Individual and Consolidated Financial Statements for the Year Ended December 31, 2012 and Report of Independent Auditors on Financial Statements

Natura Cosméticos S.A.

December 31, 2012

Natura Cosméticos S.A.

Individual and Consolidated
Financial Statements
December 31, 2012

Contents

(A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and of Consolidated Financial Statements prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and accounting practices adopted in Brazil)

Independent auditor's report on financial statements

The Board of Directors and Shareholders
Natura Cosméticos S.A.
Itapecerica da Serra - SP

Introduction

We have audited the accompanying individual and consolidated balance sheet of Natura Cosméticos S. A. (Company) as of December 31, 2012, and the related consolidated statements of income, of comprehensive income, shareholders' equity, and cash flows for the year then ended, including the summary of main accounting practices and explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS),
as issued by the "International Accounting Standards Board – IASB", and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting practices 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 the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Natura Cosméticos S.A. as of December 31, 2012, and the performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Natura Cosméticos S.A. as of December 31, 2012, and the consolidated performance of its operations and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the "International Accounting Standards Board – IASB" and the accounting practices adopted in Brazil.

Emphasis of matter

As described in Note 2.1., the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Natura Cosméticos S.A., these accounting practices differ from the IFRS, applicable to the separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS, would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statement of value added (SVA) for the year ended December 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Prior year comparative figures

The individual and consolidated financial statements of Natura Cosméticos S. A. related to the balance sheet as of December 31, 2011 and the income statement, statement of comprehensive income, of changes in equity and the cash flows statement for the year then ended, presented for comparison purposes, were audited by other independent auditors who issued an audit report dated February 15, 2012, without modifications.

São Paulo, February 06 2013.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

Drayton Teixeira de Melo
Accountant CRC-1SP236947/O-3

(A free translation from Portuguese into English of Individual Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and of Consolidated Interim Financial Information prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and accounting practices adopted in Brazil)

NATURA COSMÉTICOS S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
ASSETS	Note	2012	2011	2012	2011
CURRENT ASSETS					
Cash and cash equivalents	5	72,767	166,007	1,144,390	515,610
Short-term investments	6	1,168,487	-	498,672	-
Trade receivables	7	530,033	535,309	651,416	641,872
Inventories	8	158,003	217,906	700,665	688,748
Recoverable taxes	9	23,417	69,417	144,459	201,620
Related parties	28.1.	25,908	37,908	-	-
Derivatives	4.2.	80,271	28,184	80,928	28,626
Other receivables	12	130,532	115,328	157,787	126,783
Total current assets		2,189,418	1,170,059	3,378,317	2,203,259
NONCURRENT ASSETS					
Long-term assets:					
Recoverable taxes	9	12,952	12,299	151,350	111,239
Deferred income tax and social contribution	10.a)	94,813	80,145	214,246	189,552
Escrow deposits	11	267,598	244,938	349,537	295,839
Other noncurrent assets	12	23,187	4,562	41,295	29,935
Investments	13	1,311,364	1,253,721	-	-
Property, plant and equipment	14	357,443	332,215	1,012,089	800,434
Intangible assets	14	206,036	78,929	228,545	162,754
Total noncurrent assets		2,273,393	2,006,809	1,997,062	1,589,753
TOTAL ASSETS		4,462,811	3,176,868	5,375,379	3,793,012

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2012	2011	2012	2011
CURRENT LIABILITIES					
Borrowings and financing	15	844,261	66,424	999,462	168,962
Trade and other payables	16	252,318	183,317	649,887	488,980
Suppliers - related parties	28.1.	254,535	293,024	-	-
Payroll, profit sharing and related taxes		98,351	58,551	211,814	132,045
Taxes payable	17	303,833	260,027	501,509	446,800
Other payables		44,820	29,359	52,040	37,932
Total current liabilities		1,798,118	890,702	2,414,712	1,274,719
NONCURRENT LIABILITIES					
Borrowings and financing	15	1,144,421	852,549	1,325,057	1,017,737
Taxes payable	17	106,928	97,955	177,259	140,545
Provision for tax, civil and labor risks	18	38,488	49,600	63,293	64,957
Others provisions	19	68,760	35,818	88,961	44,809
Total noncurrent liabilities		1,358,597	1,035,922	1,654,570	1,268,048
SHAREHOLDERS' EQUITY					
Capital	20.a)	427,073	427,073	427,073	427,073
Treasury shares	20.c)	(66,105)	(102,849)	(66,105)	(102,849)
Capital reserves		155,905	160,313	155,905	160,313
Earnings reserves		308,079	292,457	308,079	292,457
Proposed additional dividend	20.b)	491,343	490,885	491,343	490,885
Other comprehensive losses		(10,199)	(17,635)	(10,199)	(17,635)
Total equity attributable to owners of the Company		1,306,096	1,250,244	1,306,096	1,250,244
Noncontrolling interests		-	-	1	1
Total shareholders' equity		1,306,096	1,250,244	1,306,097	1,250,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,462,811	3,176,868	5,375,379	3,793,012

NATURA COSMÉTICOS S.A.

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
		2012	2011	2012	2011
NET REVENUE	22	6,249,086	5,848,777	6,345,669	5,591,374
Cost of sales	23	(2,438,873)	(2,375,514)	(1,868,045)	(1,666,300)
GROSS PROFIT		3,810,213	3,473,263	4,477,624	3,925,074
OPERATING (EXPENSES) INCOME					
Selling expenses	23	(1,642,380)	(1,503,069)	(2,212,205)	(1,952,740)
Administrative and general expenses	23	(899,128)	(816,818)	(772,688)	(680,730)
Employee profit sharing	24.1	(29,555)	(3,765)	(90,799)	(30,168)
Management compensation	28.2	(20,739)	(9,443)	(20,739)	(9,443)
Equity in investees	13	59,380	54,789	-	-
Other operating income (expenses), net	26	15,472	43,579	(11,643)	63,077
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		1,293,263	1,238,536	1,369,550	1,315,070
Financial income	25	129,831	86,502	161,808	122,698
Financial expenses	25	(216,965)	(163,247)	(255,258)	(200,038)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,206,129	1,161,791	1,276,100	1,237,730
Income tax and social contribution	10.b)	(344,907)	(330,890)	(414,878)	(406,829)
NET INCOME		861,222	830,901	861,222	830,901
ATTRIBUTABLE TO					
Owners of the Company		861,222	830,901	861,222	830,901
EARNINGS PER SHARE - R$					
Basic	27.1.	2.0081	1.9320	2.0081	1.9320
Diluted	27.2.	1.9980	1.9278	1.9980	1.9278

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NATURA COSMÉTICOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
		2012	2011	2012	2011
NET INCOME		861,222	830,901	861,222	830,901
Other comprehensive losses-					
Gains from translation of financial statements of foreign subsidiaries	13	7,436	5,561	7,436	5,561
TOTAL COMPREHENSIVE INCOME		868,658	836,462	868,658	836,462
ATTRIBUTABLE TO					
Owners of the Company		868,658	836,462	868,658	836,462

NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except for dividends per share)

				Capital reserves			Earnings reserves								
					Tax incentive reserve										
	Note	Capital	Treasury shares	Share premium	Investment grants	Additional paid-in capital	Legal	Tax incentives	Earnings reserves	Retained earnings	Proposed additional dividend	Other comprehensive losses	Equity attributable to owners of the Company	Noncontrolling interests in subsidiaries' equity	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2010		418,061	(14)	103,620	17,378	28,629	18,650	10,934	253,360	-	430,079	(23,196)	1,257,501	1	1,257,502
Net income		-	-	-	-	-	-	-	-	830,901	-	-	830,901	-	830,901
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	5,561	5,561	-	5,561
Total comprehensive income		-	-	-	-	-	-	-	-	830,901	-	5,561	836,462	-	836,462
2010 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 8, 2011		-	-	-	-	-	-	-	-	-	(430,079)	-	(430,079)	-	(430,079)
Capital increase through subscription of shares		9,012	-	-	-	-	-	-	-	-	-	-	9,012	-	9,012
Acquisition of treasury shares		-	(104,452)	-	-	-	-	-	-	-	-	-	(104,452)	-	(104,452)
Sale of treasury shares due to exercise of stock options		-	1,617	(377)	-	-	-	-	-	-	-	-	1,240	-	1,240
Changes in stock option plans:													-		-
Grant of stock options		-	-	-	-	13,369	-	-	-	-	-	-	13,369	-	13,369
Exercise of stock options		-	-	-	-	(2,306)	-	-	2,306	-	-	-	-	-	-
Allocation of net income:													-		-
Recognition of tax incentive reserve		-	-	-	-	-	-	3,677	-	(3,677)	-	-	-	-	-
Interim dividends and interest on capital		-	-	-	-	-	-	-	-	(332,809)	-	-	(332,809)	-	(332,809)
Dividends declared on February 14, 2012		-	-	-	-	-	-	-	-	(467,261)	467,261	-	-	-	-
Interest on capital declared on February 14, 2012		-	-	-	-	-	-	-	-	(23,624)	23,624	-	-	-	-
Retained earnings reserve		-	-	-	-	-	-	-	3,530	(3,530)	-	-	-	-	-
BALANCE AS OF DECEMBER 31, 2011		427,073	(102,849)	103,243	17,378	39,692	18,650	14,611	259,196	-	490,885	(17,635)	1,250,244	1	1,250,245
Net income		-	-	-	-	-	-	-	-	861,222	-	-	861,222	-	861,222
Other comprehensive income	13	-	-	-	-	-	-	-	-	-	-	7,436	7,436	-	7,436
Total comprehensive income		-	-	-	-	-	-	-	-	861,222	-	7,436	868,658	-	868,658
2011 dividends and interest on capital approved at the Annual Shareholders' Meeting of April 13, 2012		-	-	-	-	-	-	-	(66)	-	(490,885)	-	(490,951)	-	(490,951)
Sale of treasury shares due to exercise of stock options	20.c)	-	36,744	(5,910)	-	-	-	-	-	-	-	-	30,834	-	30,834
Changes in stock option plans:															
Grant of stock options	24.2.	-	-	-	-	10,844	-	-	-	-	-	-	10,844	-	10,844
Exercise of stock options	24.2.	-	-	-	-	(9,342)	-	-	9,342	-	-	-	-	-	-
Allocation of net income:															
Recognition of tax incentive reserve		-	-	-	-	-	-	6,346	-	(6,346)	-	-	-	-	-
Interim dividends and interest on capital		-	-	-	-	-	-	-	-	(363,533)	-	-	(363,533)	-	(363,533)
Dividends declared on February 6, 2013		-	-	-	-	-	-	-	-	(469,512)	469,512	-	-	-	-
Interest on capital declared on February 13, 2013		-	-	-	-	-	-	-	-	(21,831)	21,831	-	-	-	-
Retained earnings reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AS OF DECEMBER 31, 2012		427,073	(66,105)	97,333	17,378	41,194	18,650	20,957	268,472	-	491,343	(10,199)	1,306,096	1	1,306,097

NATURA COSMÉTICOS S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	2012	2011	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		861,222	830,901	861,222	830,901
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	14	63,594	27,565	141,178	109,921
Provision for losses on swap and forward transactions		(52,087)	(16,442)	(52,302)	(14,305)
Provision (reversal) for tax, civil and labor contingencies	18	(5,176)	(2,866)	4,623	(7,998)
Interest and inflation adjustment of escrow deposits		(17,371)	(28,841)	(21,049)	(51,173)
Income tax and social contribution	10.b)	344,907	330,890	414,878	406,829
(Gain) loss on sale on property, plant and equipment and intangible assets		(2,098)	1,559	15,692	13,457
Equity in investees		(59,380)	(54,789)	-	-
Interest and exchange rate changes on borrowings and financing and other liabilities	25	145,660	94,985	163,228	121,674
Exchange rate changes on other assets and other liabilities		691	22	9,101	(7,767)
Stock options plans expenses		2,712	6,359	10,844	13,369
Provision for discount on assignment of ICMS credits		-	-	807	323
Allowance for doubtful accounts	7	2,776	(492)	7,942	(675)
Allowance for inventory losses	8	(1,460)	9,801	(23,842)	19,726
Provision for healthcare plan and carbon credits	19	32,942	10,012	44,152	12,384
Recognition of untimely used tax credits		(7,311)	(15,461)	(11,617)	(40,378)
Recognition of tax credits related to lawsuit	26	(715)	(11,887)	(1,665)	(16,852)
		1,308,906	1,181,316	1,563,192	1,389,436
(INCREASE) DECREASE IN ASSETS					
Trade receivables		2,500	(41,125)	(17,486)	(70,918)
Inventories		61,363	(42,615)	11,925	(136,948)
Recoverable taxes		53,373	(14,648)	29,525	(45,224)
Other receivables		(13,068)	(171,952)	(48,570)	(157,950)
Subtotal		104,168	(270,340)	(24,606)	(411,040)
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		68,310	69,443	162,102	121,752
Payroll, profit sharing and related taxes, net		39,800	(5,218)	79,769	(30,702)
Taxes payable		1,623	28,692	(2,650)	24,060
Other payables		(23,028)	34,006	14,108	(14,132)
Provision for tax, civil and labor contingencies		(5,936)	(816)	(6,287)	(829)
Subtotal		80,769	126,107	247,042	100,149
CASH GENERATED BY OPERATING ACTIVITIES		1,493,843	1,037,083	1,785,628	1,078,545
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Payments of income tax and social contribution		(293,751)	(255,182)	(320,805)	(319,623)
Payments of derivatives		(23,428)	(15,082)	(18,488)	(18,382)
Payment of interest on borrowings and financing		(87,480)	(57,812)	(104,332)	(76,700)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,089,184	709,007	1,342,003	663,840
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	14	(215,929)	(277,036)	(437,451)	(346,367)
Proceeds from sale of property, plant and equipment and intangible assets		2,098	2,535	3,135	3,726
Withdrawal (payment) of escrow deposits		(5,289)	72,973	(32,649)	92,341
Short-term investments		(3,015,724)	-	(4,213,731)	-
Redemption of short-term investments		1,847,237	-	3,715,059	-
Dividends received from subsidiaries		66,148	34,000	-	-
Capital increase in subsidiaries	13	(48,843)	(121,173)	-	-
NET CASH USED IN INVESTING ACTIVITIES		(1,370,302)	(288,701)	(965,637)	(250,300)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of borrowings and financing - principal		(462,885)	(425,383)	(629,650)	(648,687)
Proceeds from borrowings and financing		1,474,413	822,047	1,708,574	1,045,702
Sale of treasury shares due to exercise of stock options		30,834	1,240	30,834	1,240
Payment of dividends and interest on capital		(490,951)	(430,079)	(490,951)	(430,079)
Interim dividends and interest on capital		(363,533)	(332,809)	(363,533)	(332,809)
Acquisition of treasury shares		-	(104,452)	-	(104,452)
Capital increase through subscription of shares (353,289 common shares at average price of R$39.69)		-	9,012	-	9,012
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES		187,878	(460,424)	255,274	(460,073)
Gains (losses) arising on translating foreign currency cash and cash equivalents		-	-	(2,860)	1,914
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(93,240)	(40,118)	628,780	(44,619)
Cash and cash equivalents at beginning of year		166,007	206,125	515,610	560,229
Cash and cash equivalents at end of year		72,767	166,007	1,144,390	515,610
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(93,240)	(40,118)	628,780	(44,619)
ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS					
Restricted cash	12	-	-	-	6,757
Bank overdrafts - unused		299,500	117,900	343,600	235,500

NATURA COSMÉTICOS S.A.

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except additional information)

		Company (BR GAAP)				Consolidated (BR GAAP)			
	Note	2012		2011		2012		2011	
REVENUES		7,501,382		6,847,932		8,515,446		7,499,050	
Sales of products and services		7,608,134		6,887,213		8,665,145		7,524,250	
Allowance for doubtful accounts	7	(122,224)		(82,860)		(138,056)		(88,277)	
Other operating (expenses) income, net	26	15,472		43,579		(11,643)		63,077	
INPUTS PURCHASED FROM THIRD PARTIES		(4,823,121)		(4,538,954)		(4,836,794)		(4,362,838)	
Cost of sales and services		(2,846,755)		(2,610,197)		(3,025,657)		(2,624,578)	
Materials, electricity, outside services and other		(1,976,366)		(1,928,757)		(1,811,137)		(1,738,260)	
GROSS VALUE ADDED		2,678,261		2,308,978		3,678,652		3,136,212	
RETENTIONS		(63,594)		(27,565)		(141,178)		(109,921)	
Depreciation and amortization	14	(63,594)		(27,565)		(141,178)		(109,921)	
WEALTH CREATED BY THE COMPANY		2,614,667		2,281,413		3,537,474		3,026,291	
TRANSFERRED VALUE ADDED		189,211		141,291		161,805		122,698	
Equity in investees	13	59,380		54,789		-		-	
Financial income - includes inflation adjustments and exchange differe	25	129,831		86,502		161,805		122,698	
TOTAL WEALTH FOR DISTRIBUTION		2,803,878		2,422,704		3,699,280		3,148,989	
DISTRIBUTION OF WEALTH:		(2,803,878)	100%	(2,422,704)	100%	(3,699,280)	100%	(3,148,989)	100%
Employees and payroll taxes		(333,466)	12%	(250,870)	10%	(802,966)	21%	(634,261)	20%
Taxes and fees		(1,369,813)	49%	(1,182,449)	49%	(1,743,401)	48%	(1,472,345)	46%
Financial expenses and rentals		(239,377)	9%	(158,485)	7%	(291,691)	8%	(211,483)	7%
Dividends		(796,531)	28%	(762,563)	31%	(796,531)	22%	(762,563)	24%
Interest on capital		(58,347)	2%	(61,130)	3%	(58,347)	2%	(61,130)	2%
Retained earnings		(6,344)	0%	(7,207)	0%	(6,344)	0%	(7,207)	0%

Additional information to the statements of value added

R$541,669 and R$442,063 of the amounts recorded in line item 'Taxes and fees' in 2012 and 2011, respectively, 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 customers.

To analyze this tax impact on the statement of value added, these amounts should be deducted from those recorded in 'Sales of goods and services' and 'Taxes and fees' since sales revenue does not include the estimated profit attributable to Natura consultants on the sale of products, in the amounts of R$3,210,727 and R$2,906,137 in 2012 and 2011, respectively, considering an estimated profit margin of 30%.

(A free translation from Portuguese into English of Individual Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and of Consolidated Interim Financial Information prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and accounting practices adopted in Brazil)

NATURA COSMÉTICOS S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

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

The Company's and its subsidiaries' activities ("Natura Group" or "Group") include the development, production, distribution and sale of cosmetics, fragrances, and hygiene products, substantially through direct sales by Natura Beauty Consultants. The Company also holds equity interests in other companies in Brazil and abroad.

On December 20, 2012, Natura Cosméticos S.A. entered into a purchase and sale agreement, subject to certain conditions precedent, for the acquisition of 65% of Emeis Holdings Pty Ltd., an Australian manufacturer of premium cosmetics and beauty products that operates under the brand name "Aesop" in Australia, Asia, Europe and North America. The price of the acquisition agreed by the parties was AU$68.25 million, subject to certain adjustments.

The Company expects that the acquisition will be closed by April 30, 2013, and that the acquisition price will be paid from the Company's cash flow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of preparation

The Company's financial statements include:

- The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs), 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 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 present the valuation of investments in subsidiaries, joint ventures and associates which are measured by the equity method, as required by legislation prevailing in Brazil. Therefore, these individual financial statements are not fully compliant with IFRS, which requires that these investments be carried at fair value or acquisition cost.

Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to owners of the Company recorded in the consolidated financial statements prepared in accordance with IFRS and accounting practices adopted in Brazil and the Company's shareholders' equity and net income disclosed in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company elected to present the individual and the consolidated financial statements as a single set, placed side-by-side.

The financial statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at their fair values, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

The significant accounting practices applied to the preparation of these consolidated financial statements are presented below. These policies have been consistently applied in the previous annual reporting period presented, except as otherwise indicated.

New or revised pronouncements applied for the first time in 2012

The accounting policies adopted in 2012 are consistent with those adopted in the financial statements of the previous year, except for the following revisions to IFRS in force from January 1, 2012:

IAS 12 Income Taxes (review)-deferred taxes – Underlying asset recovery.
The revision clarifies the determination of deferred tax calculation on investment property measured at fair value. Introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 (CPC 31) must be set based on the fact that its carrying amount will be recovered through sale. Additionally, introduces the requirement that deferred tax assets not subject to the depreciation that are measured using the revaluation model in IAS 16 (CPC 27) always be measured based on the sale of the asset. This review will have validity for annual periods beginning on or after January 1, 2012. This review did not generate an impact on the financial position, performance, or disclosures of society.

IFRS 1 initial adoption of IFRS (revised)-Hyperinflation and removal of fixed dates for First Adoption (review).
The IASB has provided guidance on how an entity should resume the presentation of financial statements based on IFRS as their functional currency is no longer subject to

hyperinflation. The revision will be effective for annual periods beginning on or after July 1, 2011. This review did not generate any impact on society.

IFRS 7 financial instruments-Disclosure — Major Requirements for disclosure of derecognitions.
The revision requires additional disclosure on financial assets transferred but not derecognized assets to allow the user of the financial statements of the company understand the relationship between the assets that were not derecognized assets and corresponding liabilities. Additionally, the review requires disclosure about the continuous involvement of the entity with the assets derecognized assets, to allow users to evaluate the nature of the involvement and the related risks. The revised standard will have validity for annual periods beginning on or after July 1, 2011.
The company has no assets with these characteristics, so there was no impact on its financial statements.

2.2. Consolidation

a) Subsidiaries and joint-controlled entities

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities and in which generally holds more than 50% of the equity interest. In the applicable cases, the existence and the effect of potential voting rights, currently exercisable or convertible, are taken into consideration to determine if the company control another entity. Subsidiaries are fully consolidated from the date in which 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 proportionately to the interest percentage.

b) Companies include in the consolidated financial statements

	Equity interest - %	
	2012	2011
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Biosphera Comércio de Cosméticos e Serviços Ltda.	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 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

	Equity interest - % 2012	2011
Natura Cosméticos Ltda. - Colombia	99.99	99.99
Natura Cosméticos España S.L. - Spain	100.00	100.00
Natura (Brazil) International B.V. - The Netherlands	100.00	100.00
Indirect interest:		
Via Indústria e Comércio de Cosméticos Natura Ltda.-		
Natura Logística e Serviços Ltda.	99.99	99.99
Via Natura Inovação e Tecnologia de Produtos Ltda.:		
Ybios S.A. (proportionate consolidation - joint control)	-	43.33
Natura Innovation et Technologie de Produits SAS - France	100.00	100.00
Via Natura (Brazil) International B.V. - The Netherlands:		
Natura Brasil Inc. - USA – Delaware	100.00	100.00
Natura Brasil Inc. - USA – Nevada	100.00	100.00
Natura Brasil SAS – France	100.00	100.00
Natura Europa SAS – France	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 policies. Investments in subsidiaries have been eliminated proportionately to the investor’s interests in the subsidiaries’ shareholders’ equity and net income or loss, intergroup balances and transactions and unrealized profits, net of taxes.

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, and Natura Cosméticos de Mexico S.A. de C.V..
- Natura Biosphera Comércio de Cosméticos e Serviços Ltda.: engaged in trading, including by electronic means, of products from Natura brand.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, 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.: it is engaged in 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: 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.: engaged in the import and sale of 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.: engaged in the provision of 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.: company in start-up stage and its activities will be an extension of the activities carried out by its parent company Natura Cosméticos S.A. - Brazil.
- 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 testing as an alternative to animals testing, for to the safety and efficiency of test active compounds, skincare products and new packaging materials.
- Ybios S.A.: On June 29, 2012, the company sold its share and no longer had equity interest in Ybios. The effects of this sale were not relevant. Engaging in biotechnology research, management and development of projects, products and services, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations and other public and private entities, provide services in the biotechnology area, and holding of equity interest in other companies.
- Natura Europa SAS – France, Natura Brazil Inc. e Natura International Inc.: in January 2009 the shares of these subsidiaries were assigned as a capital contribution to the holding company Natura (Brazil) International B.V. - The Netherlands, and the Company became the indirect holder of such interests through this company headquartered in The Netherlands.

2.3. Segment reporting

Information per 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 the Company's Executive Committee.

2.4. Translation of foreign currency

a) Functional currency

Items included in the 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

Foreign currency-denominated transactions are translated into the Company's functional currency – Brazilian reais (R$) - at the exchange rates prevailing on the dates of the transactions. Balance sheet accounts are translated at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising on the settlement of such transactions and the translation of monetary assets and monetary liabilities denominated in foreign currency are recognized in profit or loss, in line items "Financial income" and "Financial expenses".

c) Presentation currency and translation of financial statements

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

In preparing the consolidated financial statements, the statements income statement and the statement of cash flows, and all other changes in foreign subsidiaries' assets and liabilities, whose functional currency is the local currency, 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 yearend.

The effects of exchange differences resulting from these translations are presented in line item 'Other comprehensive income' and in shareholders' equity.

2.5. Cash and cash equivalents

Include cash, demand deposits and short-term investments redeemable within 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 end of the reporting period and do not exceed their fair or realizable values.

2.6. Financial instruments

2.6.1. Categories

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

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

<u>Financial assets measured at fair value through profit or loss</u>

Consist of financial assets held for trading, when acquired for such purpose, principally in the short term. These assets are measured at fair value at the end of the reporting period and any differences are recognized in profit or loss.

Derivative financial instruments are also classified in this category. Assets in this category are classified in current assets.

In the case of the Company, this category includes only derivative financial instruments. The balances of outstanding derivatives are measured at their fair values at the end of the reporting period and classified in current assets or current liabilities, and changes in fair value are recorded in “Financial income” or “Financial expenses”, respectively.

Held-to-maturity financial assets

Comprise investments in certain financial assets classified by treasury at their origination as held to maturity, and are measured at amortized cost using the effective interest method, less losses due to reduction of the recoverable amount. The Society does not have investments held to maturity during the years ended December 31, 2011 and 2012.

Available-for-sale financial assets

When applicable, this category includes non-derivative financial assets that either designated as available for sale or are not classified into any of the other categories, such as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit and loss. These financial assets include shares of investment funds and government debt securities. In this category are registered instruments which are held for an indefinite period and may be sold to meet liquidity needs or changes in market conditions.

Loans and receivables

Include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded in current assets, except for maturities greater than 12 months after the end of the reporting period, when applicable, which are classified as noncurrent assets. After initial measurement, these financial assets are accounted for at amortized cost, using the effective interest method (effective interest rate), less loss by decrease in recoverable value. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs incurred. In December 31, 2012 and 2011 include trade accounts receivable (note 7).

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

Financial liabilities at fair value through profit or loss

They are classified as fair value through profit or loss when the financial liability is either held for trading or it is designated as fair value through profit or loss.

Other financial liabilities

They are measured at the amortized cost using the effective interest method. As of December 31, 2012 and 2011, in the case of the Company, comprise borrowings and financing (note 15) and domestic and foreign trade payables.

2.6.2. Measurement

Regular purchases and sales of financial assets are recognized on the transaction date, i.e., on the date the Company agrees to buy or sell the asset. Loans and receivables and held-to-maturity financial assets are measured at amortized cost.

Financial assets at fair value through profit or loss are initially recognized at their fair value and transaction costs are recognized in the income statement. Gains or losses resulting from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement, in “Finance income” or “Finance costs”, respectively, for the period in which they occur. Changes in financial assets classified as “Available for sale”, when applicable, are recorded in “Other comprehensive income” and shareholders’ equity until the financial assets are settled, when they are ultimately reclassified to profit or loss for the year.

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 recognize the asset and settle the liability simultaneously.

2.6.4. Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is downloaded when:

The rights to receive cash flows from the asset have expired;

The company transferred its rights or risk receiving the cash flows of the asset or has assumed an obligation to pay the received cash flows in full.

2.6.5. Derivative instruments and hedge accounting

Derivative transactions contracted by the Group consist of swaps and non-deliverable forwards (NDFs) intended exclusively to hedge against the foreign exchange risks related to the positions in balance sheets and 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 are measured by the Company's treasury department based on information on each contracted transaction and related market inputs at the end of the reporting period, such as interest rates and exchange coupon. When applicable, these inputs are 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.

2.6.6. Effective interest method

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 exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

2.7. Trade receivables and allowance for doubtful debts

Trade receivables are stated at their nominal amount, less the allowance for doubtful debts, which is recognized based on the history of losses using an aging list, in an amount considered sufficient by management to cover possible losses, as described in note 7.

2.8. Inventories

Carried at the lower of average cost of purchase or production and net realizable value. Details are disclosed in note 8.

The Company considers the following when determining its provision for inventory losses: discontinued products, products with slow turnover, products with expired validity and products that do not meet quality standards.

2.9. Investments in subsidiaries, associates and jointly controlled entities

The Company holds interest only in subsidiaries.

Subsidiaries are entities in which the Company, directly or through other subsidiaries, has ownership rights that provide it with the ability to direct the subsidiaries' activities and to elect the majority of the subsidiaries' management members on a permanent basis. Subsidiaries are the companies over which the Company has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, which in general consists of the ability to exercise the majority of the voting rights. Potential voting rights considered when assessing the control exercised by the Company over the other entity, when they can be exercised at the time of the assessment.

Investments in subsidiaries are accounted for by the equity method of accounting. The financial statements of subsidiaries are prepared for the same reporting date of the Company. Adjustments are made, if necessary, to conform their accounting policies to those adopted by the Company.

Under the equity method of accounting, the share attributable to the Company of the profit or loss for the period of such investments is accounted for in the income statement, in line item "Equity in investees". Unrealized gains and losses arising on transactions between the Company and the investees are eliminated based in the percentage interest held in such investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities is recorded directly in the Company's shareholders' equity, in line item "Other comprehensive income".

2.10. Property, plant and equipment

Stated at cost of purchase or construction, plus interest capitalized during construction period, when applicable, for the case of eligible assets, and reduced by accumulated depreciation and impairment losses, if applicable.

Rights in tangible assets that are maintained or used in the operations of the Group, 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

The useful lives are reviewed annually.

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

2.11. Intangible assets

2.11.1 Software

Software and ERP systems licenses purchased are also capitalized and amortized at the rates also described in note 14, and expenses on the software maintenance are recognized as expenses when incurred.

The ERP system purchase and implementation costs are capitalized as intangible assets when there is evidence that future economic benefits will flow into the Company, taking into consideration its 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.

2.11.2 Trademarks and patents

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 on a straight-line basis at the annual rates described in note 14.

2.11.3 Carbon credits - Carbon Neutral Program

In 2007 the Company assumed to its employees, customers, suppliers and shareholders the commitment to become a Carbon Neutral company, which consists of offsetting all the emissions of Greenhouse Gases (GHGs) by its entire production chain, from raw material extraction to post-consumption. Even though this commitment is not a legal obligation, since Brazil did not adopt the Kyoto Protocol requirements, it is considered a constructive obligation, under CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, which required the recognition of a provision in the financial statements if it can result in a disbursement and be realizably measured.

The liability is estimated using audited carbon emission inventories taken on an annual basis and valued based in the average price per ton of carbon of outstanding contracts and the estimated prices of future carbon purchases. As of December 31, 2012, the liability's balance recognized in line item "Other provisions" (see note 19) refers to total carbon emissions in 2007-2012 that were not fully offset through the related projects, thus preventing the awarding of a carbon neutral certificate.

In line with its beliefs and principles, the Company elected not to directly purchase any carbon credits and invested, instead, in socio-environmental projects in communities. Accordingly, the expenses incurred will produce carbon credits as these projects are completed or mature. During this period, these expenses are recognized at cost as intangible assets (see note 14) as they represent a right for future use. As of December 31, 2012, the balance recognized in intangible assets refers to expenses incurred in socio-environmental projects that will result in future carbon neutral company certificates.

The obligation to become a carbon neutral company will be met when the related carbon neutral company certificates are actually awarded to the Company, and thus these assets will be offset against said liabilities.

The difference between the assets and liabilities as of December 31, 2012 refers to the cash amounts that the Company will still disburse on other socio-environmental projects to ensure the future issuance of carbon neutral company certificates.

2.12. Research and product development expenses

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.

2.13. Leases

Lease classification is made at the inception of the lease. Leases where the lessor does not retain 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 Group retains 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 present value of minimum lease payments.

Each lease payment is apportioned between liabilities and the finance charges so as to permit obtaining a constant effective interest rate on the outstanding liability. The corresponding obligations, less the 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 their useful lives, as described in note 2.10, or over the lease term, when it is shorter.

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 the carrying value of an asset may not be recoverable. Where 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 income statement.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or CGUs).

The recoverable amount of an asset or cash-generating unit is determined defined as being the larger of the value in use and the net selling value. In the estimation of the value in use of the asset, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which it operates the cash-generating unit. The net selling value is determined, whenever possible, on the basis of the contract of sale firm in a transaction in commutative bases, between knowledgeable and interested parties, adjusted for expenses attributable to the sale of the asset, or, where there is no contract of sale firm, based on the market price of an active market, or in the price of the most recent transaction with similar assets.

2.15. Trade payables

These are initially recognized at their nominal amounts, plus interest, inflation adjustments and exchange differences through the end of the reporting period, when applicable.

2.16. Borrowings and financing

Initially recognized at fair value of proceeds received less transaction costs, plus charges, interest, adjustments and exchange differences incurred through the end of the reporting period, as shown in note 15.

2.17. Provision for tax, civil, and labor contingencies

The provisions for contingent liabilities are recognized when the Group has a legal or constructive obligation as a result of past events, and it is probable that disbursements will be required to settle the obligation, and its 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 end of the reporting period to cover probable losses, based on the nature of contingencies and the opinion of the Company's legal counsel. The bases for and nature of the provisions for tax, civil, and labor contingencies are described in note 18.

2.18. Current and deferred income tax and social contribution

Recognized in the income statement, 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 line item "Other comprehensive income".

Except for the foreign subsidiaries, which apply the tax rates prevailing in each one of the countries where they are located, income tax and social contribution on the Company's and its Brazilian subsidiaries' profits are calculated at the tax rates of 25% and 9%, respectively.

Current income tax and social contribution expenses are calculated using the laws and regulations enacted by the end of the reporting period, pursuant to Brazilian tax regulations. Management periodically measures the positions assumed in the income tax return regarding the situations where applicable tax law is subject to possibly different interpretations and, when appropriate, recognizes provisions based on the amounts it expects to pay tax authorities.

Deferred income tax and social contribution are calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts. Deferred income tax and social contribution are calculated using the tax rates enacted on the end of the reporting period 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 and social contribution assets are recognized only to the extent that there is a reasonable certainty that future taxable income will be available and against which temporary differences can be offset.

The amounts of deferred income tax and social contribution assets and liabilities are only utilized when there is a legally enforceable right to offset current tax assets against tax liabilities and/or when current 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 10.

2.19. Stock option plan

The Company offers equity-settled share-based compensation plans to its executives.

The stock option plan is measured at fair value on grant date and is expensed during the vesting period as a balancing item to “Additional paid-in capital”, in shareholders’ equity. At the end of the reporting period, the Company’s management reviews its estimates on the number of options vesting based on the conditions fulfilled and, when applicable, recognizes in the income statement the effect arising from the revision of the initial estimates as a balancing item to shareholders’ equity. The details are disclosed in note 24.2.

The cost of transactions settled with equity securities is recognized, together with a corresponding increase in equity under the heading "additional paid-in Capital", throughout the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee acquires the full right to prize (date of acquisition). The cumulative expense recognized for equity instruments transactions settled on each base date up to the date of acquisition reflects the extent to which the vesting period has expired and the best estimate of the number of equity securities Company to be acquired. The expense or credit in the statement of income of the period is recorded under the heading "administrative expenses".

When an award of equity instruments settlement is cancelled, it is treated as if it had been acquired on the date of cancellation, and any expense not recognized award is registered immediately. This includes any award where non-vesting conditions within the control of the company or the counterparty were not met. All cancellations of transactions settled with equity securities are treated in the same way.

The dilution effect of options open is reflected as additional share dilution in the calculation of diluted earnings per share (Note 27.2).

2.20. Profit sharing

The Company recognizes a profit sharing liability and an expense based on a formula that takes into consideration the net income attributable to the owners 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 distribution of dividends and interest on capital made by the Company's management included in the portion equivalent to the mandatory minimum dividends is recognized in line item "Other payables" in current liabilities, as it is considered as a legal obligation 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 recognized in line item "Proposed additional dividends" and their effects are disclosed in note 20.(b).

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

2.22. Treasury shares

Own equity instruments which are reacquired (Treasury shares) and recognized at acquisition cost and deducted from shareholders ' equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between the book value and the consideration is recognized in other capital reserves.

2.23. Actuarial gains and losses of healthcare plan and other costs related to employees' benefit plans

The company has defined contribution retirement plans, which require that contributions are made to the funds administered separately from the equity of the Company. The company also provides certain benefits of extension of medical assistance to retired employees. The costs associated with the contributions made by the company and its subsidiaries to the plans are recognized on the accrual basis. The costing of the benefits granted by the defined benefit plans is established separately for each plan using the projected unit credit method.

Actuarial gains and losses recorded in the retirees' healthcare expansion plan are recorded in the income statement in accordance with IAS 19 and CPC 33 – Employee Benefits, based on the actuarial calculation prepared by an independent actuary, as detailed in note 19.

2.24. Revenue and expense recognition

Sales revenue is recognized when all risks and rewards of ownership of the product are transferred to the customers and there are recognized on an accrual basis.

Revenues are recognized to the extent in which it is probable that the economic benefits associated with the transaction will accrue to the Company, and when such benefits can be reliably measured. Sales revenues are primarily generated through sales made by the Natura Beauty Consultants (our clients), measured based on the fair value of the consideration received (or to be received), excluding any discounts, rebates and taxes or charges with respect to such sales. Sales revenue is recognized when the significant risks and rewards of title to products have been transferred to the client, which generally occurs upon delivery thereof to the Natura Beauty Consultants.

Sales revenue is generated and accumulates initially in the subsidiary sales ledger of the Company, as of the moment in which the proof of shipping is issued in the name of our clients. However, as our revenues are recorded for accounting purposes only when the final delivery of products has occurred, the Company makes a provision to eliminate the amount of revenues with respect to products shipped but not yet received by the Natura Beauty Consultants as of the closing date of the financial statements for each period.

Income from tax incentives, received in the form of a monetary asset, is recognized in the income statement when received as a balancing item 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.

The portion of tax incentives recognized in the income statement is allocated to the tax incentive reserves, in the “Earnings reserves”, in shareholders’ equity.

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 investees, 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, lenders and lessors, and shareholders.

2.26. New and revised standards and interpretations

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

Standard	Main requirements	Effective date
IFRS 9 Financial instruments	Classification and Measurement end the first part of the project to supersede "IAS 39 Financial Instruments: Recognition and Measurement". This new standard adopts a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on the way an entity manages its financial instruments (its business model) and contractual cash flow typical of financial assets. IFRS 9 also requires only one method to be adopted to determine impairment losses.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 - Consolidated Financial Statements	IFRS 10, establishes principles for the presentation and preparation of the consolidated financial statements when an entity controls one or more entities. The IFRS 10 overrides the requirements of SIC-12 Consolidation special purpose entities and IAS 27 consolidated financial statements and separate.	Effective for annual periods beginning on or after January 1, 2013
IFRS 11 - Joint Arrangements	IFRS 11 provides for a more realistic reflection of agreements together, focusing on the rights and obligations of the agreement, rather than its legal form. The standard addresses inconsistencies in the treatment of an agreement together, requiring a single method to treat in controlled entities jointly through the equity method. The IFRS 13 replaces IAS 31 and SIC jointly Controlled Enterprises-13 jointly controlled entities-non-monetary Contributions by Shareholders. Early application is permitted. The main effects of the adoption of IFRS 11 will be the end of proportionate consolidation, which will not affect the consolidated information of the company.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of investments in other entities, including subsidiaries, joint ventures, associates and unconsolidated structured entities. Early application is permitted.	Effective for annual periods beginning on or after January 1, 2013.

IFRS 13 - Fair Value Measurement	Replaces and consolidates in a single standard all the guidance and requirements in respect of fair value measurement contained in other IFRSs. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued.	Effective for annual periods beginning on or after January 1, 2013.
IAS 27 (revised in 2011) "Separate Financial Statements;	As a result of the recent IFRS and IFRS 12 10, what remains in the IAS 27 restricted to accounting for subsidiaries, joint control and entities associated in separate financial statements.	Effective for annual periods beginning on or after January 1, 2013.
IAS 28 (Revised in 2011) - Investments in Associates and Joint Ventures	As a result of the recent IFRS and IFRS 12 11, IAS 28 become IAS 28 investments in associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures, in addition to the investment in associates.	Effective for annual periods beginning on or after January 1, 2013.
Amendments to IAS 19 - Employee Benefits	Eliminates the corridor approach and requires recognition of actuarial gains and losses as other comprehensive income for pension plans and other long-term benefits in profit or loss, when earned or incurred, among other changes.	Effective for annual periods beginning on or after January 1, 2013.
Amendments to IAS 1 - Presentation of Financial Statements	Introduces the requirement that all items recognized in other comprehensive income be separated into and totaled as items that are and items that are no subsequently reclassified to profit or loss.	Effective for annual periods beginning on or after January 1, 2013.
IAS 12 Income Taxes (review)-deferred taxes – Underlying asset recovery	The revision clarifies the determination of deferred tax calculation on investment property measured at fair value. Introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 (CPC 31) must be set based on the fact that its carrying amount will be recovered through sale. Additionally, introduces the requirement that deferred tax assets not subject to the depreciation that are measured using the revaluation model in IAS 16 (CPC 27) always be measured based on the sale of the asset. This review will have validity for annual periods beginning on or after January 1, 2012.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 1 initial adoption of IFRS (revised)-Hyperinflation and removal of fixed dates for First Adoption (review)	The IASB has provided guidance on how an entity should resume the presentation of financial statements based on IFRS as their functional currency is no longer subject to hyperinflation. The revision will be effective for annual periods beginning on or after July 1, 2011.	Effective for annual periods beginning on or after January 1, 2013.

IFRS 7 financial instruments- Disclosure — Major Requirements for disclosure of derecognition	The revision requires additional disclosure on financial assets transferred but not derecognized assets to allow the user of the financial statements of Company the relationship between the assets that were not derecognized assets and corresponding liabilities. Additionally, the review requires disclosure about the continuous involvement of the entity with the assets derecognized assets, to allow users to evaluate the nature of the involvement and the related risks. The revised standard will have validity for annual periods beginning on or after July 1, 2011.	Effective for annual periods beginning on or after January 1, 2013.
IAS 1 presentation of financial statements	This clarifies the difference between voluntary and additional comparative information comparative information required minimum.	Effective for annual periods beginning on or after January 1, 2013.
IAS 16 property, plant and equipment	This explains that the main spare parts and equipment to provide services that meet the definition of fixed assets are not a part of inventory.	Effective for annual periods beginning on or after January 1, 2013.
IAS 32 financial instruments: presentation	This clarifies that income taxes resulting from distributions to shareholders are accounted for in accordance with IAS 12 Income Taxes.	Effective for annual periods beginning on or after January 1, 2013.
IAS 34 Intermediate financial statements	The review presents an alignment of disclosure requirements for total assets total liabilities with segment in the segment in the financial statements. This clarification also ensures that the intermediary disclosures are aligned with the annual disclosures.	Effective for annual periods beginning on or after January 1, 2013.

The Company intends to adopt such standards when they go into effect.

Considering the current operations of the Group, management does not expect these new rules, interpretations and changes to have a material impact on the financial statements as from their adoption.

The CPC has not yet issued the pronouncements and amendments related to the new and revised IFRSs presented above. Because of the CPC’s and the CVM’s commitment to keep the set of standards issued updated according to the changes made by the IASB, we expect that such pronouncements and amendments be issued by the CPC and approved by the CVM by the date they become effective.

There are not further standards and interpretations issued but not yet adopted which may, in the management’s view, have a significant impact on P&L or equity disclosed by the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of certain critical accounting estimates and the exercise of judgment by the Company's management in the process of application of accounting policies.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant in the circumstances. Actual results may differ from those estimates. The effects resulting from the revision of accounting estimates are recognized in the revision period.

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 the history of earnings 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 contingent liabilities arising from lawsuits that represent probable losses and can be reliably estimated. The probability assessment includes assessing available evidences, the hierarchy of 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) Retirees' healthcare plan

The current amount of the retirees' 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 19. The change in one of these estimates could impact the results presented.

d) Stock option plan

The stock option plan is measured at fair value on grant date and is expensed during the vesting period as a balancing item to "Additional paid-in capital", in shareholders' equity. At the end of the reporting period, the Company's management reviews its estimates on the number of options vesting based on the conditions fulfilled and, when applicable, recognizes in the income statement the effect arising from the revision of the initial estimates as a balancing item to shareholders' equity. The details are disclosed in note 24.2.

4. FINANCIAL RISK MANAGEMENT

4.1 General considerations and policies

Risks and the financial instruments are managed through the definition of policies and strategies and implementation of control systems, defined by the Company's Treasury Committee and approved by the Board of Directors. 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 Treasury Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

Risk management is performed by the Company's general treasury function, which is also responsible for approving the short-term investments and loan transactions conducted by the Group's subsidiaries.

4.2. Financial risk factors

The Group's activities expose them 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.

a) Market risks

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

i) Foreign exchange risk

The Group is exposed to the foreign exchange risk arising from financial instruments denominated in currencies different from their functional currencies. To reduce this exposure, the Group implanted a policy to hedge against the foreign exchange risk that establishes exposure limits linked to this risk (Foreign Exchange Hedging Policy).

The treasury area's procedures defined based on the current policy include monthly projection and assessment of the Company's and its subsidiaries' foreign exchange exposure, on which management's decision-making is based.

Exchange rate Protection Policy considers the values of foreign currency receivables and Payables balances of commitments already made and recorded in the financial statements from the operations of the Company and its subsidiaries, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

As of December 31, 2012 and 2011, the Group is basically exposed to risks of fluctuations in the U.S. dollar and particularly as of December 31, 2012, the Company's is basically exposed to risks of fluctuations in the Australian dollar. To hedge against foreign exchange exposures, the Group contracts derivative (swaps) and non-deliverable forward (NDF) transactions. The Foreign Exchange Hedging Policy establishes that the derivatives contracted by the Group should limit loss due to exchange rate depreciation related to the net income estimated for the current year considering the expected depreciation of the Brazilian real against the U.S. dollar. This limit sets the cap on the maximum foreign exchange exposure that the Group can undertake in relation to the U.S. dollar.

As of December 31, 2012, the Company's and the consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$1,510,721 and R$1,515,328, respectively (R$438,667 and R$444,894 as of December 31, 2011, respectively). These accounts are substantially represented by borrowings and financing which, as of December 31, 2012 and December 31, 2011, are hedged by swap arrangements.

As of December 31, 2012, the Company has future financial obligations denominated in Australian dollars, as described in the Material News Release ("*Fato Relevante*") published on December 20, 2012, in an amount equivalent to R$144,670. This amount is the future disbursement for the acquisition, subject to certain conditions precedent, of 65% of Emeis Holdings Pty Ltd., and is hedged with forward contracts.

Derivatives to hedge foreign exchange risk

The Company classifies derivatives into "financial" and "operating". "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings and financing. "Operating" derivatives (usually forwards) include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows.

As of December 31, 2012, outstanding swap and forward contracts, with maturities between January 2013 and July 2020, were entered into the counterparties represented by the banks Bank of America (43%), HSBC (23%), Bradesco (19%), Citibank (6%), Itaú (6%) and Brasil (3%), broken down as follows:

Financial swaps – Company

	Principal		Fair value		Gain for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Swap contracts (1)						
Asset position:						
Long position – U.S.	1,411,816	396,938	1,531,596	435,094	80,624	28,184

dollar						
Liability position:						
CDI floating rate:						
Short position in CDI	1,411,816	396,938	1,450,972	406,910	-	-

Financial swaps – Consolidated

	Principal		Fair value		Gain for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Swap contracts (1)						
Asset position:						
Long position – U.S. dollar	1,418,092	404,662	1,538,307	442,573	81,281	28,626
Liability position:						
CDI floating rate:						
Short position in CDI	1,418,092	404,662	1,457,026	413,947	-	-

Operating forwards - Company and consolidated

	Notional amount		Fair value		Gain (loss) for the year	
Type of transaction	2012	2011	2012	2011	2012	2011
Forward contracts (2):						
Asset position:						
Long position - Australian dollar	147,522	-	147,522	-	(353)	-
Liability position						
Fixed rates:						
Short position in Australian dollar	147,522	-	147,875	-	-	-

(1) Swap transactions consist of swapping the exchange rate fluctuation for a percentage of the floating rate Interbank Deposit Rate (CDI)..

(2) Forward transactions establish a future parity between the Brazilian real and the foreign currency based on their equivalence when contracted, adjusted by a fixed interest rate.

The notional amount represents the amounts of the contracted derivatives. Fair value refers to the value of outstanding contracted derivatives recognized in balance sheets.

For derivatives maintained by the Group as of December 31, 2012 and December 31,2011, due to the fact contracts are directly entered into with the financial institutions and not through São Paulo Stock Exchange (BM&FBOVESPA), there are no margin calls deposited as guarantee of the related transactions.

Sensitivity analysis

For the sensitivity analysis of derivatives, the Company's management understands it is necessary to take into consideration corresponding assets and liabilities with exposure to exchange rates recorded in the balance sheet.

	Company	Consolidated
Loans and financing in foreign currency (*)	1,510,721	1,536,507
Receivables in foreign currency	-	(5,752)
Accounts payable in foreign currencies	10,308	15,686
Value of the "financial" derivatives	(1,646,856)	(1,649,894)
Net passive exposure	(125,827)	(103,454)

The tables below show the gain (loss) that would have been recognized in profit or loss for the year ended December 31, 2012 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	1,170	31,457	62,914

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	962	25,863	51,727

During the year ended December 31, 2012, there were no changes in any of the levels of the fair value estimates.

The probable scenario (R$ 2.04/US$1.00) considers future U.S. dollar rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to foreign exchange risks. Scenarios II and III consider a 25% (R$ 2.55/US$1.00) and 50% (R$3.07/US$1.00) appreciation of U.S. dollar, respectively. Probable scenarios II and III are presented as required by CVM Instruction 475/08. In assessing possible changes in exchange rates, management uses the probable scenario, which is being presented for compliance with IFRS 7 – Financial Instruments: Disclosures.

The Group does not use derivatives for speculative purposes.

ii) Interest rate risk

The interest rate risk arises from short-term investments and loans. Financial instruments issued at floating rates expose the Group to cash flow risks associated with the interest rate. Financial instruments issued at fixed rates expose the Group to fair value risks associated with the interest rate.

The Company's cash flow risk associated with the interest rate arises from short-term investments and short- and long-term loans and financing issued at floating rates. The Company's management adopts the policy of maintaining its rates of exposure to asset and liability interest rates pegged to floating rates. Short-term investments are adjusted by the Interbank Deposit Rate (CDI) whereas borrowings and financing are adjusted based on the Long-term Interest Rate (TJLP), CDI and fixed rates, according to the contracts made with the related financial institutions, and trading securities with investors in this market.

Management believes that the risk of significant changes in the CDI and TJLP in the next 12 months is low taking into consideration the stability achieved with the current monetary policy implemented by the Federal Government, in addition to the history of adjustments in Brazilian policy rate over the past years. For this reason, the Company has not conduct derivative transactions to hedge against this risk.

The Group contracts swap transactions to mitigate risks on borrowing and financing transactions subject to an index other than CDI, TJLP or fixed rates. However, as of December 31, 2012 and December 31, 2011, the Group did not have this type of derivative as they assessed the related risk as very low, as described above.

Sensitivity analysis

As described in the foreign exchange risk section above, as of December 31, 2012 almost all foreign-currency-denominated borrowings and financing are hedged by swap arrangements that exchange the foreign-currency liability index for the CDI rate fluctuation, in light of the Company's policy to hedge such risks. The Company is, therefore, exposed to CDI fluctuation. The table below presents the exposure to interest rate risks of transactions pegged to CDI and TJLP, including derivative transactions:

	Company	Consolidated
Total borrowings and financing - in local currency (note 15)	(477,961)	(788,011)
Derivatives pegged to CDI/TJLP	(1,510,721)	(1,536,507)
Short-term investments (notes 5, 6 and 12)	1,189,521	1,499,052
Net liability exposure	(799,161)	(825,466)

The sensitivity analysis considers the exposure of borrowings and financing pegged to CDI and TJLP rates, net of short-term investments, also pegged to the CDI rate (notes 5 and 6).

The tables below show the loss (gain) that would have been recognized in profit or loss for the year ended December 31, 2012 based on the following scenarios:

	Company			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	(799)	(13,786)	(27,571)

	Consolidated			
Description	Company's risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	(825)	(14,239)	(28,479)

The probable scenario (6.9% per year) considers future interest rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to interest rate risks. Scenarios II and III consider an increase in the interest rate of 25% (8.6% per year) and 50% (10.4% per year) , respectively.

b) Credit risk

Credit risk refers to risk of a counterparty not complying with its contract obligations, which would result in financial losses for the Company. Sales of the Group are made to a great number of sales representatives (Natura Beauty Consultants) and this risk is managed through a strict credit granting process. The result of this management is reflected in the 'Allowance for doubtful accounts', as explained in note 7.

The Group is also subject to credit risks related to financial instruments contracted for the management of its business, primarily represented by cash and cash equivalents, short-term investments and derivative instruments.

The Company believes that the credit risk of transactions with financial institutions is low, as these are considered by the market as prime banks.

The Policy for Short-term Investments adopted by the Company's management establishes the financial institutions with which the Group can do business and defines fund allocation limits and the amounts that may be invested in each of these financial institutions.

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 flows against unused credit facilities.

The carrying amounts of financial liabilities are measured at amortized cost, and their corresponding maturities are as follows:

Company as of December 31, 2012	Less than one year	One to two years	Two to five years	More than five years	Fair value 2012	Discount effect	Carrying amount 2012
Current:							
Borrowings and financing	893,202	-	-	-	893,202	(48,941)	844,261
Trade payables	252,318	-	-	-	252,318	-	252,318
Financial instruments	68,939	-	-	-	68,939	11,332	80,271
Noncurrent:							
Borrowings and financing		1,127,258	65,606	64,736	1,257,600	(113,179)	1,144,421

Consolidated as of December 31, 2012	Less than one year	One to two years	Two to five years	More than five years	Fair value 2012	Discount effect	Carrying amount 2012
Current:							
Borrowings and financing	1,057,712	-	-	-	1,057,712	(58,250)	999,462
Trade payables	649,887	-	-	-	649,887	-	649,887
Financial instruments	69,402	-	-	-	69,402	11,526	80,928
Noncurrent:							
Borrowings and financing	-	1,261,619	121,712	74,840	1,458,171	(133,114)	1,325,057

4.3. Capital management

The Company's objectives in managing its capital are to ensure that the Company is continuously capable of offering return to its shareholders and benefits to other stakeholders, and maintain an optimal capital structure to reduce this cost.

The Company monitors capital based on the financial leverage ratios. This ratio corresponds to the net debt divided by the total capital. The net debt corresponds to total borrowings and financings (including short- and long-term borrowings, as shown in the consolidated balance sheet), deducted from cash and cash equivalents.

The consolidated financial leverage ratios as of December 31, 2012 and December 31, 2011 are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Short- and long-term borrowings and financing	1,988,682	918,973	2,324,519	1,186,699
Derivative financial instruments	(80,271)	(28,184)	(80,928)	(28,626)
Cash and cash equivalents and Short-term investments	(1,241,254)	(166,007)	(1,643,062)	(515,610)
Net debt	667,157	724,782	600,529	642,463
Shareholders' equity	1,306,096	1,250,244	1,306,097	1,250,245
Financial leverage ratio	51.08%	57.97%	45.98%	51.39%

4.4. Fair value estimate

Financial instruments are measured at fair value at the end of the reporting period as prescribed by CPC 40 – Financial Instruments: Disclosures and according to the following hierarchy:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities. 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.

- Level 2: Used for financial instruments that are not traded in active markets (for example, over-the-counter derivatives) and whose fair value is determined using valuation techniques that, in addition to the quoted prices, included in Level 1, use other inputs adopted by the market for assets or liabilities, whether directly (i.e., prices) or indirectly (i.e., derived from prices).

- Level 3: Inputs for assets or liabilities that are not based on the data adopted by the market (i.e., unobservable inputs).

As of December 31, 2012 and December 31, 2011, the measurement of all the Company's and its subsidiaries' derivatives falls under the Level 2 characteristics. The fair value of exchange rate derivatives (swap and forwards) is determined based on the exchange rate at the end of the reporting period, with the resulting amount being discounted to present value.

Short-term investments

The carrying amounts of the short-term investments approximate their fair values as transactions are conducted at floating interest rates and can be immediately redeemable.

Borrowings and financing

The carrying amounts of borrowings and financing, except those pegged to a fixed rate, approximate their fair values as they are pegged to a floating rate, the CDI fluctuation. The carrying amounts of financing pegged to TJLP approximate their fair values as the TJLP is also pegged to CDI and is a floating rate.

The fair value of borrowings and financing contracted at fixed interest rates does not have significant variation related to the book value disclosed in note 15.

Trade and other payables

It is estimated that the carrying amounts of trade receivables and trade payables approximate their fair values in view of the short term of the transactions conducted.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2012	2011	2012	2011
Cash and banks	51,732	27,929	144,011	98,208
Floating rate Bank certificates of deposit (CDBs) (a)	21,035	138,078	965,777	417,402
Repurchase agreements (b)	-	-	34,602	-
	72,767	166,007	1,144,390	515,610

(a) Investments in Bank Deposit Certificates are restated with yield interest ranging from 99.60% to 103.75% of CDI.

(b) Repurchase agreements are securities issued by banks with a commitment by the bank to repurchase the security, and by the client to resell the security, at a fixed price (rate of interest) and within a predetermined term, which are backed by public or private securities (depending on the bank) and are registered with the CETIP.

6. SHORT-TERM INVESTMENTS

	Company		Consolidated	
	2012	2011	2012	2011
Exclusives investments funds	1,168,487	-	-	-
Government security	-	-	498,672	-
	1,168,487	-	498,672	-

From April 2012, the Company concentrated most of its short-term investments in an investment fund. At December 31, 2012, the amount referring to the exclusive investment fund is stated at fair value through profit or loss. Under CVM Rule No. 408/04, short-term investments in funds, which the Company has exclusive participation were consolidated.

The exclusive funds are as follows:

The Fundo de Investimento Sintonia (Sintonia Investment Fund) is a fixed income private credit fund under the management, administration and custody of BTG Pactual. The assets eligible for inclusion in the portfolio are repurchase operations, CDBs and public debt issuances used to guarantee repurchase operations. There is no grace period for the redemption of shares, which may be redeemed with accrued returns at any time.

The Fundo de Investimento Essencial (Essential Investment Fund) is a fixed income private credit fund under the management, administration and custody of Itaú Unibanco. The assets eligible for inclusion in the portfolio are public debt issuances, CDBs and repurchase operations. There is no grace period for the redemption of shares, which may be redeemed with accrued returns at any time.

Breakdown of the exclusive fund portfolio at December 31, 2012 is as follows:

	Sintonia	Essencial	Total
Floating rate Bank certificates of deposit (CDBs)	249,516	683,563	933,079
Repurchase agreements	31,069	-	31,069
Government security (LFT)	-	498,672	498,672
	280,585	1,182,235	1,462,820

7. TRADE RECEIVABLES

	Company		Consolidated	
	2012	2011	2012	2011
Trade receivables	588,980	591,480	724,347	706,861
Allowance for doubtful accounts	(58,947)	(56,171)	(72,931)	(64,989)
	530,033	535,309	651,416	641,872

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Current	463,023	452,392	567,207	543,472
Past due:				
Up to 30 days	54,489	102,107	72,145	117,560
31 to 60 days	23,020	14,029	26,481	16,254
61 to 90 days	14,448	9,950	17,708	13,306
91 to 180 days	34,000	13,002	40,806	16,269
	588,980	591,480	724,347	706,861
Allowance for doubtful accounts	(58,947)	(56,171)	(72,931)	(64,989)
	530,033	535,309	651,416	641,872

The balance of trade receivables in consolidated is basically denominated in Brazilian reais, and approximately 84% of the outstanding balance as of December 31, 2012 refers to real-denominated transactions (89% as of December 31, 2011). 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 period ended December 31, 2011 are as follows:

Company				Consolidated			
Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011	Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(56,663)	(82,860)	83,352	(56,171)	(65,664)	(88,277)	88,952	(64,989)

The changes in the allowance for doubtful accounts for the period ended December 31, 2012 are as follows:

Company				Consolidated			
Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012	Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(56,171)	(122,224)	119,448	(58,947)	(64,989)	(138,056)	130,114	(72,931)

(a) Allowance recognized according to note 2.7.

(b) Refers to accounts that are over 180 days past due that were written off due to uncollectible amounts.

The expense on the recognition of the allowance for doubtful accounts was recorded in ‘Selling expenses’ in the income statement. When recovery of additional cash is less than probable, the amounts credited to line item ‘Allowance for doubtful accounts’ are in general reversed against the definite write-off of the receivable and is recorded in net income or loss.

Maximum exposure to credit risk at the reporting date is the carrying amount of each aging range, net of the allowance for doubtful accounts, as shown in the aging list above. The Group does not have any guarantee for past-due receivables.

8. INVENTORIES

	Company		Consolidated	
	2012	2011	2012	2011
Finished products	162,952	219,626	549,697	565,739
Raw materials and packaging	-	-	150,167	149,806
Promotional material	13,871	18,560	52,273	52,288
Work in progress	-	-	20,085	16,314
Allowance for losses	(18,820)	(20,280)	(71,557)	(95,399)
	158,003	217,906	700,665	688,748

The changes in the allowance for inventory losses for the year ended December 31, 2011 are as follows:

Company				Consolidated			
Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011	Balance at 2010	Additions (a)	Reversals (b)	Balance at 2011
(10,479)	(20,741)	10,940	(20,280)	(75,673)	(66,900)	47,174	(95,399)

The changes in the allowance for inventory losses for the year ended December 31, 2012 are as follows:

Company				Consolidated			
Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012	Balance at 2011	Additions (a)	Reversals (b)	Balance at 2012
(20,280)	(11,803)	13,263	(18,820)	(95,399)	(86,894)	110,736	(71,557)

(a) Refer basically to the recognition of the allowance for losses due to discontinuation, expiration and quality, to cover expected losses on the realization of inventories, pursuant to the Group's policy.

(b) Consist of write-offs of products discarded by the Company.

9. RECOVERABLE TAXES

	Company		Consolidated	
	2012	2011	2012	2011
ICMS on purchases of goods	-	-	208,907	154,942
Refundable ICMS - ST on interstate sales, SP (a)	3,693	8,296	3,693	8,296
Taxes - foreign subsidiaries	-	-	26,315	22,170
ICMS on purchases of fixed assets	12,812	15,428	21,992	24,318
PIS and COFINS on purchases of fixed assets	-	-	44	7,376
PIS and COFINS on purchase of goods	18,512	45,012	21,394	68,187
PIS and COFINS resulting from win on a lawsuit (b)	-	11,887	7,881	16,852
IRPJ and CSLL on freight	970	728	1,362	3,236
PIS, COFINS and CSLL - withheld at source	-	-	3,221	2,024
Other	382	365	5,184	8,834
Provision for discount on sale of ICMS credits (C)	-	-	(4,184)	(3,376)
	36,369	81,716	295,809	312,859
Current	23,417	69,417	144,459	201,620
Noncurrent	12,952	12,299	151,350	111,239

(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 State of São Paulo, pursuant to São Paulo State tax legislation in effect since February 2008. In 2010, São Paulo State Department of Finance (SeFaz - SP) granted the Company a special regime that allows it to offset the credits through the "Fast Track", in which the credits are offset in the month following its computation, through a bank guarantee of 1.5 times the credit amount.

(b) The stated amount refers to the recognition of PIS and COFINS tax credits as a result of the favorable outcome in a lawsuit claiming the unconstitutionality and illegality of the PIS and COFINS taxable basis broadening established by Law 9718/98. The Company received authorization from the Brazilian Internal Revenue Service ("*Receita Federal do Brazil*"), to offset the credits of the Company following the definitive judgment of the claim. In December 2012, the judicial proceeding was decided in favor of the Company, and as a result, the Brazilian IRS granted the authorization of credits requested by the Company.

(c) The negative goodwill is a result of the desire of the Company to realize its ICMS credits from exports in a prompt and cost-effective manner. As a result, it used a legal provision that permits the sale of such credits. However, the realization of the sale is subject to approval of the Secretaria de Fazenda do Estado de São Paulo – SEFAZ/SP (Finance Department of the State of São Paulo), and as a result, the sale has not yet been completed.

10. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) result from temporary differences in the Company and in its subsidiaries. These credits are kept recorded in noncurrent assets, as prescribed by CPC 26 (R1) – Presentation of Financial Statements. The amounts are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Allowance for doubtful accounts (note 7)	22,316	19,098	22,316	19,098
Allowance for losses on inventories realization (note 8)	6,399	6,895	20,039	28,219
Reserve for tax, civil and labor contingencies (note 18)	14,168	17,743	36,273	36,896
Non-inclusion of ICMS in the PIS and COFINS basis (note 18)	656	620	49,342	39,173
Actuarial liability - Retirees' healthcare plan (note 19)	14,181	6,573	18,661	9,565
Allowance for losses on swap and forward contracts (note 25)	(27,292)	(9,583)	(27,516)	(9,733)
Provision for ICMS – ST, PR, DF, MS, MT and RJ States (note 17)	13,856	8,247	13,856	8,247
Allowances for losses on advances to suppliers	2,011	1,992	2,614	2,137
Accrued contractual obligations	7,809	1,439	10,310	2,713
Provision for discount on assignment of ICMS credits	-	-	1,422	1,148
Accrued benefits sharing and partnerships	8,510	6,178	8,510	6,178
Temporary differences of foreign subsidiaries	-	-	10,019	9,681
Provision for profit sharing	15,412	3,955	31,016	10,947
Depreciation rate adjustments to useful lives (RTT)	1,241	1,420	(9,605)	(6,989)
Other temporary differences	15,546	15,568	26,989	32,272
	94,813	80,145	214,246	189,552

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

Tax credits will be realized as follows:

	Company	Consolidated
2013	57,432	121,423
2014	4,514	6,616
2015	5,916	49,189
2016 and thereafter	26,951	37,018
	94,813	214,246

With respect to the Company's foreign subsidiaries, except for the operation in Argentina and Peru which reports taxable income, the other subsidiaries do not record tax credits on tax loss carryforwards and temporary differences in their financial statements due to the absence of a history of taxable income and taxable income projections for the coming fiscal years.

As of December 31, 2012, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carryforwards:

Chile	100,146
Mexico	158,930
Colombia	95,738
France	122,578

Tax credits on tax loss carryforwards generated by the subsidiaries can be carried forward indefinitely, except for the subsidiary in Mexico, which expire as follows:

	Mexico
2014	15
2015	8,524
2016	13,216
2017 to 2022	137,176
	158,931

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2012	2011	2012	2011
Income before income tax and social contribution	1,206,129	1,161,791	1,276,100	1,237,730
Income tax and social contribution at the rate of 34%	(410,084)	(395,009)	(433,874)	(420,828)
Technological research and innovation benefit - Law 11196/05 (*)	22,008	22,386	22,008	22,386
Tax incentives – donations	6,242	6,582	8,487	9,668
Equity in investees (note 13)	20,189	18,628	-	-
Unrecognized deferred taxes on tax losses generated by foreign subsidiaries	-	-	(11,345)	(28,915)

Tax Transition Regime (RTT) - Provisional Act 449/08 – Law 11,638/07 adjustments	1,352	(774)	(1,413)	(3,242)
Interest on capital tax benefit	20,447	21,067	20,447	21,067
Other permanent differences	(5,060)	(3,770)	(19,187)	(6,965)
Income tax and social contribution expenses	(344,907)	(330,890)	(414,878)	(406,829)
Income tax and social contribution - current	(359,575)	(323,544)	(439,572)	(416,122)
Income tax and social contribution - deferred	14,668	(7,346)	24,694	9,293
Effective rate - %	28.6	28.5	32.5	32.9

(*) 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.

The changes in income tax and social contribution for the year of 2011 were as follows:

Company			Consolidated		
Balance at 2010	Charged / (credit) to profit or loss	Balance at 2011	Balance at 2010	Charged / (credit) to profit or loss	Balance at 2011
87,491	7,346	80,145	180,259	(9,293)	189,552

The changes in income tax and social contribution for the year of 2012 were as follows:

Company			Consolidated		
Balance at 2011	Charged / (credit) to profit or loss	Balance at 2012	Balance at 2011	Charged / (credit) to profit or loss	Balance at 2012
80,145	(14,668)	94,813	189,552	(24,694)	214,246

11. 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 Group's escrow deposits as of December 31, 2012 and December 31, 2011 are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
ICMS - ST (note 18.(a))	88,475	80,304	88,475	80,304
ICMS - ST suspended collection (note 17 (b))	96,898	88,521	96,898	88,521
Other accrued tax obligations (note 17 (e) and (f))	10,030	9,434	80,361	52,024
Other suspended tax obligations (noteº 18.(c))	11,351	10,955	11,351	10,955
Unaccrued tax lawsuits	36,576	34,373	42,337	38,254
Accrued tax lawsuits (note 18)	9,913	9,952	11,554	11,515
Unaccrued civil lawsuits	1,027	1,016	1,118	1,108

Accrued civil lawsuits (note 18)	2,056	1,886	2,167	1,992
Unaccrued labor lawsuits	8,241	5,844	10,123	6,999
Accrued labor lawsuits (note 18)	3,031	2,653	5,153	4,167
	267,598	244,938	349,537	295,839

12. OTHER CURRENT AND NONCURRENT ASSETS

	Company		Consolidated	
	2012	2011	2012	2011
Advances to advertisement services	138,149	111,690	139,149	112,666
Asset held for sale (a)	4,327	-	22,079	17,752
Advances to employee	3,666	3,867	5,479	5,750
Advances to trade payables	2,548	2,504	5,096	3,643
Insurance	2,123	1,829	2,699	2,464
Restricted cash - CDBs (b)	-	-	-	6,757
Others	2,906	-	24,580	7,686
	153,719	119,890	199,082	156,718
Current	130,532	115,328	157,787	126,783
Non-current	23,187	4,562	41,295	29,935

(a) This balance refers to assets which the company intends to sell one of the next 12 months as CPC 31-non-current assets held for sale (IFRS 5). These assets are measured at the lower value between the carrying amount and fair value less costs to sell. The company classifies these assets under this heading by considering selling highly probable and the assets are available for immediate sale in its present condition. Once classified as intended for sale, the assets are not depreciated or amortized.

(b) Refers to a blocked account pledged as guarantee related to the court collection of Federal VAT (IPI) for July 1989 when wholesale units were held equivalent to manufacturing establishments under Law 7798/89. The lawsuit is pending a decision on the appeal from the defendant at the Federal Regional Court of the 3rd region (São Paulo). Based on the Company's legal counsel assessment the likelihood of loss in this lawsuit is possible. On December 17, 2012, this value was released in exchange for a letter of guarantee.

13. INVESTMENTS

	Company	
	2012	2011
Investments in subsidiaries and jointly controlled entities	1,311,364	1,253,721

Information and changes in the balances for the year ended December 31, 2012 and 2011

	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	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Cosméticos de México S.A. (*)	Natura Cosméticos Ltda. - Colombia	Natura (Brazil) International B.V. - The Netherlands (*)	Natura Cosméticos España S.L.	Natura Biosphera Comércio de Cosméticos e Serviços Ltda.	Total
Share capital	526,155	124,846	30,181	101,248	7,200	5,008	225,054	102,843	(5,784)	73	100	1,116,924
Equity interest	99.99%	99.99%	99.94%	99.97%	99.99%	99.99%	99.99%	99.99%	100.00%	100.00%	99.99%	
Subsidiaries' shareholders' equity	1,105,729	36,537	5,469	80,562	334	31,290	30,215	10,863	10,283	142	89	1,311,513
Interest in shareholders' equity	1,105,618	36,533	5,466	80,538	334	31,287	30,212	10,862	10,283	142	89	1,311,364
Subsidiaries' net income (loss) for the year	89,528	11,758	(9,995)	12,222	-	16,080	(23,678)	(21,758)	(14,772)	-	(11)	59,374
Carrying amount of investments												
Balance as of December 31, 2010	930,614	23,246	(891)	56,902	273	45,021	26,950	8,782	8,208	83	-	1,099,188
Equity in investees	124,881	(3,535)	(4,725)	7,683	(1)	15,527	(46,019)	(20,970)	(18,052)	-	-	54,789
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	-	672	357	2,431	34	89	(384)	1,893	469	-	-	5,561
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	4,839	-	-	-	-	2,171	-	-	-	-	-	7,010
Profit distribution	-	-	-	-	-	(34,000)	-	-	-	-	-	(34,000)
Capital increases	-	-	6,744	5,809	-	-	67,049	23,729	17,819	23	-	121,173
Balance as of December 31, 2011	1,060,334	20,383	1,485	72,825	306	28,808	47,596	13,434	8,444	106	-	1,253,721
Equity in investees	89,529	11,756	(9,989)	12,218	-	16,080	(23,676)	(21,756)	(14,771)	-	(11)	59,380
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	-	4,394	(675)	(4,505)	28	170	6,292	1,988	(256)	-	-	7,436
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	5,755	-	-	-	-	2,377	-	-	-	-	-	8,132
Profit distribution	(50,000)	-	-	-	-	(16,148)	-	-	-	-	-	(66,148)
Capital increases	-	-	14,645	-	-	-	-	17,196	16,866	36	100	48,843
Balance as of December 31, 2012	1,105,618	36,533	5,466	80,538	334	31,287	30,212	10,862	10,283	142	89	1,311,364

(*) Consolidated information of the following companies:

Natura Cosméticos de México S.A.: Natura Cosméticos y Servicios de México, S.A. de C.V., Natura Cosméticos de México, S.A. de C.V. and Natura Distribuidora de México, S.A. de C.V.
Natura (Brasil) International B.V. - The Netherlands: Natura (Brazil) International B.V. (The Netherlands), Natura Brazil Inc. (USA - Delaware), Natura International Inc. (USA - New York), Natura Europa SAS (France) and Natura Brasil SAS (France).
Natura Inovação e Tecnologia de Produtos Ltda.: Ybios S.A (until June 29, 2012) and Natura Innovation et Technologie Produits S.A.S. - France

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14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Weighted	Company					
	average annual	2012			2011		
PROPERTY, PLANT AND EQUIPMENT	depreciation rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Vehicles	21	39,872	(21,270)	18,602	39,010	(16,991)	22,019
Leasehold improvements (a)	15	41,108	(24,247)	16,861	35,419	(11,844)	23,575
Machinery and equipment	4	123,467	(16,251)	107,216	114,844	(7,421)	107,423
Buildings	15	56,694	-	56,694	56,694	-	56,694
Furniture and fixtures	7	16,039	(5,131)	10,908	11,633	(3,006)	8,627
IT equipment	18	66,832	(19,857)	46,975	50,867	(7,024)	43,843
Projects in progress	-	100,187	-	100,187	70,034	-	70,034
		444,199	(86,756)	357,443	378,501	(46,286)	332,215

	Weighted	Company					
	average annual	2012			2011		
INTANGIBLE ASSETS	amortization rate - %	Adjusted cost	Accumulated amortization	Residual amount	Adjusted cost	Accumulated amortization	Residual amount
Software and other	17	238,840	(42,468)	196,372	88,848	(17,356)	71,492
Carbon credits (c)	-	9,664	-	9,664	7,437	-	7,437
		248,504	(42,468)	206,036	96,285	(17,356)	78,929

	Weighted	Consolidated					
	average annual	2012			2011		
PROPERTY, PLANT AND EQUIPMENT	depreciation rate - %	Adjusted cost	Accumulated depreciation	Residual amount	Adjusted cost	Accumulated depreciation	Residual amount
Machinery and equipment	6	439,844	(174,839)	265,005	410,901	(145,342)	265,559
Buildings	4	207,836	(66,028)	141,808	207,836	(60,400)	147,436
Installations	9	144,090	(81,451)	62,639	132,919	(73,512)	59,407
Land	-	27,484	-	27,484	27,214	-	27,214
Molds	30	137,492	(105,197)	32,295	116,068	(87,966)	28,102
Vehicles	21	64,766	(27,228)	37,538	59,490	(22,430)	37,060
IT equipment	19	93,910	(40,001)	53,909	76,305	(23,933)	52,372
Furniture and fixtures	11	39,446	(15,738)	23,708	32,976	(11,937)	21,039
Leasehold improvements (a)	15	57,395	(34,012)	23,383	50,599	(18,581)	32,018
Projects in progress	-	341,884	-	341,884	128,377	-	128,377
Other	3	4,688	(2,252)	2,436	4,196	(2,256)	1,940
		1,558,835	(546,746)	1,012,089	1,246,791	(446,357)	800,434

	Weighted	Consolidated					
	average annual	2012			2011		
INTANGIBLE ASSETS	amortization rate - %	Adjusted cost	Accumulated amortization	Residual amount	Adjusted cost	Accumulated amortization	Residual amount
Software	18	276,824	(63,596)	213,228	182,890	(32,676)	150,214
Business lease - Natura Europa SAS – France (b)	-	5,600	-	5,600	5,074	-	5,074
Carbon credits (c)	-	9,664	-	9,664	7,437	-	7,437
Trademarks and patents	10	936	(883)	53	1,652	(1,623)	29
		293,024	(64,479)	228,545	197,053	(34,299)	162,754

(a) The amortization rates take into consideration the lease terms of leased properties, which range from three to seven years.

(b) 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, the value of which does not decrease over time. The change in the balance between December 31, 2012 and December 31, 2011 is basically due to the effects of the exchange fluctuation for the period.

(c) Carbon Neutral Program (note 2.11.3).

Additional information on property, plant and equipment:

a) Assets pledged as collateral

As of December 31, 2012, the Group has property, plant and equipment items pledged as collateral of bank financing and loan transactions, as well as items attached to the defense of lawsuits, as shown below:

	Company	Consolidated
IT equipment	487	1,074
Vehicles	100	100
Total	587	1,174

b) Leases

In 2011 the Company entered into finance lease transactions to purchase property, plant and equipment totaling R$56,694, recognized in line item “Buildings” and “sale leaseback” transactions totaling R$24,537, recognized in line item “Machinery and equipment”. As of December 31, 2012, the balance of lease payables, classified in line item “Borrowings and financing” (note 15) totals R$69,263 (R$79,673 as of December 31, 2011).

c) Balance of capitalized interest

	Consolidated	
	2012	2011
Buildings	1,453	1,479

The Company did not capitalize interest during the year ended December 31, 2012 and 2011.

Changes in property, plant and equipment

	Company		Consolidated	
	2012	2011	2012	2011
Balance at beginning of year	332,215	92,175	800,434	560,467
Additions (less transfers from projects in progress - when terminated):				
Machinery and equipment	4,967	28,373	22,487	45,037
Projects in progress	44,134	114,902	235,376	165,726
Vehicles	11,379	15,069	20,386	21,031
Molds	-	-	13,904	15,344
Facilities	-	-	3,059	6,112
IT equipment	11,507	40,611	12,805	11,377
Furniture and fixtures	3,975	4,176	5,181	5,679
Other	2,351	4,777	3,443	5,524
	78,313	207,908	316,641	275,830
Leases	-	56,694	-	56,694
Depreciation	(38,483)	(20,814)	(100,016)	(84,108)
Acquisitions of subsidiaries	461	-	-	-
Transfers and disposals, net	(15,063)	(3,748)	(4,970)	(8,449)
Balance at yearend	357,443	332,215	1,012,089	800,434

Changes in intangible assets

	Company		Consolidated	
	2012	2011	2012	2011
Balance at beginning of year	78,929	18,586	162,754	120,073
Additions:				
Software (includes implementation costs)	95,427	64,993	111,082	66,402
Carbon credits	9,729	4,135	9,729	4,135
	105,156	69,128	120,810	70,537
Transfers and disposals, net	(5,063)	(2,034)	(13,857)	(2,043)
Acquisitions of subsidiaries	52,125	-	-	-
Amortization	(25,111)	(6,751)	(41,162)	(25,813)
Balance at yearend	206,036	78,929	228,545	162,754

15. BORROWINGS AND FINANCING

	Company		Consolidated		
	2012	2011	2012	2011	Reference
Local currency					
BNDES – EXIM	-	-	-	67,607	A
FINEP (Financing Agency for Studies and Projects)	-	-	75,178	27,106	B
Debentures	352,240	353,256	352,240	353,256	C
BNDES	77,918	21,708	203,258	141,689	D
Working capital / NCE	-	48,613	72,448	48,613	E
BNDES FINAME	-	-	5,660	7,336	F
Banco do Brasil - FAT Fomentar (Workers' Assistance Fund)	-	-	1,324	2,697	G
Finance leases	47,803	56,729	47,803	56,729	H
FINEP – grant	-	-	705	289	I
Total local currency	477,961	480,306	758,616	705,322	
Foreign currency					
BNDES	14,545	4,486	19,152	10,713	J
Resolution 4131/62	1,474,716	411,237	1,474,716	411,237	K
International operation – Peru	-	-	27,278	36,483	L
International operation – Mexico	-	-	2,117	-	M
ACE	-	-	21,180	-	N
Machinery financing	21,460	22,944	21,460	22,944	O
Total foreign currency	1,510,721	438,667	1,565,903	481,377	
Grand total	1,988,682	918,973	2,324,519	1,186,699	
Current	844,261	66,424	999,462	168,962	
Noncurrent	1,144,421	852,549	1,325,057	1,017,737	

Reference	Currency	Maturity	Charges	Collaterals
A	Real	March 2014	Interest of 2.5% p.y. + TJLP. Early settlement agreement.	Guarantee of Natura Cosméticos S.A.
B	Real	March 2013 and May 2019	TJLP (b) for the installment maturing in 2013 and interest of 5% for the installment maturing in May 2019	Guarantee of Natura Cosméticos S.A. and bank guarantee
C	Real	May 2013	Interest of 108% of CDI maturing in May 2013	None
D	Real	Through May 2020	TJLP + Interest of 0,7% to 2,8% p.y. for the installment maturing in March 2016 to 3.3% for the installment maturing in 2020.	Bank guarantee
E	Real	April 2013	105,9% do CDI a.a.	Guarantee of Natura Cosméticos S.A.
F	Real	Through March 2017	Interest of 4.5% p.y. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
G	Real	February 2014	Interest of 4.4% p.y. + TJLP	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
H	Real	Through August 2026	Interest of 108% of DI - CETIP (c)	Leases are collateralized by the underlying assets
I	Real	July 2015	N/A	None
J	Dollar USD	July 2020	Exchange fluctuation + 2.3% p.y. + Resolutionº 635 (a)	Guarantee of Natura Cosméticos S.A. and bank guarantee
K	Dollar USD	Through July 2015	Exchange fluctuation + interest of 1.87% to 3.89% p.y. (a)	Guarantee of subsidiary Indústria e Comércio de Cosméticos Ltda.
L	Novo sol	December2013	Interest of 5.2% p.y.	Bank guarantee
M	Peso an Peso	June 2014	Interest of 5.7% p.y.	Guarantee of Natura Cosméticos S.A.
N	Dollar USD	April 2013	Exchange fluctuation + interest of 1,15% p.y	Guarantee of Natura Cosméticos S.A.
O	Dollar USD	December 2016	Exchange fluctuation + interest of 3.87% p.y. (a)	Chattel mortgage of immovable object of contracts

(a) Loans and financing for which swap contracts (CDI) were entered into.
(b) DI - CETIP - daily index calculated based on the average DI, disclosed by Cetip S.A. (Brazilian clearinghouse and over-the-counter market).

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Maturities of noncurrent liabilities are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
2014	253,617	771,468	315,314	840,496
2015	806,435	11,067	864,748	48,132
2016	26,513	8,364	47,045	38,413
2017 and thereafter	57,856	61,650	97,950	90,696
	1,144,421	852,549	1,325,057	1,017,737

A description of the outstanding bank loan agreements is as follows:

a) Description of bank loans

1. 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, build new distribution centers, and restructure the administration of the Itapecerica da Serra, SP unit and purchase the equipment necessary for these purposes.

2. 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 FINEP's research and technological development incentive programs, which facilitates and/or co-finances equipment, scientific grants and research material for the participating universities.

   These funds were used to partially fund the investments made in the drafting of the "Technology Platforms for New Cosmetics and Nutritional Supplements" and the "Research and Innovation for the Development of New Cosmetics" projects.

3. 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 subsidiary Indústria e Comércio de Cosméticos Natura Ltda., granting rights to receivables to the financial institution accredited as a financing agent, usually Banco Itaú Unibanco S.A. and Banco do Brasil S.A., which enters into such said financing with Indústria e Comércio de Cosméticos Natura Ltda.

These agreements are collateralized by assigning the fiduciary ownership of the assets described in the related agreements. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is the trustee and the Company is the guarantor of these assets. In addition, the Group is required to meet the Provisions Applicable to BNDES Agreements and the General Regulatory Terms and Conditions of FINAME-related Transactions.

4. Resolution nº 4.131/62

Bank Credit Note - Onlending of funds raised abroad under law 4131/62, through financial institutions.

5. 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.

6. NCE

Export Note (*"Nota de Crédito à Exportação"*) – Funds for use as working capital for export purposes, with interest payable on a monthly basis and principal maturing on April 15, 2013.

b) Finance lease obligations

Financial obligations are broken down as follows:

	Consolidated	
	2012	2011
Gross finance lease obligations - minimum lease payments:		
Less than one year	14,561	12,633
More than one year and less than five years	49,592	54,102
More than five years	70,718	78,800
	134,871	145,535
Future financing charges on finance leases	(65,608)	(65,862)
Financial lease obligations - accounting balance	69,263	79,673
Accounting balance of property, plant and equipment: leasing and 'sale leaseback'	77,924	80,378

c) Restrictive covenants

As of December 31, 2012 and December 31, 2011, most financing and loan agreements entered into by the Group subsidiaries do not contain restrictive covenants establishing obligations regarding the maintenance of financial ratios by the Company or its subsidiaries.

The agreement entered into with BNDES in July 2011 contains restrictive covenants requiring maintenance of the following financial ratios:

- EBITDA margin equal or higher than 15%; and
- Net debt/EBITDA equal or lower than 2.5 (two wholes and five tenths).

As at December 30, 2012, the Company was fully compliant with such restrictive covenants.

16. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2012	2011	2012	2011
Domestic trade payables	223,433	133,762	615,189	435,328
Foreign trade payables (*)	10,308	15,043	15,686	18,765
Freight payable	18,577	34,512	19,012	34,887
	252,318	183,317	649,887	488,980

(*) Refer mostly to US dollar-denominated amounts.

17. TAXES PAYABLE

	Company		Consolidated	
	2012	2011	2012	2011
Taxes on revenue (PIS/COFINS) (injunction) (a)	1,929	1,823	145,124	115,214
Ordinary ICMS	100,696	59,894	100,184	81,687
Regular and reverse charge ICMS (b)	96,898	89,301	96,898	89,301
IRPJ and CSLL	93,446	127,458	132,548	150,639
IRPJ and CSLL (injunction) (c)	88,105	56,941	88,105	56,941
IRPJ and CSLL (injunction - PAT)	4,630	2,656	8,693	6,029
Withholding income tax (IRRF)	8,844	7,621	13,403	11,974
IPI - exempt and zero-taxed products (d)	-	-	44,766	42,432
UFIR adjustment to federal taxes (e)	6,809	6,361	6,973	6,519
Action for annulment of INSS debt (f)	3,222	3,073	3,222	3,073
Withholding PIS/COFINS/CSLL	5,652	2,490	6,092	3,324
PIS/COFINS	-	-	-	1,110
Taxes - foreign subsidiaries	-	-	30,709	17,888
Service tax (ISS)	530	364	2,051	1,214
	410,761	357,982	678,768	587,345
Escrow deposits ((b), (e) and (f)) (note 11)	(106,928)	(97,955)	(177,259)	(140,545)

	Company		Consolidated	
	2012	2011	2012	2011
Current	303,833	260,027	501,509	446,800
Noncurrent	106,928	97,955	177,259	140,545

(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 Integration Program Tax on Revenue (PIS) and Social Security Funding Tax on Revenue (COFINS). In June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in their tax basis, starting April 2007. The balances recognized as of December 31, 2012 refer to the unpaid amounts of PIS and COFINS, from April 2007 to December 2012 adjusted using the SELIC (Central Bank's policy rate), the collection of which is on hold. Part of the balance, in the adjusted amount of R$28,653, is deposited in escrow.

(b) As of December 31, 2012, R$14,083, R$74,037, R$308 and R$8.470 of the total amount recognized refer to the ICMS - ST of State of Paraná, Federal District, State of Mato Grosso and State of Rio de Janeiro, respectively. As of December 31, 2011, R$12.669, R$52.305, R$23.274, R$273 and R$780 of the total amount recognized refer to the ICMS - ST of State of Paraná, Federal District, State of Mato Grosso do Sul, State of Mato Grosso and State of Rio de Janeiro, respectively. This unpaid ICMS-ST amount is being questioned in court by the Company and is the subject matter of a monthly judicial deposit, as also mentioned in note 18 'Contingent tax liabilities - possible risk', (a).

On November 26, 2011, the Company entered into an arrangement, to be enforced after the end of the current reporting period, with the State of Paraná to set the Value Added Margin (MVA) applicable to the calculation of ICMS-ST due on transactions conducted by consultants of the State of Paraná.

Accordingly, Natura Cosméticos recognized the MVA application (up to the cap determined by the technical study) for taxable events prior to November 2011 and dropped part of the lawsuits on this matter, resulting in (i) the transfer of R$114,345 to the State of Paraná as ICMS-ST and (ii) the withdrawal of the deposited R$16,930 excess because of the retrospective extension of the tax benefit (reduction in the basis of calculation of ICMS for HPPC products).

The MVA applicable to taxable events prior to November 2011.

(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 and 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$44,766 as of December 31, 2012 (R$42,432 as of December 31, 2011). 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 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. Subsequently, in December de 2011, the subsidiary filed a motion to also drop the lawsuit claiming tax credits on tax-exempt products, which did not have any amount involved. Thus, the subsidiary awaits the transfer to the State of the escrow deposits after a final and non-appealable decision is issued regarding the credits on products acquired at IPI rate reduced to zero.

(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 dropping 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 and awaits the issue of a final and non-appealable decision.

(f) 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 cover the period from January 1990 to October 1999. In 2007, the Company reversed the amount of R$1,903, relating to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed under Case Law Decision 08 of the Federal Supreme Court (STF). On March 1, 2010, the Company filed a motion dropping 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 (joint liability) during the period from November 1994 to December 1998.

Tax installment program established 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					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Action for annulment of INSS debt (a)	3,073	-	-	-	149	3,222
IRPJ/CSLL/ILL debts (b)	6,361	-	-	-	448	6,809
	9,434	-	-	-	597	10,031

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Action for annulment of INSS debt (a)	3,073	-	-	-	149	3,222
IRPJ/CSLL/ILL debts (b)	6,519	-	-	-	454	6,973
	9,592	-	-	-	603	10,195

(a) See item (f) on this note for details.
(b) See item (e) on this note for details.

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

The next steps of the Company’s and its subsidiaries’ tax installment plans, which are being discussed in courts, depend on a decision about the consolidation of the related debts, which is expected in order to settle such debts by transferring existing escrow deposits to the Federal Government.

Tax installment plans created under Provisional Act 470/09

On October 13, 2009, Provisional Act 470 was enacted introducing the tax debt payment and installment plans arising from the undue use of an industry tax incentive, introduced by Article 1 of Law Decree 491, of March 5, 1969, and the undue use of IPI credits, regulated by the Attorney General of the National Treasury (PGFN) and Federal Revenue Service (RFB).

On November 3, 2009, the PGFN and the Federal Revenue Service published in the Federal Official Gazette (DOU) Joint Administrative Rule 9, which establishes the debt payment and installment plan addressed in Article 3 of Provisional Act 470/09. The debts arising from the undue utilization of industry tax incentives introduced by Article 1 of Decree Law 491/69, and those arising from the undue utilization of IPI credits challenged by the PGFN and Federal Revenue Service may be exceptionally paid at sight or in installments to each agency by November 30, 2009.

As mentioned in item (d) above, subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed a motion partially withdrawing from the injunction filed related to IPI credits claimed on products purchased at zero tax rate or tax exempt.

As of December 31, 2012, the Company awaits a decision of the 3rd Region Federal Court, based on the PGFN's and Federal Revenue Service's position, to complete the stage related to the consolidation of tax debts and write off the balances of suspended liabilities against escrow deposits made until this date at the inflation adjusted amounts.

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 and an arbitration proceeding. Management believes, based on the opinion and estimates of its legal counsel, that the provision for tax, civil, and labor contingencies are sufficient to cover potential losses. This provision is broken down as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Tax	23,903	27,612	36,211	33,850
Civil	12,141	12,234	16,238	16,986
Labor	2,444	9,754	10,844	14,121
	38,488	49,600	63,293	64,957

Tax contingencies

The provision for tax contingencies is broken down as follows:

	Company					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Late payment fines on federal taxes paid in arrears (a)	794	-	-	-	27	821
CSLL deductibility (Law 9316/96) (b)	7,885	-	(7,006)	-	(879)	-
IRPJ and CSLL tax assessment - attorney fees (c)	4,968	608	-	-	121	5,697
Tax assessment - 1990 IRPJ (d)	3,514	-	-	-	134	3,648
Attorney and other fees (f)	10,451	2,707	(481)	-	1,060	13,737
Total provision for tax contingencies	27,612	3,315	(7,487)	-	463	23,903
Escrow deposits (note 11)	(9,952)	-	395	-	(356)	(9,913)

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Late payment fines on federal taxes paid in arrears (a)	865	-	-	-	28	893
CSLL deductibility (Law 9316/96) (b)	7,885	-	(7,006)	-	(879)	-
IRPJ and CSLL tax assessment - attorney fees (c)	4,968	608	-	-	121	5,697
Tax assessment - 1990 IRPJ (d)	3,514	-	-	-	134	3,648
Semiannual PIS - Decree Laws 2445/88 and 2449/88 (e)	2,320	-	(2,420)	-	100	-
Attorney and other fees (f)	14,298	10,865	(481)	-	1,291	25,973
Total provision for tax contingencies	33,850	11,473	(9,907)	-	795	36,211
Escrow deposits (note 11)	(11,515)	-	420	-	(459)	(11,554)

(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. During the year, due to judgments in similar cases, the chances of loss were reclassified from remote to possible, in accordance with the evaluation of the Company's legal advisors.

(c) Refers to attorney fees for the defense in the tax assessment notices issued against the Company in August 2003, 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 1999, 2001 and 2002, respectively. The tax assessment notices referring to 2001 and 2002 are pending from a final and non-appealable decision from the Board of Tax Appeals (CARF) ruling. The legal counsel's opinion is that the likelihood of unfavorable outcome in these tax assessment notices is remote.

A final and non-appealable 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.

(d) 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. The Company has filed a lawsuit to cancel the tax assessment. The lawsuit is stayed waiting a STF decision on the subject.

(e) 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 consideration of the lawsuit by the Board of Tax Appeals, and the provision has been reversed because the Company's legal advisors consider the chances of loss to be remote.

(f) The balance refers to lawyer fees to defend the Company's and its subsidiaries' interests in tax lawsuits. The amount of (i) R$4,994, 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. which has goodwill related to its investment in the then subsidiary Natura Empreendimentos S.A. In December 2012, the proceeding was decided by the Board of Tax Appeals, which rendered a judgment partially in favor of the Company to reduce the fine. On the merits, the decision was unfavorable for the Company, and the Company is awaiting the formal issuance of the administrative decision to appeal to the Higher Administrative Board of Tax Appeals (*"Câmara Superior de Recursos Fiscais"* - CSRF). In April 2012, a favorable ruling was rendered by CARF on a case involving internal goodwill, thus representing important case law for the Company. In the opinion of the Company's legal advisors, the operation as it was structured and its tax effects are defensible, reason why the case is assessed as involving remote loss; and (ii) R$760 refers to the lawyers' fees to present the defense in the tax assessment by the SeFaz - RS which has identified supposed differences on the ICMS-ST with respect to interstate shipments made to Company's sites located in the Rio Grande do Sul (RS). According to the Company's legal counsel opinion, the risk of an unfavorable outcome is remote.

Civil contingencies

	Company					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Several civil lawsuits (a)	6,787	6,783	(1,251)	(5,936)	148	6,531
Lawyer fees - environmental civil lawsuit (b)	1,535	250	-	-	82	1,867
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda. (c)	3,912	176	(681)	-	336	3,743
Total provision for civil contingencies	12,234	7,209	(1,932)	(5,936)	566	12,141
Escrow deposits (note 11)	(1,886)	(170)	-	-	-	(2,056)

	Consolidated					
	2011	Additions	Reversals	Payments	Inflation adjustment	2012
Several civil lawsuits (a)	7,723	7,148	(1,262)	(6,204)	235	7,640
Lawyer fees - environmental civil lawsuit (b)	1,535	475	-	(83)	136	2063
Lawyer fees - IBAMA (c)	3,816	522	(1,629)	-	83	2,792
Civil lawsuits and lawyer fees - Nova Flora Participações Ltda (c)	3,912	176	(681)	-	336	3,743
Total provision for civil contingencies	16,986	8,321	(3,572)	(6,287)	790	16,238
Escrow deposits (note 11)	(1,992)	(175)	-	-	-	(2,167)

(a) As of December 31, 2012, the Company and its subsidiaries are parties to 2,247 civil lawsuits and administrative proceedings (2,491 as of December 31, 2011), of which 2,123 were filed with civil courts, special civil courts and the consumer protection agency (PROCON) by Natura Beauty Consultants, consumers, suppliers and former employees, most of which claiming compensation for damages.

(b) The provision includes R$1,256 with respect to legal fees, ad exitum, 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"). Our legal counsel's opinion is that the risk of losses is remote.

(c) Refers to attorney fees for the defense in the tax assessment notice issued by Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, or IBAMA (Brazilian environmental agency) against the Company in 2010 and 2011 for alleged irregular access to biodiversity. Through December 2012, the Company had been imposed 70 fines by IBAMA, totaling approximately R$21,805, and filed administrative defenses for all of them, two of the administrative proceedings were subsequently cancelled. In the remaining cases, there was no definitive decision issued by IBAMA, which is why such fines do not represent eligible credits. The Company's management and its legal counsel consider the risk of loss in these fines for the alleged non-sharing of benefits and the fines for the alleged irregular access to biodiversity as remote due to full compliance with all the principles established in the Convention on Biological Diversity ("CBD"), an international treaty signed during Rio-92 and of the illegality and unconstitutionality of the current legal framework, which incorporates the CBD in the Brazilian legal system. Except for inputs from Federal Government land - which refuses to negotiate – despite having recently established the Negotiation Committees, 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 the most of the requests with the Regulatory Body for authorization to have access to biodiversity as well as in relation to the authorizations already issued to private companies.

Labor contingencies

As of December 31, 2012, the Company and its subsidiaries are parties to 589 labor lawsuits filed by former employees and third parties (827 as of December 31, 2011), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. The provision is periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

	Company				
	2011	Additions	Reversals	Inflation adjustment	2012
Total provision for labor contingencies	9,754	4,629	(13,463)	1,524	2,444
Escrow deposits (note 11)	(2,653)	(378)	-	-	(3,031)

	Consolidated				
	2011	Additions	Reversals	Inflation adjustment	2012
Total provision for labor contingencies	14,121	9,217	(18,134)	5,640	10,844
Escrow deposits (note 11)	(4,167)	(986)	-	-	(5,153)

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 their legal counsel. These lawsuits are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Tax:				
Declaratory Action - ICMS - ST (a)	88,475	80,304	88,475	80,304
IPI assessment notice (b)	2,929	5,451	2,929	5,451
Administrative proceeding - ICMS - ST assessment, DF (c)	9,652	8,815	9,652	8,815
Administrative proceeding - ICMS - ST assessment, PA (c)	571	3,423	571	3,423
Administrative proceeding - tax debt - ICMS - ST, RS (d)	9,950	9,066	9,950	9,066
Tax assessment notice – Rio Grande do Sul State Department of Finance (e)	34,815	30,184	34,815	30,184
Tax assessment notice - São Paulo State Department of Finance - ICMS audit (f)	-	-	10,719	9,837
Tax assessment - transfer pricing on loan agreements with foreign related company (g)	1,915	1,856	1,915	1,856
Administrative proceeding - ICMS - ST assessment, PR (h)	145,351	-	145,351	-
Administrative proceeding – Offset - COFINS / Freight (i)	34,576	-	34,576	-
Administrative proceeding - tax debt - ICMS - ST -DF (j)	101,383	-	101,383	-
Others	131,027	47,104	147,116	54,095
	560,644	186,203	587,452	203,031
Civil	38,961	2,953	39,334	3,076
Labor	80,031	42,792	135,952	73,856
	679,636	231,948	762,738	279,963

(a) As of December 31, 2012, the balance recorded is broken down as follows:

1. ICMS - ST - PR - R$46,670 (R$49.962 as of December 31, 2011) - 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 November 2011, is fully deposited in escrow, as mentioned in notes 11 and 17 (b), and its collection is suspended.
2. ICMS - ST - DF - R$23,904 (R$15.401 as of December 31, 2011) - 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 2012, is fully deposited in escrow, as referred to in notes 11 and 17 (b), and its collection is suspended.
3. ICMS - ST - MS R$9,734 as of December 31, 2011 - 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 2010 to December 2011, was fully deposited in escrow, as referred to in notes 11 and 17 (b). In October of 2012 was signed an agreement between the parties and this paid off with the capabilities of the escrow.
4. ICMS - ST - MT – R$3,674 (R$3,410 as of December 31, 2011) - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Mato Grosso 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 October 2009 to July 2011, is fully deposited in escrow, as

referred to in notes 11 and 17 (b), and its collection is suspended.

5. ICMS - ST - SC – R$14,227 (R$1.797 as of December 31, 2011) - declaratory action filed by the Company to challenge its liability for the payment of ICMS - ST to the State of Santa Catarina 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 July 2011 to August 2011 and February 2012 to December 2012, is fully deposited in escrow, as referred to in notes 11 and 17 (b), and its collection is suspended.

(b) Refers to a tax collection lawsuit intended to collect IPI relating to equal treatment of wholesale commercial establishments and industrial establishments. The appeal filed by the Company awaiting the final judgment.

(c) Tax assessment notice collecting ICMS - ST, issued by the Federal District and State of Pará, as a result of an alleged underpayment of the Company's own ICMS and ICMS - ST. The Company has filed its defense at the administrative level and is awaiting the final judgment.

(d) Tax assessment notice issued by the Rio Grande do Sul State Department of Finance against the Company due to its condition of tax substitute, in order to charge allegedly due ICMS, due to the lack of a criterion to determine the correct tax basis, related to subsequent transactions conducted by independent resellers domiciled in the State of Rio Grande, do Sul. The Company filed an annulment action to cancel this collection and awaits a final court decision on the matter.

(e) Tax assessment issued by the Rio Grande do Sul State Department of Finance claiming a tax credit related to ICMS for an alleged incorrect use of the tax basis reduction granted to intrastate transactions and reduction of the intrastate tax rate to calculate the tax rate differences. We have filed administrative defense, which awaits a final decision.

(f) Tax assessment notice issued by São Paulo State Department of Finance to subsidiary Indústria e Comércio de Cosméticos Natura for alleged credits claimed on the purchase of property, plant and equipment items which were transferred to other units on purchase date, and goods purchased that allegedly are not directly related to production and sales activities. The Company filed an administrative defense having obtained a favorable ruling, against which a special appeal was lodged by the tax authorities. This appeal is waiting judgment.

(g) 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 a discretionary appeal against the unfavorable decision with the Board of Tax Appeals (CARF), which is awaiting judgment.

(h) Tax assessment notices issued by the Parana state authorities due to alleged incorrect calculation of VAT ICMS ST payable to the state in the period from February to December 2007, January to April 2008, October 2008 to January 2009, March 2009 to September 2010, November 2010, and April to August 2011.. ICMS ST charged mentioned above is being paid by as a judicial deposit in connection with a lawsuit filed by the Company questioning lawfulness of the changes in the tax calculation base introduced by Paraná State Decree No. 7018/06, as mentioned in Notes 11 and 17 (b). The tax assessment notices are pending of judgment by the administrative authorities.

(i) Refers to the denial of the request for restitution related to the credit right (COFINS), established (extemporaneously) with respect to freight charges incurred in sales of products subject to concentrated taxation (taxation concentrated on a single stage of the production chain) during the period from May 2004 to October 2007, and, consequently, the declared tax offset was not approved. The Company presented its defense in the administrative proceeding, which is pending final judgment.

(j) Tax assessment notice issued by the Federal District, relating to the allegedly incorrect calculation of ICMS – ST due to the state during the period from January 2007 to December 2011. The ICMS ST claimed by the state has been paid as a judicial deposit in the lawsuit brought by the Company in which it denies responsibility for the collection of ICMS ST, due to the absence of a legal provision and of criteria for the measurement of the basis for calculating the tax, or, consequently, the necessity of entering into an agreement setting the basis for the calculation of ICMS-ST, as discussed in notes 11 and 17(b). The tax assessment notice is pending judgment by administrative authorities.

(k) As of April 9, 2012, Natura Cosméticos S.A. submitted to arbitration matters of Particular Instrument of Atypical and other lease Covenants, signed in December 21, 2010 with RB Capital Anhanguera property investment fund-IFI and Marcacel Holdings, arising from delay in delivery of the enterprise, as well as construction spending overruns in much higher values and that Natura recognizes as "scope's additional requests" and riding $ 11.78 million (as mentioned in Notes 14 and 15). The amount in dispute is in nominal values, approximately $ 46 million in addition to fines and indemnities in minimum nominal values of r $ 16 million that Natura snake in his favor. The term of Arbitration was signed by the parties on September 19, 2012 and in November 5, 2012 the Natura Cosméticos S.A. ("applicant") has submitted its Initial Claims. In December 18, 2012, RB Capital presented his replica and your request opposed and in January 21, 2013, Natura presented his final manifestation. The legal advisors assess the possibility of loss as possible, considering the still very early stage of the dispute arbitration.

Tax assessment with the possibility of loss as remote

The subsidiary Natura cosmetics industry and Commerce Ltda. was assessed in December 20, 2012 by the internal revenue service of Brazil – RFB in the total amount of R$627,876, being two violation notices the first referring to the IPC representing R$297,130 and the second to PIS and COFINS representing R$330,746 the value plus fines and interest totals R$1,367,072. Violation notices in both the main challenge of the tax authorities is that the subsidiary would have practiced incorrect prices on sales operations for Natura Cosméticos S.A. and, therefore, the basis for calculation of taxes (IPI, PIS and Cofins) would be less than due. To reach this conclusion, the tax authorities criticize Natura's organizational structure, separation of the operational activities of industrialization and distribution in different legal entities, as well as the profit margin adopted by the subsidiary for the purpose of selling price in transactions intended for Natura, its interdependent pursuant to current legislation for IPI. The internal and external lawyers ' opinion is that the arguments brought by the tax authorities are not considering the legislation in force at the time of the facts, the legal system in which it is inserted this legislation, as well as the current administrative jurisprudence with several favorable precedent, and therefore the chances of both violation notices are considered remote.

Contingent assets

he Company and its subsidiaries material contingent assets are as follows:

a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the unconstitutionality and illegality of the increase in the tax basis for PIS and COFINS established by Article 3, Paragraph 1, of Law 9718/98. The amounts involved in the lawsuits, updated to December 31, 2012, are R$22,718 (R$21.935 as of December 31, 2011). In the first quarter of 2011, the 3rd Region Federal Court published a court decision, on a Motion for Clarification of Judgment filed by the companies, favorable to the Company and that allows the offset of the tax credits (i) against any federal taxes payable by Natura Cosméticos and (ii) limited to PIS and COFINS debts of Indústria e Comércio de Cosméticos Natura Ltda.. As a result, the Company has recognized PIS and COFINS credits in the amount of R$21,915 in line item 'Recoverable taxes' related to undue payments made in the five years prior to the date the lawsuits were filed, as a balancing item to line item 'Other operating income (expenses)' for the period. Considering that there was a decision issued by the Federal Regional Court – TRF of 3rd region in favor of the Company, this credit is no longer classified as contingent asset, as mentioned in Note 9.

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 the refund of ICMS and ISS included in the PIS and COFINS tax basis and paid in the period from March 2004 to March 2007. The amounts of the refund requests as of December 31, 2012 are R$108,618(R$135.305 as of December 31, 2011). The legal counsel believes that the likelihood of a favorable outcome is probable.

The Company and its subsidiaries do not recognize the above mentioned contingent assets in the financial statements, in accordance with CPC 25 - Provisions, Contingent liabilities and Contingent Assets.

19. OTHER PROVISIONS

	Company		Consolidated	
	2012	2011	2012	2011
Retirees' healthcare plan	41,709	19,332	54,886	28,132
Carbon credit	13,686	16,486	13,686	16,486
Other provisions	13,365	-	20,389	191
	68,760	35,818	88,961	44,809

The Group has a postemployment healthcare plan for a group of former employees and their spouses that is governed by specific rules. The recognition of actuarial gains and losses is immediate by result as mentioned in notes 2.23. As of December 31, 2011, the plan had 1,073 (Company) and 2,144 (Consolidated) participants.

As of December 31, 2012, the Group had a provision for the actuarial liability arising from this plan, totaling R$41,709 (Company) and R$54,886 (Consolidated) (R$19,332, Company and R$28,132, Consolidated as of December 31, 2011).

During this period the effects from this plan are recorded in the income statement as a cost of service representing an amount of R$1,985 – Company and R$2,737 – Consolidated, and interest cost, as a result of decreased returns during the year due to reductions in the Selic tax by the Committee of Monetary Policy (Copom), amounting to R$20,392 – Company and R$24,017 – Consolidated.

The carried liability was calculated by an independent actuary taking into consideration the following main assumptions:

	Annual percentage (in nominal terms)	
	2012	2011
Financial discount rate	9.50	10.5
Increase in medical expenses	11.2 a 6.2	10.5 a 5.5
Long-term inflation rate	5.2	4.5
Final rate of medical inflation – after 10 years	6.20	5.50
Rate of growth of medical costs for ageing costs	3.50	3.50
Rate of growth of medical costs for aging contributions	1.50	1.50
Invalidity table	Wyatt 85 Class 1	Wyatt 85 Class 1
General mortality table	RP2000	RP2000
Turnover table	T-9 service table	T-9 service table

The changes in the actuarial liability for the year ended December 31, 2012 are as follows:

	2012	2011
Company current service cost	1,588	1,423
Cost of interest	2,915	2,497
Recognition of actuarial Losses/(Gains)	22,251	4,499
	26,754	8,419

20. SHAREHOLDERS' EQUITY

a) Issued capital

As of December 31, 2012, the Company's capital was R$427.073.

In the year of 2012 there was no change in capital, which is made up of 431,239,264 subscribed and paid-up common registered shares. The Company is authorized to increase its capital, irrespective of an amendment to the articles of incorporation, up to the limit of 441,310,125 (for hundred and forty-one million, three hundred and ten thousand, one hundred and twenty-five) common shares with no par value by resolution by the Board of Directors, which will lay down the issuance conditions, including price and deadline for payment.

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, in the period, of previously recognized reserves for contingencies.
- Decrease in the amounts intended for the recognition, in the period, of the legal reserve and reserve for contingencies.
- Whenever the amount of the minimum mandatory dividend exceeds the portion of the net income realized for the year, management may propose, and the General Assembly approve, to allocate the excess to the earnings reserve.

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 18, 2012 dividends were paid in the amount of R$467,324 (R$1.09117684 per share) and interest on capital in the amount of R$23,627, before taxes (R$0.05516776 per share, before taxes), in accordance with the distribution of net income for the year ended December 31, 2011, approved by the Board of Directors on February 15, 2012 and confirmed by the Annual Shareholders' Meeting held on April 13, 2012. Such amount plus the dividends in the amount of R$295,302 and interest on capital in the amount of R$37,506 which were paid in August 2011 totals a distribution of approximately 99% of the net income for the year ended December 31, 2011.

On July 25, 2012, the Board of Directors approved the payment of interim dividends and interest on equity, referring to the results earned in this quarter 2012, in the amount of R$327,018 (R$0.76223929 per share) and R$36,515, before taxes (R$0.08511173 gross per share), respectively. The total amount of interim dividends and interest on equity corresponds to 99% of consolidated net income recorded the first semester of 2012.

On August 15, 2012 interim dividends and interest on equity were paid.

In addition, on February 6, 2013, the Board of Directors approved a proposal to be submitted to the Annual Shareholders' Meeting to be held on April 12, 2013, for the payment of dividends and gross interest on capital totaling R$469,512 and R$21,831 (R$18,557, net of IRRF), respectively, related to income for 2012, which added to the R$327,018 in dividends and the R$36,515 in interest on capital paid in August 2012 correspond to a distribution of approximately 100% of net income for 2012

Dividends were calculated as follows:

	Company	
	2012	2011
Net income for the year	861,222	830,901
Tax incentive reserve - investment grant	(6,346)	(3,677)
Calculation basis for minimum dividends	854,876	827,224
Mandatory minimum dividends	30%	30%
Annual minimum dividend	256,463	248,167
Proposed dividends	796,531	762,563
Interest on capital	58,347	61,130
IRRF on interest on capital	(8,752)	(9,170)
Total dividends and interest on capital, net of IRRF	846,126	814,523
Amount exceeding mandatory minimum dividend	589,663	566,356
Dividends per share - R$	1.8559	1.7760
Interest on capital per share, net - R$	0.1156	0.1208
Total dividends and interest on capital per share, net - R$	1.9715	1.8968

As referred to 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, is not be recorded as a liability in the related financial statements and the effects of such supplementary dividends must be disclosed in a note. As a result, as of December 31, 2012 and 2011, the following portions of dividends exceeding mandatory minimum dividends were recorded in shareholders' equity as 'Proposed additional dividends':

	Company	
	2012	2011

Dividends	469,512	467,261
Interest on capital	21,831	23,624
	491,343	490,885

c) Treasury shares

The Company repurchased during the period of 2011 3,066,300 common shares, at the average price of R$34.06, in order to meet the exercise of options granted to the Company's and its direct and indirect subsidiaries' management and employees.

As of December 31, 2012 and 2011, line item 'Treasury shares' is broken down as follows:

	2011		
	Number of shares	R$'000	Average price per share - R$
Balance at beginning of year	655	14	21.37
Repurchased	3,066,300	104,452	34.06
Used	(45,198)	(1,617)	26.58
Balance at yearend	3,021,757	102,849	34.04

	2012		
	Number of shares	R$'000	Average price per share - R$
Balance at beginning of year	3,021,757	102,849	34.04
Used	(1,080,412)	(36,744)	34.01
Balance at yearend	1,941,345	66,105	34.05

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. During the period ended on December 31, 2012, the use of 1,080,412 treasury shares in connection with the stock option plan involved premium of R$5,910.

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 the years from 2006.

f) Retained earnings reserve

As of December 31, 2012, the company did not record retained earnings reserves pursuant to article 196 of the law No. 6,404/76 (R$3,530 as of December 31, 2011). The retention of the reservation for the 2011 financial year is based on capital budget, prepared by the administration which took place at the annual general meeting held on April 12, 2013.

g) Other comprehensive income

The Company records in this line item the effects of exchange differences arising on translating investments in foreign subsidiaries. The accumulated effect will be reversed to income as a gain or loss only in case of sale or write-off of the investment.

21. SEGMENT INFORMATION

Segment reporting is consistent with 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 geography, which are as follows: Brazil, Latin America ("LATAM") and other countries. In addition, LATAM is divided into two groups for analysis: (a) Argentina, Chile and Peru ("Consolidating Operations"); and (b) Mexico and Colombia ("Operations in Implementation"). The segments' business features are similar and each segment offers similar products through the same consumer access method.

Net revenue by geography is as follows in 2012:

- Brazil: 88.5%
- Consolidating Operations: 7.7%
- Operations under Implementation: 3.6%
- Other: 0.2%

The accounting practices for each segment are the same as those described in note 2, description of Natura's business and significant accounting policies. The performance of segments of The Company has been evaluated on the basis of the information described in the table 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.

	2012							
	Net revenue	Net income	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	5,614,178	907,359	(132,712)	(90,920)	(402,117)	1,938,162	4,968,316	2,202,910
Argentina, Chile and Peru	487,171	13,985	(5,074)	(2,239)	(11,771)	25,586	277,465	151,104
Mexico and Colombia	226,713	(45,436)	(2,913)	(291)	(990)	14,271	97,875	54,177
Other (*)	17,607	(14,686)	(479)	-	-	19,043	31,723	6,521
Consolidated	6,345,669	861,222	(141,178)	(93,450)	(414,878)	1,997,062	5,375,379	2,414,712

2011

	Net revenue	Net income	Depreciation and amortization	Financial expenses, net	Income tax	Noncurrent assets	Total assets	Current liabilities
Brazil	5,089,533	916,148	(102,938)	(73,470)	(406,168)	1,535,676	3,482,649	1,142,356
Argentina, Chile and Peru	335,058	(578)	(4,226)	(2,625)	379	25,282	187,016	90,915
Mexico and Colombia	149,166	(66,996)	(2,183)	(1,245)	(1,040)	11,857	96,070	34,730
Other (*)	17,617	(17,673)	(574)	-	-	16,938	27,277	6,718
Consolidated	5,591,374	830,901	(109,921)	(77,340)	(406,829)	1,589,753	3,793,012	1,274,719

(*) Includes operations in France and Corporate LATAM

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 diversified customer portfolio, with no concentration of revenue.

The revenue from foreign related parties reported to the Executive Committee was measured in accordance with that presented in the income statement.

22. NET REVENUE

	Company		Consolidated	
	2012	2011	2012	2011
Gross revenue:				
Domestic market	7,627,373	6,898,727	7,626,061	6,896,735
Foreign market	-	-	938,623	637,593
Other sales	-	-	1,409	1,437
	7,627,373	6,898,727	8,566,093	7,535,765
Returns and cancellations	(19,145)	(11,514)	(26,147)	(12,212)
Taxes on sales	(1,359,142)	(1,038,436)	(2,194,277)	(1,932,179)
Net revenue	6,249,086	5,848,777	6,345,669	5,591,374

23. OPERATING EXPENSES AND COST OF SALES

a) Breakdown of operating expenses and cost of sales by function:

	Company		Consolidated	
	2012	2011	2012	2011
Cost of sales	2,438,873	2,375,514	1,868,045	1,666,300
Marketing and selling expenses	1,642,380	1,503,069	2,212,205	1,952,740
General and administrative expenses	899,128	816,818	772,688	680,730
Employee profit sharing	29,555	3,765	90,799	30,168
Management compensation (note 28.2)	20,739	9,443	20,739	9,443
Total	5,030,675	4,708,609	4,964,476	4,339,381

b) Breakdown of operating expenses and cost of sales by nature:

	Company		Consolidated	
	2012	2011	2012	2011
Cost of sales	2,438,873	2,375,514	1,868,045	1,666,300
Raw material/packaging Material	2,438,873	2,375,514	1,548,593	1,387,027
Workforce	-	-	170,334	156,658
Depreciation	-	-	48,849	38,600
Others	-	-	100,269	84,015
Marketing and selling expenses	1,642,380	1,503,069	2,212,205	1,952,740
Freight	259,176	242,744	263,301	248,954
Marketing, sales force	1,363,747	1,246,072	1,926,051	1,684,100
Depreciation	19,457	14,253	22,853	19,686
General and administrative expenses	949,422	830,026	884,226	720,341
Research and development	-	-	158,870	146,696
Other administrative expenditure	854,991	803,507	544,340	482,398
Depreciation	44,137	13,311	69,478	51,636
Employee profit sharing	29,555	3,765	90,799	30,168
Management compensation (note 28.2)	20,739	9,443	20,739	9,443
Total	5,030,675	4,708,609	4,964,476	4,339,381

24. EMPLOYEE BENEFITS

	Company		Consolidated	
	2012	2011	2012	2011
Payroll and bonuses	230,801	183,741	521,149	439,684
Employee profit sharing (note 24.1)	37,709	3,765	90,799	30,168
Pension plan (note 24.3)	3,368	2,553	4,849	4,300
Executives' compensation	2,711	6,359	10,844	13,369
Taxes payable	84,265	67,122	175,882	157,462
	358,854	263,540	803,523	644,983

24.1. Profit sharing

The Company and its subsidiaries pay profit sharing to their employees and officers tied to the achievement of operating targets and specific goals, established and approved at the beginning of each year. As of December 31, 2012 and 2011, the amounts below were recorded as profit sharing:

	Company		Consolidated	
	2012	2011	2012	2011
Employees	29,555	3,765	90,799	30,168
Officers (*)	8,154	-	8,154	-
	37,709	3,765	98,953	30,168

(*) Included in line item 'Management compensation'.

24.2. Executives' compensation

The Board of Directors, upon granting of options, meets annually in order to establish the option granting plan for the current year, on the basis approved by the General Meeting, indicating the directors and managers who will receive the options and the total number to be distributed.

Under the program format valid until 2008, the options granted had maturity term of four years. Under this format, 50% of the options matured at the end of the third year and the remaining 50% matured at the end of the fourth year. The maximum option exercise term is of 6 years as from March 30 of the year in which the related plan was approved.

In 2009, the program format was changed so that 100% of the options were considered to have matured at the end of the fourth year, with the possibility of early maturity at the end of the third year, under the condition of cancelation of 50% of the options granted in the plans. The maximum option exercise term started to be of 8 years as from the Board of Directors Meeting that approved the plan.

The changes in the number of outstanding stock options and their related weighted-average prices are as follows:

	2012		2011	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
Balance at beginning of year	32.84	7,363	28.10	6,839
Granted	-	-	42.39	1,492
Cancelled	34.34	(298)	29.35	(563)
Exercised	28.58	(1,080)	25.33	(405)
Balance at yearend	35.52	5,985	32.84	7,363

Out of the 5,985,000 outstanding options as of December 31, 2012 (7,363,000 outstanding options as of December 31, 2011), 1,670,000 outstanding options are vested (1,214,000 outstanding options as of December 31, 2011). The options exercised in 2012 did not result on the issuance of shares (405,000 shares in for the year ended December 31, 2011) and in the use of 1,080,000 of the shares held in treasury instead (45,000 shares held in treasury as of December 31, 2011).

The expense related to the fair value of the options granted during the year ended December 31, 2012, according to the elapsed vesting period, was R$2,711 and R$10,844, Company and on a consolidated basis, respectively (R$6,359 and R$13,369 Company and on a consolidated basis, respectively, as of December 31, 2011).

The stock options outstanding at the end of the year have the following vesting dates and exercise prices:

As of December 31, 2012

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
April 25, 2007	31.90	163,099	0.32	163,099
April 22, 2008	24.77	454,686	1.33	454,686
April 22, 2009	27.02	2,104,834	4.37	1,052,417
March 19, 2010	39.65	1,766,059	5.29	-
March 23, 2011	46.27	1,496,752	6.29	-
		5,985,430		1,670,202

As of December 31, 2011

Grant date	Exercise price - R$	Existing options	Remaining contractual life (years)	Vested options
March 16, 2005	31.97	319,317	0.21	319,317
March 29, 2006	30.24	470,274	1.33	470,274
April 24, 2007	23.48	848,250	2.34	424,125
April 22, 2008	25.61	2,249,793	5.39	-
April 22, 2009	37.58	2,004,244	6.31	-
March 19, 2010	43.85	1,470,940	7.31	-
		7,362,818		1,213,716

As of December 31, 2012, market price per share was R$58.64 (R$36.26 as of December 31, 2011).

The options were measured at their fair values on grant date, pursuant to IFRS 2 - Shared Based Payments. The weighted average fair value of the options as of December 31, 2012 was R$35.52.

Significant data included in the fair value pricing model of the options granted in 2011:

- Volatility of 36% (37% as of December 31, 2010).
- Dividend yield of 5.3% (5.3% as of December 31, 2010).
- Expected option life of three and four years.
- Risk-free annual interest rate of 10.9% (10.8% as of December 31, 2010).

In 2012 no stock options were granted.

24.3. 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.

As of December 31, 2012, the Group did not have actuarial liabilities arising from the former employees' pension plan.

The contributions made by the Company and its subsidiaries totaled R$3,368 (Company) and R$4,849 (Consolidated) in the period ended December 31, 2012 (R$2,553, Company and R$4,300, Consolidated in the in the period ended December 31, 2011) and were recorded as expenses in the period.

25. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2012	2011	2012	2011
Financial income:				
Interest on short-term investments	41,895	21,707	60,462	55,463
Inflation adjustment and foreign exchange gains (a)	-	-	5,361	3,218
Gains on swap and forward transactions (b)	71,961	40,438	72,224	39,468
Other financial income	15,975	24,357	23,761	24,549
	129,831	86,502	161,808	122,698

Financial expenses:				
Interest on financing	(85,307)	(72,487)	(100,963)	(92,044)
Inflation adjustment and foreign exchange losses (a)	(51,150)	(36,496)	(52,664)	(38,266)
Losses on swap and forward transactions (b)	(56,458)	(26,359)	(56,759)	(27,688)
Gains (losses) on the mark-to-market of swap and forward derivatives	12,706	(1,171)	12,854	(1,040)
Other financial expenses	(36,756)	(26,734)	(57,726)	(41,000)
	(216,965)	(163,247)	(255,258)	(200,038)
Financial expenses, net	(87,134)	(76,745)	(93,450)	(77,340)

The objective of the breakdowns below is to explain more clearly the foreign exchange hedging transactions contracted by the Company and the related balancing items in the income statement shown in the previous table:

	Consolidated	
	2012	2011
(a)		
Inflation and exchange gains	5,361	3,218
Inflation and exchange losses	(52,664)	(38,266)
	(47,303)	(35,048)
(a) Breakdown		
Exchange rate changes on loans and financing	(50,133)	(32,103)
Adjustment for inflation on financing	41	(55)
Exchange rate changes on imports	1,655	(2,256)
Exchange rate changes on accounts payable in foreign subsidiaries	(2,531)	(3,852)
Exchange rate changes on export receivables	3,665	3,218
	(47,303)	(35,048)
(b)		
Gains on swap and forward transactions	72,224	39,468
Losses on swap and forward transactions	(43,904)	(28,728)
	28,320	10,740
(b) Breakdown		
Exchange rate changes on swaps	49,959	32,943
Gains (losses) on the mark-to-market of swap and forward derivatives	12,854	(1,040)
Income from foreign exchange coupon swaps	22,265	6,525
Financial costs of swaps	(56,758)	(27,688)
	28,320	10,740

26. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	2012	2011	2012	2011
Gain (loss) on sale of property, plant and equipment	1,460	918	894	(1,125)
PIS and COFINS credits (*)	715	11,887	1,665	16,852
Untimely used PIS and COFINS credits	7,311	15,461	11,617	40,378
Other operating income (expenses)	5,986	15,313	(25,819)	6,972
Other operating income (expenses), net	15,472	43,579	(11,643)	63,077

(*) The stated amount includes the recognized PIS and COFINS tax credits arising from a favorable outcome in a lawsuit claiming the unconstitutionality and illegality of the PIS and COFINS taxable basis broadening established by Law 9718/98.

27. EARNINGS PER SHARE

27.1. Basic

Basic earnings per share are calculated by dividing the net income attributable to the owners of the Company by the weighted average of common shares issued during the year, less common shares bought back by the Company and held as treasury shares.

	2012	2011
Net income attributable to owners of the Company	861,222	830,901
Weighted average of common shares issued - thousands	431,239,264	431,129,772
Weighted average of treasury shares	(2,362,295)	(1,059,330)
Weighted average of outstanding common shares	428,876,969	430,070,442
Basic earnings per share - R$	2.0081	1.9320

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.

	2012	2011
Net income attributable to owners of the Company	861,222	830,901
Weighted average of outstanding common shares	428,876,969	430,070,442
Adjustment for stock options	2,159,288	930,348
Weighted average number of common shares for diluted earnings per share calculation purposes	431,036,257	431,000,790
Diluted earnings per share - R$	1.9980	1.9278

28. RELATED-PARTY TRANSACTIONS

28.1. Intergroup balances and transactions

Receivables from and payables to related parties are as follows:

	Company	
	2012	2011
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	10,419	12,531
Natura Logística e Serviços Ltda. (b)	8,597	20,809
Indústria e Comércio de Cosméticos Natura Ltda. (c)	6,892	4,568
	25,908	37,908
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	159,460	163,146
Natura Logística e Serviços Ltda. (d)	38,024	114,737
Natura Inovação e Tecnologia de Produtos Ltda. (e)	57,051	15,141
	254,535	293,024
Dividends and interest on capital payable	515	217

Related-party transactions are as follows:

	Company			
	Product sales		Product purchases	
	2012	2011	2012	2011
Indústria e Comércio de Cosméticos Natura Ltda.	3,042,587	3,155,905	-	-
Natura Cosméticos S.A. - Brazil	-	-	2,815,267	2,972,918
Natura Cosméticos S.A. - Peru	-	-	37,841	35,382
Natura Cosméticos S.A. - Argentina	-	-	73,032	49,852
Natura Cosméticos S.A. - Chile	-	-	50,211	33,211
Natura Cosméticos S.A. - Mexico	-	-	41,440	38,715
Natura Cosméticos Ltda. - Colombia	-	-	20,100	19,989
Natura Europa SAS - France	-	-	3,463	5,365
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,217	431
Natura Logística e Serviços Ltda.	-	-	16	42
	3,042,587	3,155,905	3,042,587	3,155,905

	Service provided		Services received	
	2012	2011	2012	2011
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	267,095	433,192	-	-
Natura Cosméticos S.A. - Brazil	-	-	209,876	323,715
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	36,804	67,694
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	20,415	41,783
	267,095	433,192	267,095	433,192
Product and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	256,910	235,877	-	-
Natura Cosméticos S.A. - Brazil	-	-	256,910	235,877
	256,910	235,877	256,910	235,877
Research and “in vitro” testing: (h)				
Natura Innovation et Technologie de Produits SAS - France	2.923	2.790	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	2.923	2.790
	2.923	2.790	2.923	2.790
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	7,618	7,296	-	-
Natura Logística e Serviços Ltda.	-	-	4,414	4,227
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,774	1,699
Natura Cosméticos S.A. - Brazil	-	-	1,430	1,370
	7,618	7,296	7,618	7,296
Total of sales or purchases and services	3.577.133	3.835.060	3.577.133	3.835.060

(a) Advances granted for provision of product and technology development and market research services.

(b) Advances granted for provision of logistics and general administrative services.

(c) Payables for the purchase of products.

(d) Payables for services described in item (f).

(e) Payables for services described in item (g).

(f) Logistics and general administrative services.

(g) Product and technology development and market research services.

(h) Provision of in vitro research and testing services.

(i) 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, 2012 and December 31, 2011, 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$7,851 for the period ended December 31, 2012 (R$5,341 for the period ended December 31, 2011).

There is no allowance for doubtful accounts recognized for intercompany receivables on December 31, 2012 and December 31, 2011 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.

On March 26, 2012, Radar Cinema e Televisão Ltda. signed a contract with advertising agency that provides services to Natura Cosméticos S.A. for the production and use of intellectual property rights related to the programme "Natura TV", which resulted in costs incurred by Natura Cosméticos S.A., in the quarter and half in the amount of R $ 1,579. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, who are part of the controlling block of Natura Cosméticos S.A., are the indirect holders of the controlling interest in Radar Cinema e Televisão Ltda..

On June 5, 2012, an agreement was signed between Indústria e Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., ("Bres Itupeva"), for the construction and lease of a distribution center (HUB), in the city of Itupeva/SP. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, members of the group of controlling shareholders of Natura Cosméticos S.A., indirectly hold controlling interest in Bres Itupeva.

28.2. Key management personnel compensation

The total compensation of the Company's and its subsidiaries' Management is as follows:

	2012			2011		
	Compensation			Compensation		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Board of Directors	5,654	2,344	7,998	3,786	-	3,786
Officers (statutory)	6,931	5,810	12,741	5,657	-	5,657
Total	12,585	8,154	20,739	9,443	-	9,443
Executives (not statutory)	28,964	20,345	49,309	30,587	2,390	32,977

(*) Refers to profit sharing recorded in the year. 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.

28.3. Share-based payments

Breakdown of Company officers and executives' compensation:

	2012		2011	
	Stock option grant		Stock option grant	
	Stock option balance (number) (a)	Average exercise price R$ (b)	Stock option balance (number) (a)	Average exercise price R$ (b)
Officers	1,564,890	35.52	1,700,155	32.84
Executives	2,666,136	35.52	3,173,327	32.84

(a) Refers to the balance of unexercised vested and unvested options at the end of the reporting period.

(b) 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 end of the reporting period.

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, 2012, the subsidiary was compliant to the contract's commitment.

The amounts are carried based on electric power consumption estimates in accordance with the contract period, whose prices are based on volumes, also estimated, resulting from the subsidiary's continuous operations.

Total minimum supply payments, measured at nominal value, according to the contract, are:

	2012	12/2011
Less than a year	3,983	3,983
More than one year and less than five years	6,929	9,842
	10,912	13,825

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, 2012, the commitment made for future payments of these operating leases had the following maturities:

	Company	Consolidated
Less than a year	11,122	15,555
More than one year and less than five years	19,606	25,592
More than five years	507	973
	31,235	42,120

30. INSURANCE

The Group has an insurance policy that considers principally risk concentration and materiality, and insurance is obtained 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, 2012, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/ inventories	Any damages to buildings, facilities, and machinery and equipment	965,529
Vehicles	Fire, theft and collision for 1,286 vehicles	55,159
Loss of profits	Loss of profits due to material damages to facilities, buildings and production machinery and equipment	1,765,099

31. APPROVAL OF FINANCIAL STATEMENTS

The individual and consolidated financial statements were approved by the Board of Directors and authorized for issue at the meeting held on February 6, 2013.