

**PRIVATE INSTRUMENT OF  
PROTOCOL AND JUSTIFICATION OF MERGER OF  
NOVA FLORA PARTICIPAÇÕES LTDA. BY  
NATURA COSMÉTICOS S.A.**

By this private instrument, the parties qualified below, hereinafter designated jointly as **PARTIES**,

**NATURA COSMÉTICOS S.A.**, a publicly-held joint stock company with headquarter in the City of Itapecerica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, s/n.º, Km. 293, Edifício I, CEP 06850-000, with Corporate Taxpayer's ID (CNPJ/MF) no. 71.673.990/0001-77, with its acts of transformation of a private limited company into a joint stock company registered in the Board of Trade of the State of São Paulo (JUCESP) under the Corporate Registry ID (NIRE) 35.300.143.183, in a session of October 9, 1995, herein represented by its CEO, Mr. Alessandro Giuseppe Carlucci, a Brazilian citizen, married, business administrator, Identity Card (RG) no. 17.423.822 SSP/SP, with Individual Taxpayer's Register (CPF/MF) no. 084.142.238-93 and by its CFO and Investor Relations Officer, Mr. José David Vilela Uba, a Brazilian citizen, married, engineer, Identity Card (CREA/RJ) no. 13.455-81, with Individual Taxpayer's Register (CPF/MF) no. 383.781.167-00, both with professional domicile in the City of Itapecerica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, s/n.º, Km. 293, Edifício I, CEP 06850-000, hereinafter simply designated **NATURA COSMÉTICOS** and

**NOVA FLORA PARTICIPAÇÕES LTDA.**, a limited company with headquarters in the City of Barueri, State of São Paulo, at Avenida Juruá, n.º 253, 1º andar, sala "C", with Corporate Taxpayer's ID (CNPJ/MF) no. 03.322.198/0001-18, with its articles of incorporation registered in the Board of Trade of the State of São Paulo (JUCESP) under the Corporate Registry ID (NIRE) 35.215.819.534, on July 30, 1999, herein represented by its officers, Messrs. Antonio Carlos Siqueira da Silva, a Brazilian citizen, married, attorney, enrolled in the Brazilian Bar Association (OAB/SP) under no. 73.446 and with Individual Taxpayer's Register (CPF/MF) no. 035.794.128-41 and Eduardo Fernando Zornoff, a Brazilian citizen, judicially separated, Identity Card no. 172660543 SSP/SP, with Individual Taxpayer's Register (CPF/MF) no. 143.605.878-30, both with professional address in the City of Itapecerica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, s/n.º, Km 293, Edifício I, CEP 06850-000, hereinafter simply designated **NOVA FLORA**,

in witness whereof, the parties enter into this **PROTOCOL AND JUSTIFICATION OF MERGER**, pursuant to articles 223, 224, 225, 227 and 234 of Law no. 6.404/76, of Normative Instruction no. 319, issued by the Brazilian Securities and Exchange Commission on December 3, 1999, both as amended, and articles 1.116 to 1.118 of Law

no. 10.406/02, with the purpose of establishing the terms and conditions for the merger of **NOVA FLORA** by **NATURA COSMÉTICOS**.

## **CONSIDERATIONS AND JUSTIFICATION**

### **1.**     Whereas

**(a)**   **NOVA FLORA** has as sole activity the participation in other companies in the capacity of partner or shareholder, holding thirty three million, five hundred two thousand, eight hundred fifty five (33,502,855) quotas, in the unit nominal value of one real (R\$1.00), representing the capital stock of **FLORA MEDICINAL J. MONTEIRO DA SILVA LTDA.**, a limited company with headquarters in the City of Itapeceirica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, s/n.º, Km. 293, Edifício II, with Corporate Taxpayer's ID (CNPJ/MF) no. 02.007.074/0001-85, with its articles of incorporation registered in the Board of Trade of the State of São Paulo (JUCESP) under the Corporate Registry ID (NIRE) 35.219.285.917, on August 10, 2004, hereinafter simply designated **FLORA MEDICINAL**;

**(b)**   **FLORA MEDICINAL**, a company formerly dedicated to the production, manufacturing, import, export, storage, bottling, rebottling, packing and repacking, distribution and transportation of phytotherapeutic, homeopathic and pharmaceutical products in general, drugs, medicines, inputs, housing sanitary disinfectants, cosmetic, hygiene, perfumery and toilet products, food and diet products, had its activities ended on February 2006, preserving their acts of incorporation; however, without any perspective of resuming the mentioned activities;

**(c)**   **NATURA COSMÉTICOS**, on its turn, develops activities of **(i)** exploration of trade, export and import of beauty, hygiene, toilet and cosmetic products, clothing articles, jewelry, trinkets, home articles, foods, nutritional complements, software, books, publishing material, entertainment products, phonographic products, medicines, including phytotherapeutic and homeopathic medicines, drugs, pharmaceutical inputs and housing sanitary disinfectants. It may practice all the acts and carry out all operations related to its purposes; **(ii)** rendering of services of any nature, such as services related to esthetic treatments, market advisement, registration, planning and analysis of risks and the organization and **(iii)** participation and management, under any form, in companies and businesses of any nature, in the capacity of partner or shareholder;

**(d)**   the capital stock of **NOVA FLORA**, on December 31, 2007, was R\$ 3.694.880,00 (three million, six hundred ninety-four thousand and eight hundred and eighty reais), represented by 3.694.880 (three million, six hundred ninety-four thousand and eight hundred and eighty) quotas, in the unit nominal value of one real (R\$1.00), distributed among its partners as follows:

Partners	No. of quotas	Value
<b>NATURA COSMÉTICOS</b>	3.694.879	R\$ 3.694.879,00
Alessandro Giuseppe Carlucci	1	R\$1.00
Total	3.694.880	R\$ 3.694.880,00

(e) previously to the execution of the merger of the net assets of **NOVA FLORA** by **NATURA COSMÉTICOS**, the partner of **NOVA FLORA**, Mr. Alessandro Giuseppe Carlucci, qualified in the preamble of this document, will assign and transfer the only quota of his ownership, representing the capital stock of **NOVA FLORA**, to the partner **NATURA COSMÉTICOS**, in an irrevocable and irreversible manner. Consequently, the partner **NATURA COSMÉTICOS** will hold the total quotas representing the capital stock of **NOVA FLORA**;

(f) **NOVA FLORA** will become a wholly-owned subsidiary of **NATURA COSMÉTICOS** previously to the execution of its merger and that **FLORA MEDICINAL**, the only company of which it participates in the realization of its corporate purpose ended its operational activities on February 2006, preserving their incorporation acts, however, without any perspective of resuming the mentioned activities,

The managers of the **PARTIES** propose the merger of the net assets of **NOVA FLORA** by **NATURA COSMÉTICOS** with the purpose of rationalizing the existing corporate structure, with the consequent reduction of costs and simplification of internal routines inherent to the maintenance of legal entities without any business activities or perspective of resuming such activities.

## **CONDITIONS**

**2.** The merger of the net assets of **NOVA FLORA** by **NATURA COSMÉTICOS** will take place in the following conditions.

**2.1.** Date of the merger: March 31, 2008.

**2.2.** Base balance of the merger: The balance sheet of **NOVA FLORA**, drawn up on December 31, 2007 (reference date of the merger), will be the base balance for the merger, containing all accounting elements necessary and sufficient to the merger.

The referred balance sheet was prepared in accordance with the accounting practices adopted in Brazil, the provisions in Law no. 6.404/76 and the rules issued by the Brazilian Securities and Exchange Commission (CVM), and audited by Deloitte Touche Tohmatsu Auditores Independentes, with headquarters in the City of São Paulo, State of São Paulo, at Rua José Guerra, no. 127, Chácara Santo Antônio, CEP 04719-030, with

Corporate Taxpayer's ID (CNPJ/MF) no. 49.928.567/0001-11 and enrolled in the Regional Accounting Board under no. 2 SP011609/O-8.

**2.3. Appraisal criterion of the merged assets:** The criterion adopted in the appraisal of the net assets to be transferred due to the merger is of the book value of the referred assets, determined in the terms above, as demonstrated in the accounting books and registries of **NOVA FLORA** and reflected in the base balance of the merger.

As the total quotas representing the capital stock of **NOVA FLORA** will be held by **NATURA COSMÉTICOS** on the date of the merger, there will be no minority partners holding quotas representing the capital stock of **NOVA FLORA**, reason why article 264 of Law no. 6,404/76, article 2, paragraph one, subsection VI of Normative Instruction no. 319/99 issued by the Brazilian Securities and Exchange Commission and articles 136 and 137 of Law no. 6,404/76 will not be applicable.

**2.4. Variations in Assets:** The variations in the assets of **NOVA FLORA** occurred between December 31, 2007 and March 31, 2008 will be appropriated in it and, after the merger, absorbed by the respective book balances by **NATURA COSMÉTICOS**.

**2.5. Appraisal report:** The managers of the **PARTIES** contracted, by referendum of the Extraordinary General Shareholders' Meeting of **NATURA COSMÉTICOS** destined to appreciate the proposal of merger of **NOVA FLORA**, Deloitte Touche Tohmatsu Auditores Independentes, qualified above, in order to conduct the appraisal of the book value of the shareholders' equity and prepare the competent appraisal report of **NOVA FLORA**, pursuant to article 8 of Law no. 6,404/76 and to article 2, paragraph one, subsection XIV of Normative Instruction no. 319/99 issued by the Brazilian Securities and Exchange Commission.

The referred company declared, by means of its representatives, the absence of any conflict or communion of interests, current or potential, with the shareholders belonging to the control block of **NATURA COSMÉTICOS**, with shareholders not belonging to the referred control block, with **NATURA COSMÉTICOS**, with **NOVA FLORA** or with the merger itself.

Based on the criterion stipulated above, the book value of the shareholders' equity of **NOVA FLORA** on the reference date was appraised at an unsecured liabilities in the amount of R\$-10.058.625,00 (-ten million, fifty eight thousand and six hundred twenty-five reais), in accordance with the Appraisal Report which constitutes Exhibit I to this instrument. Considering the previous existence of provision in the financial statements of **NATURA COSMÉTICOS** related to the unsecured liabilities of **NOVA FLORA**, this equity situation of **NOVA FLORA** will not bring any impact in the **NATURA COSMETICOS** net assets. The Appraisal Report will be submitted to the examination, discussion and voting of the shareholders of **NATURA COSMÉTICOS** at the Extraordinary General Meeting to

be held on March 31, 2008, as well as approved by the officers of **NATURA COSMÉTICOS**, in the capacity of the only partner of **NOVA FLORA**.

**2.6. Allocation of the net assets to be merged:** **NATURA COSMÉTICOS** will absorb the net assets of **NOVA FLORA**, not having any change in its capital stock, once there will be the replacement of values registered in it as investment in **NOVA FLORA** for the merged net assets. The merger will not generate any change in the rights and advantages attributed to the shares issued by **NATURA COSMÉTICOS**. There will be no alteration of the corporate purpose of **NATURA COSMÉTICOS**.

The headquarters of **NOVA FLORA** will be closed after the approval of the merger. The quotas representing the capital stock of **NOVA FLORA** held by **NATURA COSMÉTICOS** will be extinguished, pursuant to paragraph one of article 226 of Law no. 6,404/76. Due to the merger, in accordance with the provisions of the applicable corporate law and those in this instrument, **NOVA FLORA** will be extinguished.

**2.7. Assets, rights and obligations:** The assets, rights and obligations of **NOVA FLORA**, described in a summarized manner in its Balance Sheet as of December 31, 2007, will integrate the assets to be merged, being certain that, for purposes of the provisions in article 234 of Law no. 6,404/76, within these assets, rights and obligations there are thirty three million, five hundred two thousand, eight hundred fifty five (33,502,855) quotas, in the unit nominal value of one real (R\$1.00), representing the capital stock of **FLORA MEDICINAL**.

**2.8. Declaration of Economic-Tax Information of Legal Entity ("DIPJ"):** In view of the rules of the current tax legislation and the base balance sheet of the merger, by force of the determinations of this instrument and of the applicable corporate and tax legislation, **NOVA FLORA** shall present, until April 30, 2008, the DIPJ related to the period from January 1, 2008 to March 31, 2008, also DIPJ related to the calendar year of 2007.

**2.9. Succession:** Pursuant to the provisions in article 227 of Law no. 6,404/76, **NATURA COSMÉTICOS**, which will absorb, by merger, the net assets of **NOVA FLORA**, will succeed this company in all its assets, rights and obligations.

## **GENERAL PROVISIONS**

**3. Corporate and business acts preceding the merger:** trading and corporate documents preceding the merger are related to the hiring of Deloitte Touche Tohmatsu Auditores Independentes, above qualified, to appraise the book value of the shareholders' equity and prepare the competent appraisal report of **NOVA FLORA**, as well as the approval of this protocol by the Board of Directors of **NATURA COSMÉTICOS** on this date.

**4. Approval of the merger:** **NATURA COSMÉTICOS** will promote the Extraordinary General Shareholders' Meeting and **NOVA FLORA** will promote a resolution of the managers of **NATURA COSMÉTICOS**, in the capacity of the only partner of **NOVA FLORA**, to resolve on the terms and conditions set forth herein.

**5. Procedures:** The Board of Executive Officers of **NATURA COSMÉTICOS** will take all and any measures necessary to the implementation of the merger purpose of this protocol.

**6. Corporate amendment:** The amendment to the articles of incorporation of **FLORA MEDICINAL** will be promoted, in which **NOVA FLORA** holds a direct equity interest, in order to change the partners, replacing **NOVA FLORA** for **NATURA COSMÉTICOS**. The merger purpose of this instrument will not generate any bylaws amendment of **NATURA COSMÉTICOS**.

**7. Liabilities and contingent liabilities not recorded:** **NOVA FLORA** is party to two (2) lawsuits brought by former partner of **FLORA MEDICINAL**, regarding credits allegedly owed to the former partner as a result of his dismissal from **FLORA MEDICINAL**. The lawyers' opinion is that the probability of loss is remote, reason why there are no amounts accountably provisioned.

**8. Amortization and utilization of goodwill generated in the merger:** the merger of **NOVA FLORA** by **NATURA COSMÉTICOS** will not generate any goodwill, reason why amortization or goodwill utilization is not mentioned.

**9. Availability of documents:** This Protocol and its exhibits will be available for consultation by the shareholders in the Investor Relations Department, located in the City of Barueri, State of São Paulo, at Avenida Juruá, n.º 253, 3º andar, CEP 06455-010, on the website of the Brazilian Securities and Exchange Commission ([www.cvm.gov.br](http://www.cvm.gov.br)), on the website of the São Paulo Stock Exchange ([www.bovespa.com.br](http://www.bovespa.com.br)) and on the Company's Investor Relations website ([www.natura.net/investidor](http://www.natura.net/investidor)) as of this date.

**10. Costs:** Costs with fees of attorneys, consultants, auditors, legal publications and administrative filing processes of corporate acts in the Public Registry of Trading Companies necessary to the complete legal and operational implementation of the merger are estimated at R\$ 100.000,00 (one hundred thousand reais).

**11. Regulatory or competition defense authorities:** The merger of **NOVA FLORA** by **NATURA COSMÉTICOS** will not be subject to the approval of Brazilian and foreign regulatory or competition defense authorities as it is just a internal corporate reorganization with no market implication.

**12. Jurisdiction:** The parties elect the court of the City of São Paulo, State of São Paulo, with exclusion of any other, as competent to solve all the doubts and issues arising from this Protocol.

In witness whereof the parties hereto execute this Protocol and Justification of Merger in six (6) counterparts of equal tenor and form, in the presence of two witnesses.

São Paulo, February 27, 2008

**NATURA COSMÉTICOS S.A.**

Alessandro Giuseppe Carlucci and José David Vilela Uba

**NOVA FLORA PARTICIPAÇÕES LTDA.**

Antonio Carlos Siqueira da Silva and Eduardo Fernando Zornoff

Witnesses:

1. Name:

Identity Card (RG) no.:

Individual Taxpayer's Register (CPF/MF) no.:

2. Name:

Identity Card (RG) no.:

Individual Taxpayer's Register (CPF/MF) no.: