126,372	7.32	-
		6,838,813		822,268

December 31, 2009:

Date of grant	Exercise price - R$	Outstanding options	Remaining contractual live (years)	Exercisable options
April 10, 2004	8.92	93,622	0.28	93,622
March 16, 2005	19.12	281,911	1.22	281,911
March 29, 2006	28.49	623,221	2.24	309,906
April 24, 2007	26.94	807,511	3.36	-
April 22, 2008	20.92	1,210,647	4.37	-
April 22, 2009	22.82	2,520,690	7.41	-
		5,537,602		685,439

As of December 31, 2010, market price per share was R$47.69 (R$36.31 as of December 31, 2009).

Significant data included in the fair value pricing model of the options granted in 2010:

- Fair value of stock option of R$10.82 (R$7.83 in 2009) on grant date.
- Volatility of 37% (39% in 2009).
- Dividend yield of 5.3% (5.3% in 2009).
- Expected option life of three and four years.
- Risk-free annual interest rate of 10.8% (9.6% in 2009).

Below is a simulation of the effects from: (a) the exercise of options granted through December 31, 2010; and (b) the exercise of all options liable to being granted under the Stock Option Plan. For both scenarios, we assumed that all options were exercisable as of December 31, 2010, based on the Company's shareholders' equity on that date:

	Scenario I Granted options	Scenario II Total plan
Average exercise price per share - R$	28.10	28.10
Number of common shares	430,881,416	430,881,416
Number of shares to be issued with the exercise of the options	6,838,813	17,953,392
Book value per share as of December 31, 2010 - R$	2.90	2.90
Book value per share as of December 31, 2010, considering the exercise of all options granted under each plan - R$	2.85	2.78
Dilution of book value per share considering the exercise of all options granted in each plan - R$	0.05	0.12
Dilution in percentage considering the exercise of all options granted in each plan	1.72%	4.00%

24. EMPLOYEE BENEFITS

24.1. 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, 2010, 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$2,167 (Company) and R$2,528 (Consolidated) in the period ended December 31, 2010 (R$961, Company and R$1,387, Consolidated in the period ended December 31, 2009) and were recorded as expenses in the period.

24.2. Healthcare plan

The Company and its subsidiaries maintain a postemployment healthcare plan for a group of former employees and their spouses that is governed by specific rules. As of December 31, 2010, the plan had 304 (Company) and 2,165 (Consolidated) participants.

As of December 31, 2010, the Company and its subsidiaries had a reserve for the actuarial liability arising from this plan totaling R$13,123 (Company) and R$19,742 (Consolidated), (R$2,384, Company and R$9,342, Consolidated as of December 31, 2009), which was calculated by an independent actuary considering the following main assumptions:

	Annual percentage (in nominal terms)
	2010
Financial discount rate	11.2
Increase in medical expenses (reduced by 0.5% per year)	10.5 a 5.5
Long-term inflation	4.5
General mortality table	RP 2000

25. FINANCIAL INCOME (EXPENSES), NET

	Company		Consolidated	
	2010	2009	2010	2009
Financial income:				
Interest on short-term investments	13,171	6,378	35,809	28.610
Inflation adjustment and foreign exchange gains (a)	-	44,414	34	45.745
Gains on swap and forward transactions	2,403	1,379	3,901	3,459
Other financial income	1,941	4,623	13,895	6,362
	17,515	56,794	53,639	84,176
Financial expenses:				
Interest on financing	(39,896)	(20,274)	(58,457)	(38,466)
Inflation adjustment and foreign exchange losses (a)	(3,757)	(43)	(7,130)	(7,980)
Losses on swap and forward transactions	(9,075)	(57,660)	(12,076)	(67,418)
Other financial expenses	(5,509)	(5,828)	(25,712)	(12,186)
	(58,237)	(83,805)	(103,375)	(126,050)
Financial expenses, net	(40,772)	(27,011)	(49,736)	(41,874)

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	
	2010	2009
(a)		
Inflation and exchange gains	34	45.745
Inflation and exchange losses	(7,130)	(7,980)
	(7,096)	37,765
(a) Breakdown		
Exchange rate changes on loans and financing	(2,781)	51,587
Adjustment for inflation on financing	34	(2,925)
Exchange rate changes on imports	(1,089)	619
Exchange rate changes on accounts payable in foreign subsidiaries	(1,399)	(823)
Exchange rate changes on export receivables	(1,861)	(10,693)
	(7,096)	37,765

26. OTHER OPERATING INCOME (EXPENSES), NET

	Controladora		Consolidado	
	2010	2009	2010	2009
Gain on sale of property, plant and equipment	387	702	(9,044)	(9,265)
Actuarial liability - healthcare plan (note 24.2)	(1,378)	(2,384)	(5,400)	(9,342)
Others	(1,447)	2,643	(3,024)	3,983
Other operating income (expenses), net	465	961	(17,468)	(14,624)

27. EARNINGS PER SHARE

27.1. Basic

Diluted earnings per share is calculated by adjusting the weighted average outstanding common shares supposing that all potential common shares that would cause dilution are converted. The Company has only one category of common shares that would potentially cause dilution: the stock options.

	2010	2009
Net income attributable to the Company's shareholders	744,050	683,924
Weighted average of common shares issued	430,548,910	429,461,590
Weighted average of treasury shares	(655)	(10,208)
Weighted average of outstanding common shares	430,548,255	429,451,382
Basic earnings per share - R$	1,7281	1,5926

27.2. Diluted

Diluted earnings per share is calculated by adjusting the weighted average outstanding common shares supposing that all potential common shares that would cause dilution are converted. The Company has only one category of common shares that would potentially cause dilution: the stock options.

	2010	2009
Net income attributable to the owners of the Company	744,050	683,924
Weighted average of number of common shares issued	430,548,255	429,451,382
Weighted average of treasury shares	1,564,844	1,017,758
Weighted average of number of outstanding common shares issued	432,113,098	430,469,140
Basic earnings per share - R$	1.7219	1.5888

28. RELATED-PARTY TRANSACTIONS

28.1. Intragroup transactions

Receivables from and payables to related parties are as follows:

	Company	
	2010	2009
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	13,143	12,171
Natura Logística e Serviços Ltda. (b)	12,218	14,586
	25,361	26,757
Advance for future capital increase- Flora Medicinal J. Monteiro da Silva Ltda. (c)	-	90
	-	90
Current liabilities-		
Suppliers:		
Indústria e Comércio de Cosméticos Natura Ltda. (d)	153,597	153,509
Natura Logística e Serviços Ltda. (e)	47,356	27,627
Natura Inovação e Tecnologia de Produtos Ltda. (f)	45,636	30,455
	246,589	211,591
Dividends and interest on capital payable	163	174

Transactions with related parties are as follows:

	Company			
	Product sales		Product purchases	
	2010	2009	2010	2009
Indústria e Comércio de Cosméticos Natura Ltda.	3,006,596	2,611,231	-	-
Natura Cosméticos S.A.-Brasil	-	-	2,837,687	2,465,453
Natura Cosméticos S.A.-Peru	-	-	34,104	34,151
Natura Cosméticos S.A. -Argentina	-	-	42,693	46,970
Natura Cosméticos S.A.-Chile	-	-	32,971	25,300
Natura Cosméticos S.A.-México	-	-	35,533	22,353
Natura Cosméticos Ltda. -Colômbia	-	-	18,514	10,846
Natura Cosméticos C.A. -Venezuela	-	-	-	1,417
Natura Europa SAS-França	-	-	4,672	3,885
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	388	799
Natura Logística e Serviços Ltda.	-	-	34	56
Natura Cosmetics USA Co.	-	-	-	1
	3,006,596	2,611,231	3,006,596	2,611,231

	Service sales		Services purchases	
	2010	2009	2010	2009
Administrative structure: (g)				
Natura Logística e Serviços Ltda.	438,095	333,652	-	-
Natura Cosméticos S.A. - Brasil	-	-	328,183	252,015
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	67,810	52,176
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	42,102	29,461
	438,095	333,652	438,095	333,652
Product and technology research and development: (h)				
Natura Inovação e Tecnologia de Produtos Ltda.	266,959	220,354	-	-
Natura Cosméticos S.A. - Brasil	-	-	266,959	220,354
	266,959	220,354	266,959	220,354
"In vitro" research and tests: (i)				
Natura Innovation et Technologie de Produits SAS - França	3,538	3,066	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	3,538	3,066
	3,538	3,066	3,538	3,066
Lease of properties and common charges: (j)				
Indústria e Comércio de Cosméticos Natura Ltda.	6,728	6,632	-	-
Natura Logística e Serviços Ltda.	-	-	3,899	3,843
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,567	1,544
Natura Cosméticos S.A. - Brasil	-	-	1,263	1,245
	6,728	6,632	6,728	6,632
Total of sales or purchases and services	3,721,916	3,174,935	3,721,916	3,174,935

(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) Refers to the lease of part of the industrial complex located in Cajamar - SP and buildings located in the municipality of Itapecerica da Serra - SP.

The main intercompany balances as of December 31, 2010 and 2009, 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$7,620 for the year ended December 31, 2010 (R$6,628 for the year ended December 31, 2009).

There is no allowance for doubtful accounts recognized for intercompany receivables on December 31, 2010 and 2009 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.

	2010				
	Compensation			Stock option grant	
	Fixed	Variável (a)	Total	Stock option balance	Average exercise
Board of Directors	3,348	1,985	5,333	-	-
Officers (statutory)	5,051	4,033	9,084	1,512,568	28,10
	8,399	6,018	14,417	1,512,568	

	2009				
	Compensation			Stock option grant	
	Fixed	Variável (a)	Total	Stock option balance	Average exercise
Board of Directors	3,562	1,713	5,275	-	-
Officers (statutory)	4,828	3,960	8,788	977,338	23,22
	8,390	5,673	14,063	977,338	

The compensation of the Company's executives is as follows:

	2010				
	Compensation			Stock option grant	
	Fixed	Variável (a)	Total	Stock option balance	Average exercise
Executives (not statutory)	25,194	14,917	40,111	2,961,042	28,10

	2009				
	Compensation			Stock option grant	
	Fixed	Variável (a)	Total	Stock option balance	Average exercise
Executives (not statutory)	18,539	10,813	29,352	2,498,686	23,22

(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.

29. COMMITMENTS

29.1. 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, 2010, 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:

	2010	2009
Less than one year	3,899	3,941
More than one year and less than five years	9,591	12,525
Over five years	2,578	2,462
	16,068	18,928

29.2. 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, 2010, the commitment made for future payments of these operating leases had the following maturities:

	Company	Consolidated
2011	1,217	5,332
2012	1,217	3,426
2013 and thereafter	3,806	7,221
	6,240	15,979

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, 2010, the insurance coverage was as follows:

Item	Type	Insured amount
Industrial complex/ inventories	Any material damages to buildings, facilities and machinery and equipment	829,987
Vehicles	Fire, theft and collision for 1,480 vehicles	57,357
Loss of profits	Normalization of profits arising from material damages to facilities, buildings and production machinery and equipment	1,372,097

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 23, 2011.

The makeup product line **Natura Una** counts with innovative textures, anti aging technology and vegetable ingredients from Brazilian biodiversity.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

To Management and Shareholders of Natura Cosméticos S.A.
Itapecerica da Serra - SP

We have audited the accompanying individual and consolidated financial statements of Natura Cosméticos S.A. (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010, and the statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Company's Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with Brazilian accounting practices and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRS, as issued by International Accounting Standards Board - IASB, and in accordance with Brazilian accounting practices and for such internal controls as Management determines it is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Natura Cosméticos S.A. as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Natura Cosméticos S.A. as of December 31, 2010 and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS, as issued by the IASB, and Brazilian accounting practices.

Emphasis of matter

As described in note 2.1., the individual financial statements were prepared in accordance with Brazilian accounting practices. For Natura Cosméticos S.A. these practices differ from IFRS, applicable to separate financial statements, only in relation to measurement of equity method investments in subsidiaries, associates and joint-controlled entities, which are measured based on cost or fair value in accordance with IFRS.

Other matters

Statements of value added

We have also audited individual and consolidated statements of value added (DVA) for the year ended December 31, 2010, whose presentation is required by Brazilian corporate law for public companies, and as supplementary information under IFRS which do not require the presentation of DVA. These statements were subject to the same audit procedures previously described and, in our opinion, are appropriately presented, in all material respects, in relation to the overall financial statements presentation.

Convenience translation

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 23, 2011

Deloitte.	**Edimar Facco**
Auditores Independentes	Engagement Partner
CRC nº 2 SP 011609/O-8	CRC nº 1 SP 138635/O-2

DNV ASSURANCE
STATEMENT SUMMARY

NATURA SUSTAINABILITY REPORT 2010

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 2010 ('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. The stakeholders of Natura are the intended users of this Assurance Statement. 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. Our conclusions are based on the assumption that the data and information provided to DNV is complete and true.

2. Independence

DNV states its independence and impartiality with regard to this commission. 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 2010, DNV did not provide any services to Natura that could compromise the independence or impartiality of our findings, conclusions or recommendations.

3. Scope and limitations

DNV's assurance engagement consisted of the verification of information provided in the Report, as well as the assessment of the underlying data management and reporting processes, for the period of 12 months ending on 31 December 2010. Based on the scope of work commissioned by Natura, the main objectives of this 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, analyse and respond to stakeholders' interests and concerns in relation to the company' sustainability strategy, management and performance, and the content of the Report;
- Systems, processes and tools to collect, aggregate, control and assure the quality of data and report on sustainability-related information;
- The description of sustainability related policies, strategies, objectives, initiatives, achievements and performance in 2010, as described 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 and AccountAbility's AA1000 Assurance Principles Standard, 2008 (AA 1000 APS);
- 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 primarily 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 sustainability strategy or management practices. 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 the Report.

4. Approach

This assurance engagement was carried out between January and April 2011 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 AA1000 APS (2008) and the GRI Sustainability Reporting Guidelines, 2006 (GRI G3).

The methods used in this engagement included:

- Interviews with 32 directors, managers and staff responsible for processes related to the management of material issues at Natura's headquarters and production units in Cajamar and Benevides (Brazil);
- Participation (as an observer) in a multi-stakeholder engagement event organized in Belém, State of Pará (Brazil) to discuss the material issues related to sourcing in the Amazon region;
- Interviews with 4 selected external stakeholders representing supplier communities of the company and a local regulatory agency;
- Review of documentation and other evidence of developments in the company's sustainability objectives, resources and activities;
- 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, and reporting of sustainability information. This also involved testing selected data samples;
- 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 and report assurance standards and guidelines.

5. Main conclusions and opportunities for improvement

Based on the work undertaken as part of this assurance engagement, DNV concludes that:

- Natura's Sustainability Report 2010 generally 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). DNV also endorses the GRI Application Level of A+, declared by Natura.
- Natura continued to develop their understanding of material topics, in close collaboration with stakeholders in Brazil and overseas (Argentina, Chile, Colombia, México and Peru). The outcomes from these initiatives have been adequately considered in the preparation of the Report.
- The reliability of the information is still limited due to the lack of systematization of the company's data management processes, in particular in the international operations.

In the course of the verification, DNV identified the following opportunities for improvement:

- Inclusivity and responsiveness: continue to improve the description of the company's stakeholders' interests and expectations in relation to Natura's sustainability strategy and the content of the Report. The Report could also better describe how Natura has responded or intends to respond to stakeholder expectations.
- Reliability: increase the systematization of data management processes, in particular in the company's international operations. Internal audits of sustainability data are also recommended.
- Comparability:
  - improve the monitoring of sustainability performance in international operations, in order to increase the scope of reporting of performance in the Report. This should also increase comparability of performance across the various operations of Natura;
  - continue to deepen Natura's understanding of the sustainability performance of its main products and supply chains, following the pilot initiatives initiated in 2010.
- Clarity: improve the clarity and homogeneity of future translated versions 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

Alexandre Simões Jorge
Verifier

Diego Perelli
Quality Assurance

Det Norske Veritas, São Paulo, 13 May 2011

ABOUT THIS **REPORT**

For the 11th consecutive year, we are publishing the Natura Annual Report. This report is prepared according to the guidelines of the Global Reporting Initiative (GRI) for the period from January 1 to December 31, 2010. We have adopted the G3 version of the GRI, and for the fourth consecutive year we declare that we have applied the A+ application level for reporting our economic, social, and environmental performances.

The socioenvironmental information herein was subject to external verification by Det Norske Veritas (DNV). Greenhouse gas inventory data were subject to a specific verification (limited assurance) by the auditing and consulting firm PwC, while the economic and financial information was audited by Deloitte Touche Tohmatsu Auditores Independentes.

This publication considers the information related to all our operations. These include Argentina, Chile, Colombia, Mexico, Peru, and France, in addition to the operations in Bolivia and Central America, where we operate through distributors. The scope of the socioenvironmental 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 include all our operations.

Since 2009, the calculation of our key environmental impacts – water and energy consumption and waste generation – has included data from outsourced suppliers who manufacture our products in Brazil. Therefore, we have undertaken a more precise evaluation of the impacts of our operations. One of our challenges for the future is to begin monitoring the indicators of the outsourced operations of our international operations. In 2010 we started production in Argentina, and we expect to begin production in Chile and Mexico in 2011.

Possible significant changes in relation to 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 priority stakeholders, whom we define as our brand builders: employees; consultants and Natura Consultant Advisers; consumers; suppliers; supplier communities; surrounding communities; shareholders; and government.

The information in this report is available in different formats and accessible through different communication channels:

- Management Report – published in the Valor Econômico and Brasil Econômico newspapers and in the Diário Oficial official gazette on February 24, 2011, containing the main performance data for the year.
- Report for key opinion leaders – the main printed publication containing the most relevant information about our performance. Available in Portuguese, English, and Spanish.
- Internet – presents the full content in Portuguese and English. Access our electronic address www.natura.net/relatorio.
- Special edition for employees – contains topics of interest to our internal stakeholders and is also available on the Internet in Portuguese and Spanish.
- Special edition for our consultants – contains specific information for our sales channel, available in Portuguese only and on the Internet.

The preparation of the report was discussed as well as published on the Natura Conecta virtual platform (www.naturaconecta.com.br). Access to the portal is free to all.

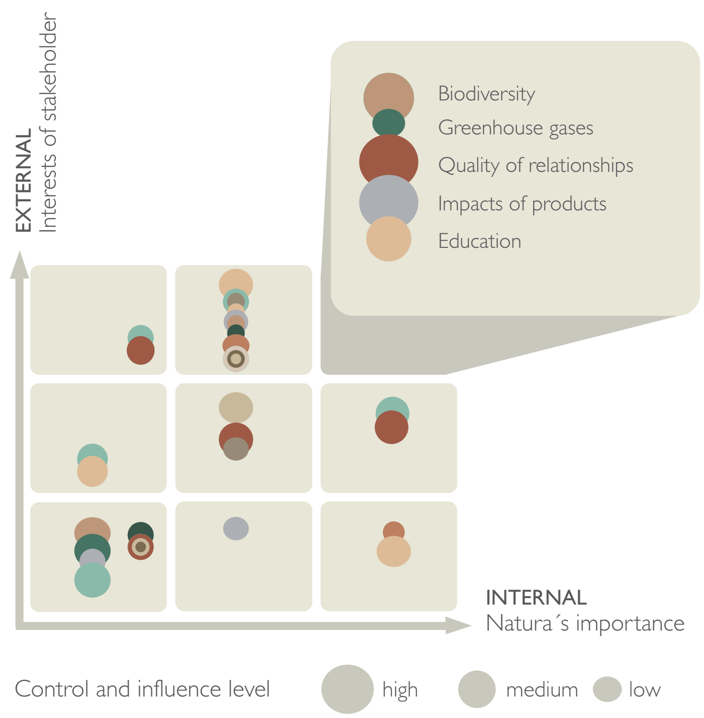
CONSTRUCTING MATERIALITY

The participation of our stakeholders in developing the materiality matrix not only involves defining the content of the report, it also directs our strategic management of sustainability. The concerns identified during the process produce a blueprint for senior management to draw up the company's plans, which are consequently reflected in the company report.

Undertaken every two years, the materiality matrix cross-references the socioenvironmental topics identified by our stakeholders as relevant (external axis) with their importance for the company (internal axis). Topics are selected on the basis of importance to the company's strategy, operating risks and opportunities, and for their pioneering spirit.

The matrix presented in this report was constructed in 2008 and detailed and expanded with our stakeholders from the Brazilian operations in 2009. In all, 1,400 people were involved in the process. The high-High-priority Topics in sustainability were defined as the Amazon, Biodiversity, Education, Greenhouse Gases, Product Impact, and Quality of Relationships. The Amazon region was not identified by the stakeholders, but we included it in our priorities because we consider this to be a key factor for Brazil's development (learn more on page 24, High priority Topics).

MATERIALITY MATRIX



Throughout 2010, we undertook a new cycle of engagement so as to update the materiality matrix, making important progress. A description of this process will be incorporated into the discussions of Natura's strategic planning in 2011 and published in the next reporting cycle.

The next matrix will include stakeholders from our Latin American operations. This will enable us to identify high-High-priority Topics that reflect all our units, not just our Brazilian operations. We held a multistakeholder panel at our head office in Cajamar (São Paulo), in addition to dialogues for this purpose in Argentina, Peru, Colombia, and Mexico in 2010, and in March 2011 in Chile.

We moved forward with the Wiki Reports in early 2011. We revisited the discussions held in the six virtual forums of 2010 and presented the progress of our work on high-High-priority Topics. This platform was also used to set priorities for the topics in the new materiality matrix. Our objective was to enable participants to contribute to the Natura's actions in a collaborative manner, evaluating them and making suggestions — thus turning the report into a living document in the spirit of ongoing communication and permanent dialogue. The Wiki Natura Report community is available at www.naturaconecta.com.br and all those interested can participate (learn more on page 33, Collective Construction).

We also hosted a panel discussion led by specialists. Employees and suppliers involved in the Natura reporting process and external communication and sustainability professionals participated in this event. We reflected on current characteristics of our reporting and what changes are required, pointing out more appropriate formats, types of approaches, and frequency.

The process of gathering information for the annual report is supported by a communications agency with experience in sustainability. It includes more than 50 interviews with representatives of both employees and management, who update indicators by different departments of the company. Last year, we improved data collection with the support of an online tool for filling out data by the relevant areas, though there is still a need for better data management throughout the year. The information in this report is validated by senior management and is subject to external audit.

We are recognized for our effort to integrate economic, social and environmental information into our report. We are aware, however, that we still have a lot to develop until we succeed in interrelating the main impact of our activities.

For further information on this report, please directly contact the team responsible for its preparation by e-mail: relatorioanual@natura.net.

GLOBAL COMPACT PRINCIPLES

Since July 2000, Natura has been a signatory of the Global Compact, a United Nations initiative that brings together companies, workers, and civil society to promote sustainable growth and citizenship. We are also part of the Global Compact Brazilian Committee (CBPG), created from the partnership between the Ethos Institute and the United Nations Development Program in 2003.

The CBPG is made up of companies, UN agencies in Brazil, legal entities, academia, and organizations that work on such topics as human and labor rights, the environment, and combating corruption. For further information on this initiative, visit www.pactoglobal.org.br.

Global Compact Principles	Relevant GRI Indicators	Indirectly relevant GRI indicators	Performance information
Human Rights Principles			
Principle 1 Respect and protect human rights	HR1; HR2; HR3; HR4; HR5; HR6; HR7; HR8; HR9	LA4; LA13; LA14; SO1	p. 37 and 50
Principle 2 Prevent human rights violations	HR1; HR2; HR8		p. 52
Principles of Labor Rights			
Principle 3 Support freedom of association in the workplace	HR5; LA4; LA5		p. 39
Principle 4 Abolish forced labor	HR7	HR1; HR2; HR3	p. 50 and 51
Principle 5 Abolish child labor	HR6	HR1; HR2; HR3	p. 50 and 51
Principle 6 Eliminate discrimination in the workplace	HR4; LA2; LA13; LA14	HR1; HR2; EC5; EC7; LA13	p. 41 and online
Principles of Environmental Protection			
Principle 7 Support a preventive approach to environmental challenges		Performance Chapter	EC2 p. 14 and 62
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	p 60 to 66
Principle 9 Encourage environmentally friendly technologies	EN2; EN5; EN6; EN7; EN10; EN18; EN26;EN27		p. 30 and 31
Principle against Corruption			
Principle 10 Fight corruption in all its forms, including extortion and bribery	SO2; SO3; SO4	SO5; SO6	p. 18, 56 and 57

GRI **INDEX**

Consult the table below to locate our performance indicators according to the GRI standard. This publication contains the main indicators on our priority sustainability topics. The remaining indicators and profile items are presented in the online version of this report at **www.natura.net/relatorio**, together with the references and explanations on the response level (partial or full, in line with the GRI standard).

Economic Performance		Page
Economic management approach		**22 and 54**
EC1	Direct economic value generated and distributed	68, 75, 78, 79 and 103
EC2	Financial implications, risks and opportunities resulting from climate change	18 and 23
EC3	Coverage of the benefit pension plan obligations	online
EC4	Significant financial aid received from the government	57 and online
Market presence		
EC5	Lowest salary compared to the local minimum salary	online
EC6	Policies, practices and expenses with local suppliers	online
EC7	Procedures for local contracting and proportion of top management members recruited in the local community	online
Indirect economic impacts		
EC8	Development and impact of investments in infrastructure and services	53 and 67
EC9	Description of significant indirect economic impacts	51 and 68

Environmental Performance		
Environmental management approach		**23-29 and 62**
Materials		
EN1	Materials used by weight or volume	online
EN2	Percentage of materials used from recycling	65
EN3	Direct energy consumption	66 and online
EN4	Indirect energy consumption	66
EN5	Energy saved through efficiency	online
EN6	Initiatives to provide energy efficient products	online
EN7	Initiatives to reduce indirect energy consumption	online
Water		
EN8	Total water withdrawal	online
EN9	Water sources affected by water withdrawal	online
EN10	Water recycled and reused	online
Biodiversity		
EN11	Area within the protected areas and areas with a high level of biodiversity outside the protected areas	online
EN12	Description of significant impacts on biodiversity	online
EN13	Protected or restored habitats	online
EN14	Management of impacts on biodiversity	25 and 64
EN15	Species threatened with extinction	online
Emissions, effluents and waste		
EN16	Total direct and indirect emissions of greenhouse gases	62 and online
EN17	Other relevant indirect emissions of greenhouse gases	62 and online
EN18	Initiatives to reduce greenhouse gas emissions	62 and online
EN19	Emissions of substances that deplete the ozone layer	online
EN20	NOx, SOx and other significant air emissions	online
EN21	Total disposal of water by quality and destination	online
EN22	Total waste weight by type and disposal method	online
EN23	Number and total volume of significant spills	online
EN24	Transported, imported, exported or treated waste considered hazardous	online
EN25	Bodies of water and habitats affected by water discharge	online
Products and services		
EN26	Initiatives to mitigate the environmental impacts of products and services	60, 64 and 65
EN27	Percentage of products and their packaging that are reclaimed in relation to the total amount of products sold	online
Compliance		
EN28	Significant fines and the total number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations	64
Transportation		
EN29	Impacts of the transportation of products and workers	61
General		
EN30	Investments and expenditures with environmental protection	68

Social Performance – Labor practices and dignified work		
Labor management approach		**38**
Employment		
LA1	Total number of workers by type of job, employment contract and region	38 and 39
LA2	Total number of employees and turnover rate	41
LA3	Full-time vs. temporary benefits	online
Relations between workers and management		
LA4	Percentage of workers covered by collective bargaining agreements	online
LA5	Minimum period for notifying operational changes	online
Safety and health in the workplace		
LA6	Employees represented on health and safety committees	online
LA7	Rates of injury, occupational diseases, days lost, absenteeism and fatalities	online
LA8	Education programs associated with serious diseases	online
LA9	Health and safety topics covered in labor union agreements	online
Training and Education		
LA10	Average hours of training	39 and online
LA11	Programs for employability	online
LA12	Performance and career development reviews	online
Diversity and equal opportunities		
LA13	Composition of groups responsible for corporate governance and the other employees	online
LA14	Base salary proportion between men and women	online

Social Performance – Human rights		Page
Human rights management approach		**37 and online**
Investment and procurement practices		
HR1	Significant investment contracts with clauses on human rights	online
HR2	Companies contracted and suppliers that have undergone screenings on human rights	online
HR3	Training in human rights	online
Non-Discrimination		
HR4	Total number of discrimination cases	37
Freedom of association and collective bargaining		
HR5	Operations in which the right to exercise the freedom of association and collective bargaining may be at risk	online
Child labor		
HR6	Operations with a risk of child labor	online
Forced or slave labor		
HR7	Operations with a risk of forced or slave labor	online
Security practices		
HR8	Security personnel submitted to training in human rights	online
Indigenous rights		
HR9	Cases of indigenous rights violations	online

Social Performance – Society		
Social management approach		**29, 36, 52 and 67**
Community		
SO1	Programs and practices to evaluate and manage the impacts of the operations on communities	online
Corruption		
SO2	Units submitted to evaluations of corruption risks	18
SO3	Employees trained in anti-corruption policies and procedures	online
SO4	Actions taken in response to cases of corruption	18
Public policies		
SO5	Participation in public policy development and lobbying	57
SO6	Financial contributions to political parties	18
Unfair competition		
SO7	Lawsuits due to unfair competition	online
Compliance		
SO8	Fines and non-monetary sanctions resulting from non-compliance with laws and regulations	online

Social Performance – Responsibility for the product		
Product responsability management approach		**28 and 47**
Customer health and safety		
PR1	Evaluation of the impacts on health and safety during the lifecycle of products and services	online
PR2	Cases of non-compliance with health and safety regulations	online
Product and service labeling		
PR3	Labeling procedures	online
PR4	Cases of non-compliance with regulations on labeling	online
PR5	Practices related to customer satisfaction	43 and 47
Marketing communications		
PR6	Compliance with laws, standards and voluntary marketing codes	44 and online
PR7	Cases of non-compliance with regulations and voluntary codes	online
Customer privacy		
PR8	Substantiated complaints on the violation of privacy	online
Compliance		
PR9	Fines associated with the supply and use of products and services	online

Global Reporting Initiative™ Organizational Stakeholder 2011

WE ARE AN ORGANIZATIONAL STAKEHOLDER OF THE GLOBAL REPORTING INITIATIVE (GRI) AND WE SUPPORT ITS MISSION TO DEVELOP GLOBALLY ACCEPTED GUIDELINES FOR SUSTAINABILITY REPORTING THROUGH A PROCESS OF STAKEHOLDER ENGAGEMENT.

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