

São Paulo, July 25, 2012 – Natura Cosméticos S.A. (BM&FBOVESPA: NATU3) announces today its results for the second quarter of 2012. Except where stated otherwise, the financial and operating information in this release is presented on a consolidated basis, in accordance with International Financial Reporting Standards (IFRS).



Introduction

Consolidated net revenue in 2Q12 was R\$1,608.3 million, up 15.4% from 2Q11. EBITDA¹ came to R\$391.6 million (EBITDA margin of 24.3%), increasing 19.7% compared to 2Q11 (margin of 23.5%). Net income was R\$215.1 million (net margin of 13.4%), growing 14.3% from 2Q11.

In 6M12, consolidated net revenue was R\$2,884.1 million, growing 13.6% from 6M11. EBITDA was R\$663.7 million (EBITDA margin of 23.0%), increasing 12.2% from 6M11 (margin of 23.3%). Net income was R\$366.6 million (net margin of 12.7%), up 8.3% on 6M11.

In the **Brazilian operations**, net revenue in 2Q12 grew 12.5% to R\$1,434.3 million (R\$2,574.5 million in 6M12, up 10.6%). EBITDA margin in 2Q12 was 28.0%, compared to 26.7% in 2Q11 (26.7% in 6M12, compared to 27.0% in 6M11).

The **international operations** accounted for 10.8% of net revenue in 2Q12 (10.7% in 6M12), the highest level in the historical series. Net revenue in 2Q12 was R\$174.0 million, increasing 26.2% in weighted local currency (R\$309.6 million in 6M12, up 31.8% in weighted local currency). In 2Q12, EBITDA posted a loss of R\$10.3 million, compared to the EBITDA loss of R\$13.7 million in 2Q11 (EBITDA loss of R\$23.0 million in 6M12, compared to the loss of R\$37.3 million in 6M11).

Highlights in the second quarter:

- Our consultant base continued to register vigorous and sustainable growth in the quarter, reaching 1,506,000 consultants, up 16.2% from 2Q11. In Brazil, we ended 2Q12 with 1,226,000 consultants, for growth of 13.6%. In the international operations, we ended the period with 280,000 consultants, up 28.8% from 2Q11.
- In Brazil, we began to enjoy the benefits of the strategic investments made in logistics and information technology aimed at significantly improving service quality, reducing costs and carbon emissions and optimizing inventories. In 2Q12, we already began to operate at service-quality levels above the historical average and are confident in continued improvement going forward. This improvement, as well as the recovery in the efficiency of promotions, made a significant contribution

¹ Includes pro-forma EBITDA

to the recovery in our sales volume. Our Mother's Day sales cycle, whose the results exceeded our expectations, also had a positive impact on our sales in the period.

- The innovation index stood at 67.9% in 6M12 (versus 61.1% in 6M11), remaining stable in relation to the level of recent years. During the period we launched products that made important contributions to our results, such as *Kaiak Urbe*, *Amó Esquenta* and *Humor no Ar*. In 6M12, investments in research and development corresponded to 2.5% of net revenue (2.8% in 6M11).
- We made progress on the set of initiatives aimed at increasing the productivity of our consultants, which is based on the following pillars: Service Quality, Promotions Management, Sales Team, Communication, Relationship Quality and Innovation & Products. We expect to achieve positive results in consultant productivity gradually over the coming periods.
- The International Operations maintained its robust growth while improving profitability. The highlight was EBITDA in the Operations in Consolidation, which came to R\$16.1 million in 2Q12 (margin of 14.3%), compared to R\$8.2 million in 2Q11 (margin of 10.6%).
- In Argentina, due to the country's challenging institutional environment, the difficulties faced in clearing imports led to higher product shortages. We actively managed with our consultants the effects of this situation and are working to increase local production volumes.
- In Chile, Colombia and Peru we concluded the implementation of the CNO model and are confident that it will leverage growth in our consultant base. In Mexico, after implementing the Sustainable Relations Network Model, we continue to make some adjustments based on our learning process.

Cosmetics, Fragrance and Toiletries Industry

According to the data available from Sipatesp/Abihpec² for the first four months of the year, Natura's target market expanded by 14.0% in 4M12, while Natura's market share was 23.8%, contracting 160 basis points from the year-ago period. Note that this result does not reflect the gradual acceleration in our sales in the last two months of 2Q12. The following table presents the growth in the cosmetics, fragrances and toiletry industry and the variation in Natura's market share.

	Market Size (R\$ MM)			Market Share Natura (%)		
	4M12	4M11	change (%)	4M12	4M11	change (%)
Cosmetics and Fragrances	2,990	2,702	10.7%	38.7%	39.5%	(0.7) pp
Toiletries	3,810	3,264	16.7%	12.1%	13.8%	(1.7) pp
Total	6,800	5,966	14.0%	23.8%	25.4%	(1.6) pp

Source: SIPATESP

² Sipatesp/Abihpec: São Paulo State Perfumery and Toiletry Association / Brazilian Cosmetic, Fragrance and Toiletry Industry Association.

Social and Environmental Performance

Our priorities on the sustainability front are defined together with our stakeholders and presented in a materiality matrix. The current matrix includes the following themes: Water, Education, Entrepreneurship, Climate Change, Relationship Quality, Waste and Social and Biodiversity.

Reviewed periodically, these themes help orient our management and guide projects and initiatives in our operations and the progress of our social and environmental performance.

This quarter, in addition to the ones disclosed in prior quarters, we included two other indicators, Solid Waste and Funding to Supplier Communities, which are monitored by the Executive Committee together with the economic results.

Indicator	2011 Results	2012 Commitment	6M12 Results
Greenhouse gas (GHG) emissions	Reduction of 5.3% over 2010	Reduce relative greenhouse gas (GHG) emissions by 4.5% over 2011*	Reduction of 6.4% over 2011**
Water consumption	0.4 liter / unit produced	Maintain 0.4 liter / unit produced in Brazil	0.4 liter / unit produced
Solid Waste	20 grams / unit produced	Maintain quantity of solid waste generated per unit produced in Brazil at 20 grams.	25.3 grams/unit produced
Collections CPV	R\$8.4 million	Achieve R\$10.3 million sales from Crer para Ver product line in Brazil	R\$6.0 million (throughout the year)
Funding to Supplier Communities ***	R\$10.0 million	Distribute R\$12 million in wealth to supplier communities.	R\$4.0 million

* Reduce relative greenhouse gas (GHG) emissions by 33.0% by 2013, against 2006 baseline inventory. In 2011 reduction of 25.4% over 2006.

** Refers to 1Q12.

*** Indicator refers to compensation and purchase of raw materials.

The social and environmental indicators registered improvement in 6M12 that is consistent with our commitment for the full year, with the exception of Solid Waste, which was impacted by the higher disposal of discontinued products.

Of particular note, Natura actively participated in the Rio+20 United Nations Conference on Sustainable Development from June 13 to 22, 2012. We participated in the official summit, our executives gave lectures at more than 20 events and we published some case studies. We also carried out initiatives to help raise awareness among our stakeholders, including our consultants, who were able to closely follow the discussions at the conference.

1. consolidated results

(R\$ million)	2Q12	2Q11	Change %	6M12	6M11	Change %
Total Consultants - end of period* (in thousands)	1,506	1,296	16.2	1,506	1,296	16.2
Units sold – items for resale (in million)	120.9	109.1	10.8	233.4	209.1	11.6
Gross Revenues	2,148.7	1,885.1	14.0	3,860.8	3,441.2	12.2
Net Revenues	1,608.3	1,393.6	15.4	2,884.1	2,539.5	13.6
Gross Profit	1,137.0	980.6	15.9	2,047.5	1,783.2	14.8
Sales Expenses	(550.6)	(486.4)	13.2	(1,038.9)	(909.3)	14.2
General and Administrative Expenses	(223.4)	(192.3)	16.2	(401.0)	(343.3)	16.8
Other Operating Income / (Expenses), net	0.4	3.0	(85.9)	(1.6)	16.8	(109.8)
Financial Income / (Expenses), net	(39.8)	(21.1)	88.5	(55.0)	(31.3)	75.7
Earnings Before Taxes	317.2	280.1	13.3	540.7	509.2	6.2
Net Income (Losses)	215.1	188.1	14.3	366.6	338.6	8.3
EBITDA**	391.6	327.4	19.6	663.7	591.3	12.2
Gross Margin	70.7%	70.4%	0.3 pp	71.0%	70.2%	0.8 pp
Sales Expenses/Net Revenues	34.2%	34.9%	(0.7) pp	36.0%	35.8%	0.2 pp
General and Admin. Expenses/Net Revenues	13.9%	13.8%	0.1 pp	13.9%	13.5%	0.4 pp
Net Margin	13.4%	13.5%	(0.1) pp	12.7%	13.3%	(0.6) pp
EBITDA Margin	24.3%	23.5%	0.9 pp	23.0%	23.3%	(0.3) pp

(*) Position at the end of the 8th sales cycle

(**) EBITDA = Income from operations before financial effects + depreciation & amortization.

Consolidated net revenue was R\$1,608.3 million in 2Q12, increasing 15.4% from 2Q11 (R\$2,884.1 million in 6M12, up 13.6%). **In Brazil**, net revenue came to R\$1,434.3 million in 2Q12, 12.5% more than in the same quarter a year ago (R\$2,574.5 million in 6M12, for growth of 10.6% on 6M12). **In the international operations**, net revenue in the quarter was R\$174.0 million, increasing 26.2% in weighted local currency (46.5% in Brazilian real) compared to 2Q11 (R\$309.6 in 6M12, up 31.8% in weighted local currency, 45.9% in Brazilian real).

Cost of Goods Sold (COGS) decreased from 29.6% of net revenue in 2Q11 to 29.3% in 2Q12, for a reduction of 33.3 basis points, due to the better management of costs and promotions in our

International Operations and currency translation gains. In 6M12, COGS as a percentage of net revenue decreased by 77.2 basis points to 29.0%, from 29.8% in 6M11 .

The following table presents the main components of COGS:

	2Q12	2Q11	6M12	6M11
RM / PM ⁽¹⁾	83.4	82.0	81.6	81.1
Labor	6.6	10.6	8.7	10.0
Depreciation	2.5	1.6	2.7	2.5
Other	7.5	5.8	7.0	6.4
Total	100.0	100.0	100.0	100.0

(¹) Raw material and packaging material

Selling expenses corresponded to 34.2% of net revenue in 2Q12, compared to 34.9% in 1Q11, due to the optimization of our marketing investments and the higher efficiency in our logistics process in Brazil, which offset the planned increase in marketing actions in the International Operations. In 6M12, selling expenses increased to 36.0%, from 35.8% in 6M11.

General and administrative expenses corresponded to 13.9% of net revenue in 2Q12, in line with 2Q11. The gains obtained from more efficient budget management were offset by higher investments in commercial innovation and information technology, as planned. In 6M12, G&A expenses represented 13.9% of net revenue, compared to 13.5% in 6M11.

Other operating revenue and expenses registered revenue of R\$0.4 million in 2Q12, compared to revenue of R\$3.0 million in 2Q11.

Consolidated net income was R\$215.1 million in 2Q12, which represents net margin of 13.4% and growth of 14.3% compared to 2Q11 (R\$366.6 million in 6M12, up 8.3% from R\$338.6 million in 6M11).

Consolidated EBITDA was R\$391.6 million in 2Q12, increasing 19.7% from R\$327.3 million in 2Q11. EBITDA margin increased from 23.5% in 2Q11 to 24.3% in 2Q12. In 6M12, EBITDA was R\$663.7 million, up 12.2% from 6M11 (R\$591.3 million). EBITDA margin was 23.0% in 6M12, compared to 23.3% in 6M11.

EBITDA (R\$ million)

	2Q12	2Q11	Change%	6M12	6M11	Change%
Net Revenues	1,608.3	1,393.6	15.4	2,884.1	2,539.5	13.6
(-) Cost of Sales and Expenses	1,251.3	1,092.4	14.5	2,288.5	1,999.0	14.5
EBIT	357.0	301.2	18.5	595.7	540.5	10.2
(+) Depreciation/Amortization	34.6	26.1	32.7	68.1	50.8	33.9
Total	391.6	327.3	19.7	663.7	591.3	12.2

Pro-forma EBITDA by operation areas (R\$ million)

	2Q12	2Q11	Change%	6M12	6M11	Change%
Brazil	401.9	341.0	17.9	686.8	628.6	9.3
Argentina, Chile and Peru	16.1	8.2	97.1	24.3	9.5	156.4
Mexico and Colombia	(7.1)	(6.7)	5.7	(11.1)	(13.4)	(17.3)
Other Investments	(19.3)	(15.2)	26.7	(36.2)	(33.3)	8.7
Total	391.6	327.3	19.7	663.7	591.3	12.2

2. cash flow (pro-forma)

R\$ million	6M12	6M11	Change%
Net income	366.6	338.6	8.3
Depreciation and amortization	68.1	50.8	33.9
Non-cash / Other*	19.5	(24.9)	(178.2)
Internal cash generation	454.1	364.5	24.6
Working Capital (Increase)/Decrease	75.9	(109.4)	(169.3)
Operating cash generation	530.0	255.1	107.7
Capex	(97.1)	(100.7)	(3.5)
Free cash flow**	432.9	154.5	180.2

(*) Some 2011 figures were adjusted for proper disclosure

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

Internal cash flow in 6M12 was R\$454.1 million, increasing 24.6% from the year-ago period. We also generated R\$75.9 million in working capital and invested R\$97.1 million in capex. As a result, free cash flow was R\$432.9 million, increasing by 180.2% from the same period of 2011.

The improvements in inventory and supplier management together with the recovery of taxes had a positive impact on working capital.

3. income statements (pro-forma)

The profit margin obtained on exports from Brazil to the international operations was subtracted from the COGS of the respective operations in order to show the actual impact of these subsidiaries on the company's consolidated results. Accordingly, the pro-forma income statement for the Brazilian operations considers only the sales made in the domestic market.

3.1. Brazil

operations pro-forma income statement

(R\$ million)	2Q12	2Q11	Change%	6M12	6M11	Change%
Total Consultants - end of period* (in thousands)	1,226	1,079	13.6	1,226	1,079	13.6
Units sold – items for resale (in million)	108.2	97.6	10.9	208.9	187.7	11.3
Gross Revenues	1,928.0	1,735.5	11.1	3,468.1	3,174.2	9.3
Net Revenues	1,434.3	1,274.8	12.5	2,574.5	2,327.3	10.6
Gross Profit	1,016.8	907.5	12.0	1,836.9	1,654.8	11.0
Sales Expenses	(453.1)	(422.6)	7.2	(866.0)	(791.5)	9.4
General and Administrative Expenses	(189.4)	(168.6)	12.4	(338.0)	(293.9)	15.0
Other Operating Income / (Expenses), net	1.2	3.7	(69.0)	(0.1)	18.4	(100.7)
Financial Income / (Expenses), net	(40.8)	(21.9)	86.3	(57.1)	(31.7)	80.0
Earnings Before Taxes	328.3	294.5	11.5	565.3	549.1	3.0
Net Income (Losses)	226.9	204.8	10.8	392.1	383.6	2.2
EBITDA	401.9	341.0	17.9	686.8	628.6	9.3
Gross Margin	70.9%	71.2%	(0.3) pp	71.4%	71.1%	0.2 pp
Sales Expenses/Net Revenues	31.6%	33.2%	(1.6) pp	33.6%	34.0%	(0.4) pp
General and Admin. Expenses/Net Revenues	13.2%	13.2%	(0.0) pp	13.1%	12.6%	0.5 pp
Net Margin	15.8%	16.1%	(0.2) pp	15.2%	16.5%	(1.3) pp
EBITDA Margin	28.0%	26.7%	1.3 pp	26.7%	27.0%	(0.3) pp

(*) Positon at the end of the 8th sales cycle

The number of consultants in Brazil reached 1,226,000 at the end of 2Q12, an increase of 13.6% from 2Q11.

The productivity³ of our consultants decreased by 3.2% in the period to R\$4,089 in 6M12, from R\$4,224 in 6M11.

³ Productivity measured at retail prices.

3.2. operations in consolidation

(Argentina, Chile and Peru) pro-forma income statement

(R\$ million)	2Q12	2Q11	Change%	6M12	6M11	Change%
Total Consultants - end of period* (in thousands)	174	143	22.2	174	143	22.2
Units sold – items for resale (in million)	8.0	8.1	(1.3)	15.6	14.7	6.1
Gross Revenues	149.4	101.6	47.1	264.0	180.4	46.3
Net Revenues	112.7	77.3	45.8	198.8	137.4	44.6
Gross Profit	79.4	48.1	65.2	136.9	84.5	62.1
Sales Expenses	(54.3)	(35.0)	55.3	(97.1)	(65.0)	49.5
General and Administrative Expenses	(9.2)	(5.6)	64.3	(16.1)	(10.8)	49.7
Other Operating Income / (Expenses), net	(0.8)	(0.2)	n/a	(1.5)	(0.9)	55.3
Financial Income / (Expenses), net	1.4	0.8	73.1	1.7	0.7	137.0
Earnings Before Taxes	16.6	8.2	103.3	23.9	8.5	181.4
Net Income (Losses)	16.2	6.4	155.0	23.4	4.5	n/a
EBITDA	16.1	8.2	97.1	24.3	9.5	156.4
Gross Margin	70.5%	62.2%	8.3 pp	68.9%	61.5%	7.4 pp
Sales Expenses/Net Revenues	48.2%	45.2%	3.0 pp	48.9%	47.3%	1.6 pp
General and Admin. Expenses/Net Revenues	8.2%	7.3%	0.9 pp	8.1%	7.8%	0.3 pp
Net Margin	14.4%	8.2%	6.2 pp	11.8%	3.3%	8.5 pp
EBITDA Margin	14.3%	10.6%	3.7 pp	12.2%	6.9%	5.3 pp

(*) Position of sales at the end of Cycle 08 for Argentina and of Cycle 07 for Chile and Peru

Net revenue from operations in consolidation was R\$112.7 million in 2Q12, increasing by 23.1% in weighted local currency and by 45.8% in Brazilian real compared to 2Q11. In 6M12, net revenue was R\$198.8 million, for growth of 28.5% in weighted local currency and 44.6% in Brazilian real.

The number of consultants grew 22.2% to end the quarter at 174,000.

These operations posted EBITDA gains of R\$16.1 million in the quarter and R\$24.3 million in 6M12. The higher marketing investments were more than offset by the improvement in gross margin, which benefitted from various initiatives to improve the management of prices and costs, as well as from the more favorable exchange rate.

3.3 operations in implementation

(Mexico and Colombia) pro-forma income statement

(R\$ million)	2Q12	2Q11	Change%	6M12	6M11	Change%
Total Consultants - end of period* (in thousands)	103	71	43.6	103	71	43.6
Units sold – items for resale (in million)	4.3	3.4	28.7	8.3	6.5	28.4
Gross Revenues	65.4	42.2	54.9	117.3	76.7	53.0
Net Revenues	56.2	36.4	54.5	100.9	66.1	52.7
Gross Profit	37.8	22.5	68.4	67.8	39.2	72.8
Sales Expenses	(39.5)	(25.1)	57.0	(68.5)	(45.4)	50.8
General and Administrative Expenses	(6.1)	(3.9)	57.8	(11.6)	(7.6)	53.7
Other Operating Income / (Expenses), net	0.0	(0.6)	(104.1)	(0.0)	(0.7)	(93.4)
Financial Income / (Expenses), net	(0.4)	(0.0)	n/a	0.5	(0.3)	n/a
Earnings Before Taxes	(8.1)	(7.1)	13.6	(11.8)	(14.7)	(19.6)
Net Income (Losses)	(8.4)	(7.6)	11.1	(12.2)	(15.7)	(22.5)
EBITDA	(7.1)	(6.7)	5.7	(11.1)	(13.4)	(17.3)
Gross Margin	67.3%	61.8%	5.6 pp	67.1%	59.3%	7.8 pp
Sales Expenses/Net Revenues	70.2%	69.1%	1.1 pp	67.8%	68.7%	(0.8) pp
General and Admin. Expenses/Net Revenues	10.9%	10.7%	0.2 pp	11.5%	11.4%	0.1 pp
Net Margin	(15.0)%	(20.9)%	5.9 pp	(12.1)%	(23.8)%	11.7 pp
EBITDA Margin	(12.6)%	(18.4)%	5.8 pp	(11.0)%	(20.3)%	9.3 pp

(*) Positon at the end of the 8th sales cycle

In the operations in implementation, net revenue in 2Q12 was R\$56.2 million, for growth of 37.5% in weighted local currency and 54.5% in Brazilian real. In 6M12, net revenue was R\$100.9 million, growing 41.4% in weighted local currency and 52.7% in Brazilian real.

The number of consultants expanded by 43.6% to reach 103,000 at the end of 2Q12.

These operations registered an EBITDA loss of R\$7.1 million in 2Q12, in line with the loss of R\$6.7 million recorded in 2Q11.

The gross margin of these Operations benefitted from initiatives to improve the management of promotions, as well as from the more favorable exchange rate.

The other international investments, namely our operations in France and expenses with projects and corporate structures dedicated to the international operations, posted an EBITDA loss of R\$19.3 million in 2Q12 (compared to R\$15.2 million in 2Q11). The costs of our structure based in Argentina denominated in Brazilian real were impacted by the currency's depreciation against the Argentine peso.

4. Dividends

In a meeting held on July 25, 2012, the Company's Board of Directors approved the proposal for payment on August 15, 2012 of dividends relative to the earned income for the first half of 2012 and interest on equity relative to the period between January 1 and July 25 of 2012 in the amount of R\$327.0 million and R\$36.5 million (R\$31.0 million net of withholding income tax), respectively.

These dividends and interest on equity relative to the first six months of 2012, combined represent a net payment of R\$0.834 per share to be made on August 15, 2012 to shareholders of record as of July 31, 2012, with the Company's shares trading ex-dividends and ex-IOE as of August 1, 2012. The interest on equity will be booked in July 2012.

conference call & webcast

PORTUGUESE:

Friday, July 27, 2012
10:00 a.m. (Brasília time)

ENGLISH:

Friday, July 27, 2012
12:00 p.m. (Brasília time)

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balance sheet

as of June 30, 2012 (in R\$ million)

ASSETS	Jun/12	Dec/11	LIABILITIES AND SHAREHOLDERS' EQUITY	Jun/12	Dec/11
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	102.4	515.6	Borrowings and financing	1,088.8	169.0
Short-term investments	700.9	-	Trade and other payables	456.9	489.0
Trade accounts receivable	554.4	641.9	Payroll, profit sharing and related taxes	168.4	132.0
Inventories	730.4	688.7	Taxes payable	417.5	446.8
Recoverable taxes	165.7	201.6	Other payables	59.8	37.9
Derivatives	65.7	28.6	Total current liabilities	2,191.3	1,274.7
Other receivables	110.4	126.8			
Total current assets	2,429.9	2,203.3			
NONCURRENT ASSETS			NONCURRENT LIABILITIES		
Long-term assets:			Borrowings and financing	476.4	1,017.7
Recoverable taxes	135.3	111.2	Taxes payable	164.8	140.5
Deferred income tax and social contribution	208.2	189.6	Provision for tax, civil and labor risks	71.3	65.0
Escrow deposits	330.4	295.8	Others provisions	56.9	44.8
Other noncurrent assets	32.9	29.9	Total noncurrent liabilities	769.4	1,268.0
Property, plant and equipment	818.9	800.4			
Intangible assets	171.5	162.8	SHAREHOLDERS' EQUITY		
Total noncurrent assets	1,697.3	1,589.8	Capital	427.1	427.1
			Capital reserves	155.4	160.3
			Earnings reserves	666.1	292.5
			Treasury shares	(75.5)	(102.8)
			Proposed additional dividend	-	490.9
			Other comprehensive losses	(6.7)	(17.6)
			Total equity attributable to owners of the Company	1,166.4	1,250.2
			Noncontrolling interests	0.0	0.0
			Total shareholders' equity	1,166.4	1,250.2
TOTAL ASSETS	4,127.1	3,793.0	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,127.1	3,793.0

income

statements

for the three-month and six-month periods ended
June 30, 2012 and 2011

(R\$ million)	2Q12	2Q11	6M12	6M11
NET REVENUE	1,608.3	1,393.6	2,884.1	2,539.5
Cost of sales	(471.3)	(413.0)	(836.6)	(756.3)
GROSS PROFIT	1,137.0	980.6	2,047.5	1,783.2
OPERATING (EXPENSES) INCOME				
Selling expenses	(550.6)	(486.4)	(1,038.9)	(909.3)
Administrative and general expenses	(223.5)	(192.0)	(401.0)	(343.0)
Management compensation	(6.4)	(4.0)	(10.3)	(7.2)
Other operating (expenses) income, net	0.4	3.0	(1.6)	16.8
INCOME FROM OPERATIONS BEFORE FINANCIAL (EXPENSES) INCOME	357.0	301.2	595.6	540.5
Financial income	59.2	18.3	94.3	49.8
Financial expenses	(98.9)	(39.4)	(149.3)	(81.1)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	317.2	280.1	540.7	509.2
Income tax and social contribution	(102.1)	(92.0)	(174.1)	(170.6)
NET INCOME	215.1	188.1	366.6	338.6

cash flow statements

for the six-month periods ended June 30, 2012 and 2011

R\$ million	6M12	6M11
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	366.6	338.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68.1	50.8
Provision for losses on swap and forward transactions	(37.1)	23.8
Provision (reversal) for tax, civil and labor contingencies	9.3	(5.0)
Interest and inflation adjustment of escrow deposits	(10.3)	(11.9)
Income tax and social contribution	174.1	170.6
(Gain) loss on sale on property, plant and equipment and intangible assets	(1.3)	5.2
Equity in investees	-	-
Interest and exchange rate changes on borrowings and financing and other liabilities	83.0	14.1
Exchange rate changes on other assets and other liabilities	11.0	-
Stock options plans expenses	6.3	5.6
Provision for discount on assignment of ICMS credits	-	0.1
Allowance for doubtful accounts	7.8	(1.1)
Allowance for inventory losses	(3.5)	27.1
Provision for healthcare plan and carbon credits	12.1	1.8
Recognition of untimely used tax credits	(3.5)	-
Recognition of tax credits related to lawsuit	-	(16.9)
(INCREASE) DECREASE IN ASSETS	682.5	602.9
Trade receivables	79.7	134.1
Inventories	(38.2)	(130.9)
Recoverable taxes	15.3	(33.9)
Other receivables	2.6	(31.5)
Subtotal	59.4	(62.1)
INCREASE (DECREASE) IN LIABILITIES		
Domestic and foreign suppliers	(31.5)	(51.3)
Payroll, profit sharing and related taxes, net	36.3	(8.5)
Taxes payable	8.5	27.6
Other payables	21.9	(7.7)
Payments of provision for tax, civil and labor contingencies	(3.0)	(1.1)
Subtotal	32.3	(40.9)
CASH GENERATED BY OPERATING ACTIVITIES	774.2	499.9
OTHER CASH FLOWS FROM OPERATING ACTIVITIES		
Payments of income tax and social contribution	(187.7)	(178.7)
Payments of derivatives	(7.9)	(6.9)
Payment of interest on borrowings and financing	(26.4)	(29.0)
NET CASH GENERATED BY OPERATING ACTIVITIES	552.2	285.2
CASH FLOW FROM FINANCING ACTIVITIES		

Acquisition of property, plant and equipment and intangible assets	(97.1)	(100.7)
Proceeds from sale of property, plant and equipment and intangible assets	3.1	2.6
Withdrawal (payment) of escrow deposits	(24.2)	(31.0)
Short-term investments	(832.8)	-
Redemption of short-term investments	131.9	-
NET CASH USED IN INVESTING ACTIVITIES	(819.1)	(129.1)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings and financing - principal	(88.3)	(106.0)
Proceeds from borrowings and financing	410.2	432.9
Sale of treasury shares due to exercise of stock options	23.3	-
Payment of dividends and interest on capital	(491.0)	(430.1)
Capital increase through subscription of shares (353,289 common shares at average price of R\$39.69)	-	8.9
NET CASH USED IN FINANCING ACTIVITIES	(145.8)	(94.3)
Gains (losses) arising on translating foreign currency cash and cash equivalents	(0.6)	0.3
INCREASE IN CASH AND CASH EQUIVALENTS	(413.3)	62.2

EBITDA is not a measure under BR GAAP and does not represent cash flow for the periods presented. EBITDA should not be considered an alternative to net income as an indicator of operating performance or an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and the definition of EBITDA used by Natura may not be comparable with that used by other companies. Although EBITDA does not provide under BR GAAP a measure of cash flow, Management has adopted its use to measure the Company's operating performance. Natura also believes that certain investors and financial analysts use EBITDA as an indicator of performance of its operations and/or its cash flow.

This report contains forward-looking statements. These forward-looking statements are not historical fact, but rather reflect the wishes and expectations of Natura's management. Words such as "anticipate", "wish", "expect", "foresee", "intend", "plan", "predict", "project", "desire" and similar terms identify statements that necessarily involve known and unknown risks. Known risks include uncertainties that are not limited to the impact of price and product competitiveness, the acceptance of products by the market, the transitions of the Company's products and those of its competitors, regulatory approval, currency fluctuations, supply and production difficulties and changes in product sales, among other risks. This report also contains certain pro forma data, which are prepared by the Company exclusively for informational and reference purposes and as such are unaudited. This report is updated up to the present date and Natura does not undertake to update it in the event of new information and/or future events.

