

# OUR NETWORK OF RELATIONSHIPS

MANAGEMENT PROPOSAL

**Annual and  
Extraordinary  
Shareholders  
Meeting (AGOE)**



## **MANAGEMENT PROPOSAL**

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## EXHIBIT I

### MANAGEMENT COMMENTS - ITEM 10 OF THE REFERENCE FORM

#### 10.1 The Officers must comment on:

##### (a) general financial and equity conditions

In Brazil, the Cosmetics, Fragrances and Toiletry industry registered robust growth, with our target market expanding by a strong 17.9% in the first ten months of 2012, according to data from SIPATESP/ABHIPEC[1]. Toiletry categories registered the strongest growth, driven mainly by new product launches in the hair and deodorant categories. In this period, our market share decreased 0.9 p.p., which was mainly concentrated in the toiletry categories, while our market share increased in the cosmetics and fragrances categories. In 2013, our innovation plan should enable us to increase competitiveness in the toiletry category.

In our opinion, we present sufficient financial and equity conditions to implement our business plan and fulfill our short and medium term obligations. This vision is based on the following main aspects:

- Strong and consistent cash generation
- Low level of financial leverage

##### (b) capital structure and possibility of share redemption

The objectives of the Corporation in managing its capital are to safeguard its continued capacity to offer returns for its shareholders and benefits to other stakeholders, while maintaining an optimal capital structure for reducing these costs.

In line with other companies in the sector, the Corporation monitors its capital based on the use of financial leverage ratios. This ratio corresponds to net debt divided by the shareholders' equity. Meanwhile, net debt corresponds to total borrowings and financing (including short- and long-term borrowings and financing, as shown in the consolidated balance sheet) subtracted from the amount of cash and cash equivalents.

Our current capital structure, which is measured primarily by the ratio of the net debt of the Corporation to the shareholders' equity of the Corporation, presents conservative levels of leverage: 52.01% on December 31, 2012.

(R\$ million)	Fiscal year ended		
	December 31, 2012	December 31, 2011	December 31, 2010
<b>Indebtedness</b>			
Total borrowings and financing .....	(2,324.5)	(1,186.7)	(691.6)
(-) Cash and cash equivalents .....	1643,1	515.6	560.2

(Net Debt).....	(681,4)	(671.1)	(131.4)
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Our net debt was R\$671.1 million in 2011, increasing slightly to R\$641,4 million in 2012, since the Corporation maintained its working capital requirements resulting from the growth in its operations. Meanwhile, our shareholders' equity increased from R\$1,250.2 million in 2011 to R\$1,312.4 million in 2012, mainly impacted by the earnings in fiscal year 2011 and the distribution of dividends in the period.

With regard to the possibility of share redemptions, we do not have any plans for the short term involving such an initiative.

*(c) ability to meet financial obligations*

Consolidated net revenue in 2012 was R\$6,345.7 million, growing 13.5% on 2011. EBITDA was R\$1,510.7 million, an increase of 6.0%, with EBITDA margin of 23.8% (25.5% in 2011). Net income in 2012 was R\$861.2 million, up 3.7%, with net margin of 13.6% (14.9% in 2011).

At the end of the fiscal year, the total cash balance was R\$1,641.9 million and total debt was R\$2,243.6 million, with the level of net debt corresponding to 0.4x EBITDA. Free cash flow in the year was R\$884.3 million, up 115.4% from 2011. This growth was due to the reduction of R\$ 281.1 million in working capital investments, thanks to the improved management of inventories, tax recoveries, as well as accounts payable, which was positively impacted by the 2012 calendar year and by the concentration of capex in the final months of the year.

Considering our debt profile, our cash flow and our liquidity position, we believe we have the capacity to honor all of our financial obligations coming due over the coming years.

*(d) sources of financing for working capital and for investments in non-current assets used by the Corporation*

When needed, we raise funds through financial agreements, which are used to finance our working capital requirements and short and long-term investments, as well as for maintaining our cash at a level we deem appropriate for the execution of our activities.

Additionally, in May 2010, we tapped the capital markets with a public distribution of Debentures in the amount of R\$350 million.

*(e) sources of financing for working capital and for investments in non-current assets that the Corporation plans to use to cover liquidity deficiencies.*

For information on the sources of financing used for working capital and for investments in noncurrent assets that we plan to use to cover liquidity deficiencies, see Subitem (f) below.

*(f) debt levels and the characteristics of such debts*

Our main source of debt is raising funds used to finance our investments in property, plant and equipment and working capital.

In 2012, total borrowings and financing plus the provisions for gains on derivative operations exceeded cash and cash equivalents by R\$601.7 million. In 2011, total borrowings and financing exceeded cash and cash equivalents plus unrealized gains on derivative operations by R\$642.5 million.

The increase in total debt reflects the plan to amortize short-term borrowings. Note that despite the increase in borrowings, the Net Debt/EBITDA ratio was 0.4x in 2012, remaining lower than in 2011.

In 2012, we had R\$1,325.1 million in long term borrowings and financing and R\$999.4 million in short term borrowings and financing, and in 2011 these values were R\$1,017.7 million and R\$169.0 million, respectively. These borrowings and financing consist primarily of obligations with the Brazilian Development Bank (BNDES), FINEP (the research and project finance mechanism of the Ministry of Science and Technology) and financial institutions and the Debentures.

The following table presents the variation in our net borrowings and financing, considering the unrealized gains or losses on derivative operations, for the periods indicated:

(R\$ million)	Fiscal year ended		
	December 31, 2012	December 31, 2011	December 31, 2010
<b>Indebtedness</b>			
Total borrowings and financing .....	(2,324.5)	(1,186.7)	(691.6)
(+) Unrealized gains (losses) with derivative operations...	80.9	28.6	(4.1)
(-) Cash and cash equivalents .....	1.643.1	515.6	560.2
<b>Net borrowings and financing <sup>(1)</sup> .....</b>	<b>(600.5)</b>	<b>(642.5)</b>	<b>(135.5)</b>

(1) Net borrowings and financing correspond to total borrowings and financing plus the unrealized gains or losses on derivative operations less cash and cash equivalents.

The following table presents the maturity schedule of our long term consolidated debt in 2012:

Maturity of long-term borrowings and financing	Amount (R\$ million)
2014 .....	315.3
2015 .....	864.8
2016 .....	47.0
2017 onwards .....	97.9
	1,325.1

Our borrowings and financing include the instruments described below. Despite the existence of the borrowings and financing described below, we believe we are not dependent on third-party funds for the performance of our business, given our consistent cash generation and our financial solidity. Intermittent funding operations, especially short-term funding operations, are a typical process in our business.

#### Material borrowing and financing contracts

##### - Financing Contracts with the BNDES

We and our subsidiaries executed Financing Contracts upon Credit Approval with the BNDES for, among other purposes, making direct investments in the Corporation and optimizing certain product lines of the Corporation and its subsidiaries. The main financing contracts executed with the BNDES are described below.

On June 22, 2007, Natura Logística and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$3.8 million, which will be used to optimize the product picking lines at the Cajamar industrial facility, hiring consultants for the new Distribution Centers and acquiring the equipment required for this purpose. The credit will be amortized in seventy-two consecutive monthly installments, with the first due on August 15, 2008 and the last due on July 15, 2014. The contract is secured by a Bank Guaranty issued by Banco do Brasil S.A., which establishes joint and several liability for the pecuniary obligations of Natura Logística in the event of the non-performance of said contract, which in addition to the principal of the debt, also includes the interest, commissions, conventional penalties and other charges, until January 15, 2015.

On June 22, 2007, Natura Indústria and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$2.7 million, which will be used to optimize administrative activities at the Cajamar unit and acquire the equipment required for this purpose. The credit will be amortized in seventy-two consecutive monthly installments, with the first due on August 15, 2008 and the last due on July 15, 2014. The contract is secured by a Bank Guaranty issued by Banco do Brasil S.A., which establishes joint and several liability for the pecuniary obligations of Natura Indústria in the event of the non-performance of said contract, which in addition to the principal of the debt, also includes the interest, commissions, conventional penalties and other charges, until January 15, 2015.

Also on June 22, 2007, the Corporation and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$30.4 million, which will be used to install two new distribution centers in the cities of Matias Barbosa and Jaboaão dos Guararapes and to optimize administrative activities at the Itapecerica da Serra unit and acquire the equipment required for this purpose. The credit will be amortized in seventy-two consecutive monthly installments, with the first due on August 15, 2008 and the last due on July 15, 2014. The contract is secured by a Bank Guaranty issued by Banco do Brasil S.A., which establishes joint and several liability for the pecuniary obligations of the Corporation in the event of the non-performance of said contract, which in addition to the principal of the debt, also includes the interest, commissions, conventional penalties and other charges, until January 15, 2015.

On January 21, 2008, the Corporation, Natura Indústria, Natura Logística e Serviços Ltda. (“Natura Logística”) and the BNDES executed a Financing Contract upon Credit Approval for a R\$224.0 million revolving credit line, which will be used to finance investments. The credit will be amortized in consecutive monthly installments within a period to be established in the documents concerning use of the credit limit, observing the maximum term of ninety months from the date of the execution of this contract. The contracts signed to date total R\$58.0 million, of which R\$ 46.1 million was received, increasing the level of debt of the Corporation and its subsidiaries. The contracts are secured by five bank guaranties issued by Banco do Brasil S.A., which establish joint and several liability for the pecuniary obligations of Natura Indústria and Natura Logística in the event of the non-performance of said contract, which in addition to the principal of the debt, also includes the interest, commissions, conventional penalties and other charges, until October 15, 2016.

On February 26, 2009, Natura Product Inovação e Tecnologia Ltda. (“Natura Inovação”) and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$63.8 million, which was used for generating competencies, gathering knowledge and qualifying the research and development area of Natura Inovação. The credit will be amortized in seventy-two consecutive monthly installments, with the first due on April 15, 2010 and the last due on March 15, 2016. The contract is secured by a Bank Guaranty issued by Banco do Brasil S.A., which establishes joint and several liability for the pecuniary obligations of Natura Inovação in the event of the non-performance of said contract, which in addition to the principal of the debt, also includes the interest, commissions, conventional penalties and other charges, until September 15, 2016.

On July 13, 2011, Natura Cosméticos and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$11.0 million, which will be used for two new Distribution Centers located in Uberlândia/MG and Castanhal/PA and the revitalization of the Distribution Centers located in Matias Barbosa/MG, Jaboaão dos Guararapes/PE, Simões Filho/BA and Canoas/RS, financing of working capital and the acquisition of machinery and equipment required for these purposes. For R\$9.3 million the credit will be amortized in sixty consecutive monthly installments, with the first due on February 15, 2013 and the last due on January 15, 2018, and for R\$1.7 million the credit will be amortized in thirty-six consecutive monthly installments, with the first due on February 15, 2013 and the last due on January 15, 2016. The contract has financial covenant clauses that establish the following financial indicators: EBITDA margin equal to or greater than 15%, Net Debt/EBITDA ratio equal to or less than two point five (2.5).

On July 13, 2011, Natura Indústria and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$10.4 million, which will be used to implement infrastructure improvements at the Cajamar unit, finance working capital and acquire the machinery and equipment required for this purpose. For R\$7.7 million the credit will be amortized in sixty consecutive monthly installments, with the first due on August 15, 2012 and the last due on July 15, 2017, and for R\$2.7 million the credit will be amortized in thirty-six consecutive monthly installments, with the first due on August 15, 2012 and the last due on July 15, 2015. The contract has financial covenant clauses that establish the following financial indicators: EBITDA margin equal to or greater than 15%, Net Debt/EBITDA ratio equal to or less than two point five (2.5).

Also on July 13, 2011, Natura Logística and the BNDES executed a Financing Contract upon Credit Approval in the amount of R\$41.5 million, which will be used to install new information systems for

optimizing the “order cycle”, develop and install a new corporate governance model in the people and materials registration process, install two new Distribution Centers located in Uberlândia/MG and Castanhal/PA and revitalize the Distribution Centers located in Matias Barbosa/MG, Jaboatão dos Guararapes/PE, Simões Filho/BA and Canoas/RS. For R\$37.5 million the credit will be amortized in sixty consecutive monthly installments, with the first due on February 15, 2013 and the last due on January 15, 2018, and for R\$3.9 million the credit will be amortized in sixty consecutive monthly installments, with the first due on August 15, 2012 and the last due on July 15, 2017. The contract has financial covenant clauses that establish the following financial indicators: EBITDA margin equal to or greater than 15%, Net Debt/EBITDA ratio equal to or less than two point five (2.5).

On July 18, 2012, Natura Indústria and BNDES executed a Financing Contract upon Credit Approval in the amount of R\$141.1 million, which will be used to build a soap and noodle plant in Benevides/PA, finance working capital and acquire the machinery and equipment required for this purpose. For R\$12.6 million, the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on May 15, 2014 and the last due on October 15, 2020, and for R\$128.5 million the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on March 15, 2014 and the last due on August 15, 2020. The contract has financial covenants that require the following financial indicators: EBITDA margin equal to or greater than 15%, and net debt/EBITDA ratio equal to or lower than 2.5 (two point five).

On May 9, 2012, Natura Cosméticos and BNDES executed a Financing Contract upon Credit Approval in the amount of R\$17.5 million, which will be used to build a distribution center plant in the Parque Anhanguera district in São Paulo and to finance the acquisition of machinery and equipment required for this purpose. For R\$12.6 million, the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on February 15, 2014 and the last due on July 15, 2020, and for R\$4.8 million the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on December 15, 2013 and the last due on May 15, 2020. The contract has financial covenants that require the following financial indicators: EBITDA margin equal to or greater than 15%, and net debt/EBITDA ratio equal to or lower than 2.5 (two point five).

On May 9, 2012, Natura Cosméticos and BNDES executed a Financing Contract upon Credit Approval in the amount of R\$ 4.2 million, which will be used for the research and development of new products in the hair, body and soap segments, as well as for the pilot launch of a new product line. The credit will be amortized in seventy-eight consecutive monthly installments, with the first due on December 15, 2013 and the last due on May 15, 2020. The contract has financial covenants that require the following financial indicators: EBITDA margin equal to or greater than 15%, and net debt/EBITDA ratio equal to or lower than 2.5 (two point five).

On May 9, 2012, Natura Cosméticos and BNDES executed a Financing Contract upon Credit Approval in the amount of R\$ 8.6 million, which will be used for the research and development of new products in the hair, body and soap segments, as well as for the pilot launch of a new product line. The

credit will be amortized in seventy-eight consecutive monthly installments, with the first due on December 15, 2013 and the last due on May 15, 2020. The contract has financial covenants that require the following financial indicators: EBITDA margin equal to or greater than 15%, and net debt/EBITDA ratio equal to or lower than 2.5 (two point five).

On May 9, 2012, Natura Indústria and BNDES executed a Financing Contract upon Credit Approval in the amount of R\$ 4.6 million, which will be used to import machinery and equipment not available in Brazil and which is needed for the research and development of new products in the hair, body and soap segments, as well as for the pilot launch of a new product line. For R\$4.1 million, the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on February 15, 2014 and the last due on July 15, 2020, and for R\$0.5 thousand the credit will be amortized in seventy-eight consecutive monthly installments, with the first due on December 15, 2013 and the last due on May 15, 2020. The contract has financial covenants that require the following financial indicators: EBITDA margin equal to or greater than 15%, and net debt/EBITDA ratio equal to or lower than 2.5 (two point five).

On October 30, 2012, Natura Indústria and BNDES (through the agent bank Santander) executed a Financing Contract upon Credit Approval in the amount of R\$ 50.0 million, which will be used to "build working capital". The credit will be amortized in twenty-four consecutive monthly installments, with the first due on December 15, 2013 and the last due on November 15, 2015. The contract is secured by Natura Cosméticos, which establishes joint and several liability for the pecuniary obligations of Natura Indústria in case of non-performance of said contract.

- FINAME - Financiamento de Máquina e Equipamentos

Natura Indústria is the beneficiary of a credit line contracted from the BNDES for the onlending of FINAME operations, which are loans for financing the acquisition of domestically produced new machinery and equipment granted by the BNDES. This onlending operation is made by grating credit to Natura Indústria, generating disbursement rights via the financial institution accredited as the financial agent, which typically has been Banco Itaú Unibanco S.A. and Banco do Brasil S.A., which contract with Natura Indústria said financing operations.

From 2007 to 2012, Natura Indústria executed 19 fixed loan contracts with the banks cited above to finance machinery and equipment in the total amount of R\$7.3 million, which had similar terms and conditions. These contracts are secured by transferring the fiduciary ownership of the assets described in the respective contracts. Natura Indústria is the trustee of these assets, with the Corporation as surety. Additionally, the Corporation and its subsidiaries must comply with the Applicable Provisions of the BNDES Contracts and the General Regulatory Conditions of Operations for FINAME operations.

On December 31, 2012, the fixed credit contracts (Fatfomentar) involving Banco do Brasil S.A. amounted to a combined R\$1.3 million, due by February 2014.

- Financing Contract with Financiamento de Máquina e Equipamentos (FINEP)

The Corporation has innovation programs for developing and acquiring new technologies through partnerships with universities and research centers in Brazil and abroad. These innovation programs are supported by programs to promote research and technological development, including those from Financiamento de Máquina e Equipamentos - FINEP (the research and project finance mechanism of the Ministry of Science and Technology), which finances and/or co-finances equipment, scientific scholarships and research materials for participating universities.

On March 14, 2006, Natura Inovação and FINEP executed a Financing Contract in the amount of R\$49.6 million, which will be used to partially cover the expenses incurred in preparing the project “Technology Platforms for New Cosmetic and Nutritional Supplement Products”. The credit will be amortized in forty-nine consecutive monthly installments, with the first due on March 15, 2009 and the last due on March 15, 2013. The contract is secured by a ten Bank Guaranties issued by Banco ABN AMRO Real S.A., which establishes joint and several liability for the pecuniary obligations of Natura Inovação in the event of the non-performance of said contract, until March 15, 2013.

On December 29, 2010, Natura Inovação and FINEP executed a Financing Contract in the amount of R\$74.2 million, which will be used to partially cover the expenses incurred in preparing the project “Research and Innovation for the Development of New Cosmetic Products”. The credit will be amortized in eighty-one consecutive monthly installments, with the first due on September 15, 2012 and the last due on May 15, 2019. The contract is secured by Natura Cosméticos, which establishes joint and several liability for the pecuniary obligations of Natura Inovação in the event of the non-performance of said contract.

- Resolution 4,131

Letter of Credit (*Cédula de Crédito Bancário - CCB*) – Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Financial Institutions. The contracts in force are listed below:

Letter of Credit (CCB) – Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco Bradesco on June 6, 2011 with maturity on June 3, 2013 and principal of US\$ 60.0 million. The interest is amortized semiannually and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) – Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco do Brasil on June 10, 2011 with maturity on May 31, 2013 and principal of US\$30.0 million. The amortization of interest and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) – Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Bank of America on October 11, 2011 with maturity on October 11, 2013 and principal of US\$82,827,167.31 million. The interest is amortized quarterly and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) – Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Bank of America on October 31, 2011 with maturity on October 31, 2013 and principal of

US\$41,672,832.69 million. The interest is amortized quarterly and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco Bradesco on July 19, 2012 with maturity on July 7, 2015 and principal of US\$ 50,000,000.00. The interest is amortized semiannually and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco Itaú on July 23, 2012 with maturity on July 23, 2015 and principal of US\$ 50,000,000.00. The interest is amortized semiannually and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco Citibank on July 24, 2012 with maturity on July 17, 2015 and principal of US\$ 50,000,000.00. The interest is amortized quarterly and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Bank of America on August 13, 2012 with maturity on August 17, 2015 and principal of US\$100,000,000.00. The interest is amortized quarterly and the principal in three semiannual installments, with the first due on August 18, 2014 and the last due on August 17, 2015.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco Bradesco on September 4, 2012 with maturity on August 27, 2014 and principal of US\$ 45,000,000.00. The interest is amortized semiannually and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Banco HSBC on October 5, 2012 with maturity on October 5, 2015 and principal of US\$100,000,000.00. The interest is amortized quarterly and the amount will be settled in a Treasury account at the end of the contract.

Letter of Credit (CCB) - Onlending of Funds Raised Offshore via Resolution 4,131/62 contracted from Bank of America on November 26, 2012 with maturity on November 25, 2015 and principal of US\$100,000,000.00. The interest is amortized quarterly and the principal in three semiannual installments, with the first due on November 25, 2014 and the last due on November 25, 2015.

#### - Operations with derivatives

The operations with derivatives contracted by the Corporation are basically swaps and Non Deliverable Forwards (NDF) that seek exclusively to mitigate the currency translation risks associated

with positions on the balance sheet and the projected cash flows in foreign currencies. The main contracts for the swap operations contracted are described below.

On April 13, 2010, the Corporation and HSBC Bank Brasil S.A executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$2.8 million, with the specified settlement date of February 15, 2017.

On April 13, 2010, Natura Indústria and HSBC Bank Brasil S.A executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$1.7 million, with the specified settlement date of April 15, 2016.

On April 7, 2010, the Corporation and HSBC Bank Brasil S.A executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$1.8 million, with the specified settlement date of July 15, 2014.

On January 29, 2009, the Corporation and Banco do Brasil S.A executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$716,700, with the specified settlement date of January 15, 2013.

On December 7, 2011, the Corporation and Bank of America executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$21.9 million, with the specified settlement date of December 15, 2016.

On June 6, 2011, the Corporation and Banco Bradesco executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$100.0 million, with the specified settlement date of June 3, 2013.

On June 10, 2011, the Corporation and Banco do Brasil executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$50.0 million, with the specified settlement date of May 31, 2013.

On October 11, 2011, the Corporation and Bank of America executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$150.0 million, with the specified settlement date of October 11, 2013.

On October 31, 2011, the Corporation and Bank of America executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$73.7 million, with the specified settlement date of October 31, 2013.

On July 19, 2012, the Corporation and Banco Bradesco executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$101.3 million, with the specified settlement date of July 7, 2015.

On July 23, 2012, the Corporation and Banco Itáú executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$100.8 million, with the specified settlement date of July 23, 2015.

On July 24, 2012, the Corporation and Banco Citibank executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$101.3 million, with the specified settlement date of July 17, 2015.

On August 3, 2012, the Corporation and Bank of America executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$5.1 million, with the specified settlement date of July 15, 2020.

On August 13, 2012, the Corporation and Bank of America executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$ 204.8 million, with the specified settlement date of August 17, 2015.

On August 17, 2012, the Corporation and Bank of America executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$1.6 million, with the specified settlement date of April 15, 2017.

On September 4, 2012, the Corporation and Banco Bradesco executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$92.1 million, with the specified settlement date of August 27, 2014.

On October 5, 2012, the Corporation and Banco HSBC executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$202.7 million, with the specified settlement date of October 5, 2015.

On November 26, 2012, the Corporation and Bank of America executed a Swap Contract to hedge against currency translation impacts for the loans contracted under the scope of Resolution 4,131/62 in the amount of R\$ 203.8 million, with the specified settlement date of November 25, 2015.

On December 28, 2012, the Corporation and Banco HSBC executed a NDF (Non-Deliverable Forward) contract to hedge against currency translation impacts for the acquisition of shareholding interest in “EMEIS” in the amount of R\$ 147.5 million, with the specified settlement date of February 28, 2013.

On December 19, 2012, the Corporation and Bank of America executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$1.2 million, with the specified settlement date of April 17, 2017.

On December 19, 2012, the Corporation and Bank of America executed a Cash Flow Swap and Forward Cash Flow Swap Contract in the amount of R\$1.5 million, with the specified settlement date of July 15, 2020.

#### Other long term relations with financial institutions

Except for the aforesaid operations, we do not have any other material long term relations with financial institutions.

#### Degree of subordination of debt

There is no subordination of our debts.

#### Restrictions imposed on debt limits and contracting new debt, dividend distributions, asset divestments, issuing new securities and transfer of control.

In 2012 and 2011, most of the borrowing and financing contracts maintained by the Corporation and its subsidiaries do not contain financial covenants obligating the Corporation and its subsidiaries to maintain certain financial ratios.

The contract signed with the BNDES in July 2011 contained financial covenant clauses that required the following financial ratios:

- EBITDA margin equal to or greater than 15%; and
- Net Debt/EBITDA ratio equal to or less than two point five (2.5).

In 2012, the Corporation fully complied with all financial covenant clauses.

The loans from the BNDES are formalized through financing contracts with the opening of a credit facility and are subject to the “Provisions Applicable to BNDES Contracts”. According to the “Provisions Applicable to BNDES Contracts”, borrowers of BNDES loans, including our Corporation, may not, without prior authorization from the BNDES: (i) give preference to other credits; (ii) amortize shares; (iii) issue debentures; (iv) issue profit-sharing bonds; (v) contract new debt (with certain exceptions expressly stated in the “Provisions Applicable to BNDES Contracts”); and (vi) divest or pledge its permanent assets.

In accordance with the documents related to our fourth issue of Debentures, our Corporation is subject to the following restrictions: (i) non-payment of dividends, of interest on equity or of any other interest in the profits provided for by the Bylaws of the Issuer if our Corporation has defaulted on its pecuniary obligations described in the Debenture Indenture, except, however, the payment of the minimum mandatory dividend set forth in Article 202 of Federal Law 6,404 of 1976, as amended (Brazilian Law of Corporations); and (ii) impossibility to change the direct or indirect control of our Corporation that results in the substitution of two-thirds of the members of our Executive Board and/or Board of Directors must be approved by a Meeting of the Debenture Holders.

*(g) Limits on the use of financing already contracted*

On December 31, 2012, the Corporation had an unused overdraft limit of R\$343.6 thousand and a total line of contracted credit of R\$2,324.5 million.

*(h) Significant changes in each item of the financial statements*

**SUMMARY OF THE FINANCIAL STATEMENTS**

According to our management, the following annual financial statements accurately portray the financial and equity positions and operating results for the periods stated.

**PRESENTATION OF FINANCIAL STATEMENTS**

The following aspects regarding the preparation and presentation of the financial statements should be considered for a better understanding and analysis of the financial statements and any other related accounting information included in this Document:

**Fiscal years ended in 2012, 2011 and 2010**

- The balance sheets (parent company and consolidated) prepared in 2012, 2011 and 2010 and respective statements of income (parent company and consolidated), of comprehensive income (parent company and consolidated), of changes in shareholders' equity (parent company and consolidated), of cash flow (parent company and consolidated) and of value added (parent company and consolidated) for the fiscal years ending in 2012, 2011 and 2010 were prepared in accordance with Generally Accepted Accounting Principles in Brazil (BR GAAP) and the regulations of the Securities and Exchange Commission of Brazil (CVM), including CVM Resolution 603/09, in which the Management of the Corporation opted to move forward the adoption of the new technical Pronouncements, Interpretations and Guidelines issued by the Accounting Pronouncements Committee (CPC) in 2009 and in 2010, with mandatory application in the 2010 financial statements.

The auditor's opinion of the financial statements (parent company and consolidated) for the fiscal year ending in 2012, 2011 and 2010 includes an emphasis of matter paragraph about the fact that the individual financial statements were prepared in accordance with Generally Accepted Accounting Principles in Brazil (BR GAAP), with the investments in subsidiaries, affiliates and shared-control companies valued using the equity method, and that these practices differ from International Financial Reporting Standards (IFRS), under which these investments are stated at historical cost or fair value.

The abovementioned financial statements were audited by Ernst & Young Terco Auditores Independentes S.S. in 2012 and by Touche Tohmatsu Independent Auditors in 2011 and 2010, in accordance with the applicable audit standards in Brazil.

**(h) Summary of accounting practices**

The accounting practices adopted in Brazil consist of those included in Brazilian Corporation Law and the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Securities and Exchange Commission of Brazil (CVM).

The individual financial statements present the valuation of investments in subsidiaries, shared-control companies and affiliates by the equity method in accordance with the Brazilian laws in force. Therefore, these individual financial statements are not considered in compliance with IFRS, which requires that these investments be valued in the separate statements for the parent company at their fair value or acquisition cost.

Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the shareholders of the parent company stated in the consolidated financial statements prepared in accordance with IFRS and BRGAAP and the shareholders' equity and net income of the parent company stated in the individual financial statements prepared in accordance with BRGAAP, the Corporation opted to present these individual and consolidated financial statements in a single set, side by side.

The financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value, as described in the following accounting practices. Historical cost is generally based on the fair value of the considerations paid in exchange for assets.

#### Adoption of accounting pronouncements issued in 2012

The interpretations and amendments to the existing rules below were issued and in force in 2012. However, they did have any material impacts on the Corporation's financial statement:

<u>Rule</u>	<u>Main requirements</u>	<u>Date it took effect</u>
IFRS 9 - Financial Instruments	Recognition and Measurement, it ends the first part of the project to replace "IAS 39 - Financial Instruments: Recognition and Measurement", this new standard uses a simple approach to determine if a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (its business model) and the contractual cash flow that is characteristic of financial assets. IFRS 9 also requires the adoption of only one method to determine the impairment of assets.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 - Consolidated Financial Statements	IFRS 10 establishes the principles for the preparation and presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the consolidation requirements laid down by SIC-12 - Consolidation – Special Purpose Entities, and by IAS 27 - Consolidated and Separate Financial Statements.	Effective for annual periods beginning on or after January 1, 2013.

IFRS 11 - Joint Arrangements	IFRS 11 envisages a more realistic reflection of joint arrangements, focusing on the rights and obligations of the arrangement rather than on their legal personality. The standard touches upon the inconsistencies in the treatment of a joint arrangement and demands a single method of treatment in joint ventures through the equity method. IFRS 13 replaces IAS 31 - Interests In Joint Ventures and SIC-13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Early adoption is permitted. The main effects from the adoption of IFRS 11 will be the end of proportionate consolidation, which will not affect the consolidated information of the Corporation.	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 the requirements for disclosing all kinds of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Early adoption is permitted.	Effective for annual periods beginning on or after January 1, 2013
IFRS 13 - Fair Value Measurement	It replaces and consolidates all the guidelines and requirements related to fair value measurement contained in other IFRS pronouncements into a single pronouncement. 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 new or revised requirements as to the items that should be measured at fair value, which remain in the original pronouncements.	Effective for annual periods beginning on or after January 1, 2013
IAS 27 - Consolidated and Separate Financial Statements (Revised in 2011)	Consequent to the recent IFRS 10 and IFRS 12, what remains in IAS 27 is confined to accounting of subsidiaries, jointly controlled entities, and associates 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	Consequent to the recent IFRS 10 and IFRS 12, what remains in IAS 27 is confined to accounting of subsidiaries, jointly controlled entities, and associates in separate financial statements.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 19 - Employee Benefits	It eliminates the corridor approach. All actuarial gains and losses should be recognized through other comprehensive income for	Effective for fiscal years

	pension plans and through profit or loss for other long-term benefits, when incurred, and introduces other changes.	beginning on or after January 1, 2013.
Amendments to IAS 1 - Presentation of Financial Statements	It introduces the requirement that items registered in other comprehensive income are segregated and totaled between items that will be subsequently reclassified to profit or loss and those that will not be reclassified to profit or loss.	Effective for fiscal years beginning on or after January 1, 2013.
IAS 12 - Income Taxes (Revision) – Deferred Tax: Recovery of Underlying Assets	The revision clarifies the determination of the calculation of deferred taxes on investment properties carried at fair value. It introduces the rebuttable presumption that the deferred tax on investment properties carried at fair value in IAS 40 (CPC 31) should be based on the fact that its book value will be recovered through sale. It also introduces the requirement that the deferred tax on assets not subject to depreciation, which are measured using the revaluation model specified in IAS 16 (CPC 27) be always measured based on the sale of the asset. This revision will be effective for annual periods beginning on or after January 1, 2012.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 1 - First-time Adoption of IFRS (Revision) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Revision)	IASB provided guidance on how an entity should resume presenting its financial statements according to IFRS when its functional currency is no longer subject to hyperinflation. This revision will be effective for annual periods beginning on or after July 1, 2011.	Effective for fiscal years beginning on or after January 1, 2013.
IFRS 7 - Financial Instruments - Disclosures - — Further Requirements for Disclosure of Derecognitions	The revision requires additional information about financial assets that were transferred but not derecognized to enable the user of the Corporation’s financial statements to understand the relation between assets that were not derecognized and the corresponding liabilities. The revision also requires disclosure of the entity’s continuous involvement with the derecognized assets to enable users to evaluate the nature of involvement and the related risks. The revised standard will be effective for annual periods beginning on or after July 1, 2011.	Effective for fiscal years beginning on or after January 1, 2013.
IAS 1 - Presentation of Financial Statements	This improvement clarifies the difference between the voluntary additional comparative information and the minimum required comparative information.	Effective for fiscal years beginning on or after January 1, 2013.



Selling.....	(2,212.2)	34.9%	(1,952.7)	34.9%	(1,704.3)	33.2%	13.3%	14.6%
General and administrative.....	(772.7)	12.2%	(680.7)	12.2%	(605.4)	11.8%	13.5%	12.4%
Employee profit sharing.....	(90.8)	1.4%	(30.2)	0.5%	(70.4)	1.4%	201.0%	-57.1%
Management compensation.....	(20.7)	0.3%	(9.4)	0.2%	(14.4)	0.3%	119.6%	-34.4%
Other operating (expenses) income, net.....	(11.6)	-0.2%	63.1	-1.1%	(17.5)	0.3%	-118.5%	-460.4%
<b>Operating profit before financial result .....</b>	<b>1.369.5</b>	<b>21.6%</b>	<b>1.315.1</b>	<b>23.5%</b>	<b>1.167.9</b>	<b>22.7%</b>	<b>4.1%</b>	<b>12.6%</b>
Financial income .....	161.8	2.5%	122.7	2.2%	53.6	1.0%	31.9%	128.9%
Financial expenses.....	(255.3)	4.0%	(200.0)	3.6%	(103.4)	2.0%	27.6%	93.5%
<b>Net Income before income tax and social contribution.....</b>	<b>1.276.1</b>	<b>20.1%</b>	<b>1.237.7</b>	<b>22.1%</b>	<b>1.118.2</b>	<b>21.8%</b>	<b>3.1%</b>	<b>10.7%</b>
Income tax and social contribution .....	(414.9)	6.5%	(406.8)	7.3%	(374.1)	7.3%	2.0%	8.7%
<b>Net income for the year.....</b>	<b>861.2</b>	<b>13.6%</b>	<b>830.9</b>	<b>14.9%</b>	<b>744.1</b>	<b>14.5%</b>	<b>3.6%</b>	<b>11.7%</b>
Attributable to: .....								
Shareholders of the Company .....	861.2	13.6%	830.9	14.9%	744.1	14.5%	3.6%	11.7%
Noncontrolling shareholders .....	-	-	-	-	-	-	-	-
Earnings per share for the year – R\$ .....	2.0081		1.932		1.7281		3.9%	11.8%

<sup>(1)</sup> Vertical analysis

## Balance sheets prepared in 2012, 2011 and 2010

The following tables present a summary of the consolidated Balance Sheets prepared in 2012, 2011 and 2010, as well as the variations occurring between the periods presented:

Balance Sheet	Fiscal year ended							
	2012	VA <sup>(1)</sup>	2011	VA <sup>(1)</sup>	2010	VA <sup>(1)</sup>	Change 12/11	Change 11/10
	<i>(R\$ million)</i>							
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	1,144.4	21.3%	515.6	13.6%	560.2	17.4%	121.9%	-8.0%
Marketable securities	498.7	9.3%	-	0.0%	-	0.0%	100.0%	100.0%
Trade accounts receivable	651.4	12.1%	641.9	16.9%	570.3	17.7%	1.5%	12.6%
Inventories	700.7	13.0%	688.7	18.2%	571.5	17.7%	1.7%	20.5%
Recoverable taxes	144.5	2.7%	201.6	5.3%	101.5	3.1%	-28.4%	98.7%
Unrealized gains with derivative operations	80.9	1.5%	28.6	0.8%	-	0.0%	n/d	n/d
Other receivables	157.8	2.9%	126.8	3.3%	66.4	2.1%	24.5%	90.9%
<b>Total current assets</b>	<b>3.378.3</b>	<b>62.8%</b>	<b>2.203.3</b>	<b>58.1%</b>	<b>1.869.9</b>	<b>58.0%</b>	<b>53.3%</b>	<b>17.8%</b>
<b>Noncurrent assets</b>								
Long-term assets:								
Recoverable taxes	151.4	2.8%	111.2	3.4%	109.3	3.4%	36.1%	1.8%
Deferred Income and Social Contribution taxes	214.2	4.0%	189.6	5.6%	180.3	5.6%	13.0%	5.2%

Balance Sheet	Fiscal year ended						Change 12/11	Change 11/10
	2012	VA <sup>(1)</sup>	2011	VA <sup>(1)</sup>	2010	VA <sup>(1)</sup>		
Escrow deposits	349.5	6.5%	295.8	10.5%	337.0	10.5%	18.2%	-12.2%
Other noncurrent assets	41.3	0.8%	29.9	1.4%	44.9	1.4%	37.9%	-33.3%
Property, plant and equipment	1,012.1	18.8%	800.4	17.4%	560.5	17.4%	26.4%	42.8%
Intangible assets	228.5	4.3%	162.8	3.7%	120.1	3.7%	40.4%	35.5%
<b>Total noncurrent assets</b>	<b>1,997.1</b>	<b>37.2%</b>	<b>1,589.8</b>	<b>42.0%</b>	<b>1,352.0</b>	<b>42.0%</b>	<b>25.6%</b>	<b>17.6%</b>
<b>Total assets</b>	<b>5,375.4</b>	<b>100.0%</b>	<b>3,793.0</b>	<b>100.0%</b>	<b>3,221.9</b>	<b>100.0%</b>	<b>41.7%</b>	<b>17.7%</b>
<b>Liabilities</b>								
<b>Current liabilities</b>								
Borrowings and financing	999.5	18.6%	169.0	4.5%	226.6	7.0%	491.5%	-25.4%
Trade and other payables	649.9	12.1%	489.0	12.9%	366.5	11.4%	32.9%	33.4%
Payroll, profit sharing and related taxes	211.8	3.9%	132.0	3.5%	162.8	5.1%	60.4%	-18.9%
Taxes payable	501.5	9.3%	446.8	11.8%	366.0	11.4%	12.2%	22.1%
Provision for tax, civil and labor risks	-	0.0%	-	0.0%	-	0.0%	n/d	#DIV/0!
Derivatives	-	0.0%	-	0.0%	4.1	0.1%	#DIV/0!	-100.0%
Other payables	52.0	1.0%	37.9	1.0%	52.1	1.6%	37.2%	-27.1%
<b>Total current liabilities</b>	<b>2,414.7</b>	<b>44.9%</b>	<b>1,274.7</b>	<b>33.6%</b>	<b>1,178.0</b>	<b>36.6%</b>	<b>89.4%</b>	<b>8.2%</b>
<b>Noncurrent liabilities</b>								
Borrowings and financing	1,325.1	24.7%	1,017.7	26.8%	465.1	14.4%	30.2%	118.8%
Provision for tax, civil and labor risks	63.3	1.2%	65.0	1.7%	73.8	2.3%	-2.6%	-12.0%
Taxes payable	177.3	3.3%	140.5	3.7%	215.1	6.7%	26.1%	-34.7%
Other payables	89.0	1.7%	44.8	1.2%	32.4	1.0%	98.5%	38.2%
<b>Total noncurrent liabilities</b>	<b>1,654.6</b>	<b>30.8%</b>	<b>1,268.0</b>	<b>33.4%</b>	<b>786.4</b>	<b>24.4%</b>	<b>30.5%</b>	<b>61.2%</b>
<b>Shareholders' Equity</b>								
Capital	427.1	7.9%	427.1	11.3%	418.1	13.0%	0.0%	2.2%
Capital reserves	(66.1)	-1.2%	160.3	4.2%	149.6	4.6%	-141.2%	7.1%
Earnings reserves	155.9	2.9%	292.5	7.7%	282.9	8.8%	-46.7%	3.4%
Treasury shares	308.1	5.7%	(102.8)	-2.7%	-	0.0%	n/d	n/d
Proposed additional dividend	491.3	9.1%	490.9	12.9%	430.1	13.3%	0.1%	14.1%
Other comprehensive income	(10.2)	-0.2%	(17.6)	-0.5%	(23.2)	-0.7%	-42.2%	-24.0%
<b>Total shareholders' equity</b>	<b>1,306.1</b>	<b>24.3%</b>	<b>1,250.2</b>	<b>33.0%</b>	<b>1,257.5</b>	<b>39.0%</b>	<b>4.5%</b>	<b>-0.6%</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,375.4</b>	<b>100.0%</b>	<b>3,793.0</b>	<b>100.0%</b>	<b>3,221.9</b>	<b>100.0%</b>	<b>41.7%</b>	<b>17.7%</b>

<sup>(1)</sup> Vertical analysis.

## Comparison of the operating results in the fiscal years ended in 2012 and 2011

### Gross revenue

Our gross revenue was R\$8,566.1 million in 2012, an increase of 13,7% from the gross revenue of R\$7,535.8 million in 2011, mainly due to the increases in the quantity of products sold and the average price of products sold in the period.

### Domestic sales

The 10.6% increase in sales in the domestic market can be broken down into the 8.8% increase in the quantity of units sold (which reached 445.8 million units sold in 2012, compared to 410.5 million in 2011) and the 1.8% increase in the average price of products sold.

The following table presents a breakdown of our gross revenue by segment:

Opening gross revenue balance (R\$ million)	Fiscal year ended		Change 2012/2011 (%)
	December 31, 2012	December 31, 2011	
Domestic market .....	7,626.1	6,896.7	10.6%
Foreign market –international operations <sup>(1)</sup> .....	932.7	633	47.3%
Other sales domestic market <sup>(2)</sup> .....	1.4	1.4	1.9%
Other sales foreign market <sup>(3)</sup> .....	5.9	4.6	28.3%
Gross revenue .....	8,566.1	7,535.8	13.7%

<sup>(1)</sup> Sales made by the subsidiaries in Argentina, Chile, Colombia, France, Mexico and Peru.

<sup>(2)</sup> Sales of scrap.

<sup>(3)</sup> Sales made by our distributor in Bolivia and Duty Free.

### Export sales

The revenue from sales at our international operations was R\$938.6 million in 2012, up 47.2% from the export sales in 2011 of R\$637.7million. In weighted local currency, in 2012 compared to 2011, export sales grew by 28% in the Operations in Consolidation and by 25.2% in the Operations in Implementation in the quarter and by 27.4% and 32.6%, respectively, in the year. This result was leveraged by the significant growth in the consultant base, thanks to the stabilization of the CNO model in Chile, Colombia and Peru, and to adjustments to the Sustainable Relations Network model in Mexico.

### Sales tax, returns and cancellations

Sales tax, returns and deductions increased 14.2% to R\$2,220.4 million in 2012, compared to R\$1,944.4 million in 2011, mainly due to the higher sales described above.

### Net revenue

In view of the above, the Corporation's net revenue was R\$6,345.7 million in 2012, up 13.5% from the net revenue of R\$5,591.4 million in 2011.

## Cost of goods sold

Cost of goods sold was R\$1,868.0 million in 2012, increasing 12.1% from the cost of goods sold of R\$1,666.3 million in 2011.

The following table presents the components of cost of goods sold for the periods indicated and the percentage variation in each component:

<i>(R\$ million)</i>	<b>Fiscal year ended</b>		<b>Change 2012/2011 (%)</b>
	<b>2012</b>	<b>2011</b>	
Raw material for products and packaging <sup>(1)</sup> and products for resale <sup>(2)</sup> .....	1,548.6	1,385.60	11.8%
Labor .....	170.3	156.7	8.7%
Depreciation .....	48.8	38.6	26.4%
Other costs <sup>(3)</sup> .....	100.3	85.4	17.4%
Cost of products sold .....	1,868.0	1,666.3	12.1%

<sup>(1)</sup> Mainly plastics, glass, printing and fragrances.

<sup>(2)</sup> Products made by third parties, soaps, hair care products, etc.

<sup>(3)</sup> "Other costs" includes electricity, water, gas, consulting services, IT services and other items.

As a ratio of net revenue, our cost of goods sold decreased to 29.4% in 2012, compared to 29.8% in 2011. This decrease was mainly due to the control of cost pressures, the appreciation in the Brazilian real against the U.S. dollar (around 15% of our total costs is pegged to the dollar) and the efficient pricing strategy, which was partially offset by the increase in the value of losses in Brazil.

## Gross profit

In view of the above, gross profit increased 14.1% to R\$4,477.6 million in 2012, compared to gross profit of R\$3,925.1 million in 2011. Our gross margin increased to 70.6% in 2012, from 70.2% in 2011. The gross margin expansion in the period was basically due to the better ratio of cost of goods sold to net revenue explained above.

## Operating revenue (expenses)

Operating expenses were R\$3,108.1 million in 2012, representing an increase of 19.1% from the operating expenses of R\$2,609.9 million in 2011.

This following table presents the composition of our operating revenue (expenses) for the periods indicated and the percentage variation in each component:

<i>(R\$ million)</i>	<b>Fiscal year ended</b>		<b>Change 2012/2011 (%)</b>
	<b>2012</b>	<b>2011</b>	
Selling expenses .....	2,212.2	1,952.7	13.3%
General and administrative expenses .....	772.7	680.7	13.5%
Employee profit sharing .....	90.8	30.2	201.0%
Management compensation .....	20.7	9.4	119.6%

Other operating (expenses) income, net .....	11.6	(63.1)	(118.5)%
Net operating expenses .....	3,108.07	2,609.90	19.1%

### Selling expenses

Selling expenses increased from R\$1,952.7 million in the fiscal year ending in 2011 to R\$2,212.2 million in the fiscal year ending in 2012. As a ratio of net revenue, selling expenses were stable at 34.9% in 2012, compared to 34.9% in 2011. Selling expenses remained aligned with the Corporation's strategy and consistent with the competitive environment. In 2012, we increased our marketing investments in both support for product launches and training and events for the sales team. This increase was driven by the higher efficiency in logistics operations and the dilution of costs with our sales team. The number of orders made over the Internet in Brazil reached 95.0% in the year (92.0% in 2011).

### General and administrative expenses

General and administrative expenses increased from R\$680.7 million in the fiscal year ending in 2011 to R\$772.7 million in 2012. As a ratio of net revenue, general and administrative expenses were stable at 12.2% in both 2012 in 2011. The increase in administrative expenses in relation to the prior year is in line with our plans, due to: (i) the increase in expenses with research and development, from 2.7% to 2.5% of net revenue; (ii) the higher investments in projects that will support the Corporation's growth, especially in the areas of information technology and leadership development; (iii) the costs with the continued investments in information technology.

### Employee profit sharing

The expense with the employee profit sharing plan increased from R\$30.2 million in 2011 to R\$90.8 million in 2012. This increase is explained by not meeting the targets and the employee profit sharing policy in 2011.

### Management compensation

Management compensation increased from R\$9.4 million in 2011 to R\$20.7 million in 2012.

### Other net operating income (expenses)

Other net operating income (expenses) decreased from income of R\$63.1 million in the fiscal year ending in 2011 to an expense of R\$11.6 million in 2012. This variation was largely driven by the non-recurring impact from the recognition of PIS and Cofins tax credits on services relative to other periods, the negotiations to reduce the value added margin (MVA) used to calculate ICMS state VAT tax on direct sales in the state of Paraná and in the Federal District and the recognition of a contingent PIS and Cofins asset associated with credits from taxes on both financial income and storage operations in 2011.

### Net financial income (expenses)

The Corporation recorded a net financial expense of R\$93.5 million in 2012, compared to the net financial expense of R\$77.3 million in 2011.

Financial expense increased to R\$255.3 million in 2012, compared to R\$200.0 million in 2011. This variation was largely due to the increase in the Corporation's gross debt.

Financial income increased to R\$161.8 million in 2012, from R\$122.7 million in 2011. The highlight was the gains from derivative operations contracted to provide a currency hedge for the Corporation's positions with exposure and increase in financial investments.

Most of the debts contracted in foreign currency have derivative operations contracted to eliminate from the financial result the effects of currency translation that offset any decreases in financial income and any increases in financial expenses. In practice, the variation in the CDI interbank overnight rate serves as the reference for our debt profile.

#### Income tax and social contribution tax (CSLL)

Income tax and social contribution tax (CSLL) increased to R\$414.9 million in 2012, from R\$406.8 million in 2011. The variation in expenses with income tax and CSLL was driven by the higher operating income in the period.

#### Net income

For the abovementioned reasons, our net income increased to R\$861.2 million in 2012 (13.6% of net revenue), compared to R\$830.9 million in 2011 (14.9% of net revenue).

Other information and non-accounting measures

#### EBITDA

Our EBITDA reached R\$1,510.7 million in 2012, increasing 6% from the EBITDA of R\$1,425.0 million in 2011. Our EBITDA margin was 23.8% in 2012, compared to 25.5% in 2011.

The following table presents a conciliation of net income with EBITDA for the periods indicated.

	<b>Fiscal year ended</b>		
	<b>2012</b>	<b>2011</b>	<b>Change 2012/2011 (%)</b>
Net income .....	861.2	830.9	3.6
(+) Depreciation and amortization .....	141.2	109.9	28.4
(+) Net financial income (expenses) .....	93.5	77.3	20.8
(+) Income and Social Contribution taxes .....	414.9	406.8	2.0
EBITDA .....	1,510.7	1,425.0	6.0

## **Comparison of Main Equity Accounts in 2012 and 2011**

### **ASSETS**

#### Current assets

In 2012, Current assets were R\$3,378.3 million, up 53.3% from 2011. The increase was mainly due to

the higher balance of cash and cash equivalents and marketable securities, as explained below:

#### Cash and cash equivalents and marketable securities

In 2012, the balance of Cash and cash equivalents was R\$1,613.1 million, up 218.7% from 2011. This variation is explained by funding for early settlement of loans in 2013, driven by opportunities of exchange and interest rates. Cash and cash equivalents corresponded to 30.6% of our assets in 2012, compared to 13.6% in 2011.

#### Trade accounts receivable

In 2012, Trade accounts receivable was R\$651.4 million, up 1.5% from 2011.

Trade accounts receivable corresponded to 12.1% of our assets in 2012, compared to 16.9% in 2011.

#### Inventories

In 2012, the balance of Inventories was R\$700.7 million, up 1.7% from 2011. This variation was largely due to the growth in the Corporation's sales, optimization of Distribution Centers and the build in Inventories to efficiently meet demand.

The account Inventories corresponded to 13.0% of our assets in 2012, compared to 18.2% in 2011.

#### Recoverable taxes

In 2012, the balance of Recoverable taxes in the short term was R\$144.5 million, decreasing 28.4% from the balance of R\$201.5 million in 2011. Additionally, Recoverable taxes corresponded 2.7% of our total assets in 2012, compared to 5.3% in 2011.

#### Unrealized Gains/Provision for losses in derivatives trading

In 2012, the account Provision for gains in derivatives trading was a debit balance of R\$80.9 million, which represented 1.5% of our total assets, versus the debit balance in the Provision for losses in derivatives trading of R\$28.6 million in 2011. The market value of these instruments was R\$1,450.9 million and R\$406.9 million in 2012 and 2011, respectively.

#### Non-current assets

In 2012, Non-current assets were R\$1,997.1 million, up 25.6% from 2011. This increase is attributable mainly to an increase in the balance of Recoverable taxes, Escrow deposits, Deferred income tax and CSSL, Property, plant and equipment and Intangible assets, as explained below.

#### Recoverable taxes

In 2012, the balance of Recoverable taxes in the long term was R\$151.4 million, increasing 36.1% from the balance in 2011 of R\$111.2 million. Additionally, Recoverable taxes in the long term

corresponded to 2.8% of our total assets in 2012, compared to 2.9% in 2011. These recoverable taxes will be reimbursed over the next few years as they are released by the São Paulo State Treasury (Sefaz).

#### Deferred income and social contribution taxes

In 2012, the balance of the Deferred Income Tax and CSLL accounts was R\$214.2 million, up 13.0% from 2011. This variation was largely due to the deferred amounts arising from various tax liabilities, the creation of actuarial provisions and other temporary provisions. Deferred Income Tax and CSLL corresponded to 4.0% of our assets in 2012, compared to 5.0% in 2011.

#### Escrow Deposits

In 2012, the balance of Escrow deposits was R\$349.5 million, up 18.2% from the balance in 2011. This variation was basically due to deposits related to discussions with the Federal District and the state of Mato Grosso do Sul. Escrow deposits account for 6.5% of our assets in 2012, compared to 7.8% in 2011.

#### Property, plant and equipment

In 2012, Property, plant and equipment accounts was R\$1,012.1 million, up 26.4% from 2011. This variation was due to the highest investment ever in our history, with R\$437.5 million in capital expenditure allocated to production, logistics and technology projects, which are indispensable for sustaining our growth, which was partially offset by the depreciation in the period. The Property, plant and equipment account represented 18.8% of our total assets in 2012, compared to 21.1% in 2011.

#### Intangible assets

In 2012, Intangible assets came to R\$228.5 million, up 40.4% from 2011. The main driver of this increase was the acquisition of new software. The Intangible Assets account represented 4.3% of our total assets in 2012, compared to 4.3% in 2011.

### **LIABILITIES**

#### Current liabilities

In 2012, Current liabilities were R\$2,414.7 million, up 89.4% from 2011. This decrease was largely due to the higher balance of Domestic suppliers and Taxes payable, as explained below.

#### Borrowings and financing

In 2012, the balance of Borrowings and financing was R\$999.5 million, which was R\$830.5 million higher than in 2011. This variation was mainly due borrowings maturing in 2013. Borrowings and financings corresponded to 18.6% of our total liabilities and shareholders' equity in 2012, compared to 4.5% in 2011.

### Trade and other payables

In 2012, the balance of Trade and other payables was R\$649.9 million, increasing 32.9% from 2011, driven by the growth in the Corporation's sales, which led to higher purchases of raw materials and packaging to form inventories, given the higher sales and the strategies of the new Distribution Centers. We also had a positive scheduling impact by which payments due from December 29 through 31 were paid only in 2013. The balance of Trade and other payables corresponded to 12.1% of our total liabilities and shareholders' equity in 2012, compared to 12.9% in 2011.

### Payroll, profit sharing and related taxes

In 2012, the account Payroll, profit sharing and related taxes was R\$211.8 million, up 60.4% from R\$132.0 million in 2011, due to not meeting the internal profit sharing targets in 2011. This account Payroll, profit sharing and related taxes represented 3.9% of our total liabilities and shareholders' equity in 2012, compared to 3.5% in 2011.

### Taxes payable

In 2012, Taxes payable were R\$501.5 million, increasing 12.2% from R\$446.8 million in 2011, largely due to the higher sales in the period and to the questioning of the ICMS tax balances included in the calculation of the PIS and COFINS tax base. The account Taxes payable represented 9.3% of our total liabilities and shareholders' equity in 2012, compared to 11.8% in 2011.

### Other payables

In 2012, the balance of the account Other payables was R\$52.0 million, increasing 37.2% from R\$37.9 million in 2011. The account Other payables represented 1.0% of our total liabilities and shareholders' equity in 2012, compared to 1.0% in 2011.

### Non-current liabilities

In 2012, Non-current liabilities were R\$1,654.6 million, up 30.5% from 2011. This increase was largely due to the proceeds from new Borrowings and financing in the period.

### Borrowings and financing

In 2012, Borrowings and financing amounted to R\$1,325.1 million, growing 30.2% from 2011. Borrowings and financings corresponded to 24.7% of our total liabilities and shareholders' equity in 2012, compared to 26.8% in 2011.

### Provision for tax, civil and labor contingencies

In 2012, the provision for contingent liabilities was R\$63.3 million, decreasing 2.6% from 2011. Provisions for tax, civil and labor contingencies represented in the long term 1.2% of total liabilities in 2012 and 1.7% in 2011.

### Taxes payable

In 2012, the account Taxes payable in the long term was R\$177.3 million, increasing 26.1% from R\$140.5 million in 2011, mainly due to provisions for legal discussion with the Federal District and the state of Mato Grosso do Sul. The account Taxes payable in the long term represented 3.3% of our total liabilities and shareholders' equity in 2012, compared to 3.7% in 2011.

### Shareholders' equity

Shareholders' equity decreased from R\$1,250.2 million in 2011 to R\$1,306.1 million in 2012, basically due to (i) the net income in 2012, net of dividends distributed and proposed and of interest on equity; (ii) the cumulative adjustment in the translation of the financial statements of the Corporation's overseas subsidiaries; and (iii) the sale of treasury stock, as a result of the exercise of stock options.

### Other equity accounts

Any equity accounts not mentioned above did not show any significant variations between the balances in 2012 and 2011.

## **Comparison of Main Equity Accounts in 2011 and 2010**

### **ASSETS**

#### Current assets

In 2011, Current assets were R\$2,203.3 million, up 17.8% from 2010. The increase was mainly due to the higher balance of Inventories, Recoverable taxes and Other receivables, as explained below:

#### Cash and cash equivalents

In 2011, the balance of Cash and cash equivalents was R\$515.6 million, down 8.0% from 2010. This variation is explained by higher use of the Corporation's cash for the increase in inventory coverage and the lower offsetting of recoverable taxes. Cash and cash equivalents corresponded to 13.6% of our assets in 2011, compared to 17.4% in 2010.

#### Trade accounts receivable

In 2011, Trade accounts receivable was R\$641.9 million, up 12.6% from 2010. The increase was due to the gross revenue growth in the period and the expansion of the international operations.

Trade accounts receivable corresponded to 16.9% of our assets in 2011, compared to 17.7% in 2010.

#### Inventories

In 2011, the balance of Inventories was R\$688.7 million, up 20.5% from 2010. This variation was largely due to the growth in the Corporation's sales, the higher coverage in our international

operations, the opening of new Distribution Centers and the build in Inventories to meet the growing demand.

The account Inventories corresponded to 18.2% of our assets in 2011, compared to 17.7% in 2010.

#### Recoverable taxes

In 2011, the balance of Recoverable taxes in the short term was R\$201.6 million, increasing 98.7% from the balance in 2010 of R\$101.5 million. Additionally, Recoverable taxes corresponded 5.3% of our total assets in 2011, compared to 3.2% in 2010. This variation was largely driven by the non-recurring impact from the recognition of PIS and Cofins tax credits on services relative to other periods, the negotiations to reduce the value added margin (MVA) used to calculate ICMS state VAT tax on direct sales in the state of Paraná and in the Federal District and the recognition of a contingent PIS and Cofins asset associated with credits from taxes on both financial income and storage operations.

#### Non-current assets

In 2011, Non-current assets were R\$1,589.8 million, up 17.6% from 2010. This increase is attributable mainly to an increase in the balance of Recoverable taxes, Escrow deposits, Deferred income tax and CSLL, Property, plant and equipment and Intangible assets, as explained below.

#### Recoverable taxes

In 2011, the balance of Recoverable taxes in the long term was R\$111.2 million, increasing 1.8% from the balance in 2010 of R\$109.3 million. Additionally, Recoverable taxes in the long term corresponded to 2.9% of our total assets in 2011, compared to 3.4% in 2010. This change is largely due to the reclassification of ICMS credits on exports for the period prior to 2009. These recoverable taxes will be reimbursed over the next few years as they are released by the São Paulo State Treasury (Sefaz).

#### Deferred income tax and social contribution tax

In 2011, the balance of the Deferred Income Tax and CSLL accounts was R\$189.6 million, up 5.2% from 2010. This variation was largely due to the deferred amounts arising from various tax liabilities, the creation of actuarial provisions and other temporary provisions. Deferred Income Tax and CSLL corresponded to 5.0% of our assets in 2011, compared to 5.5% in 2010.

#### Escrow Deposits

In 2011, the balance of Escrow deposits was R\$295.8 million, down 12.2% from the balance in 2010. This variation was basically due to the negotiations of the Value Added Margin (MVA) in the state of Paraná, with a new agreement signed in November 2011. Escrow deposits account for 7.8% of our assets in 2011, compared to 10.5% in 2010.

#### Property, plant and equipment

In 2011, Property, plant and equipment accounts was R\$800.4 million, up 42.8% from 2010. This variation was due to the highest investment ever in our history, with R\$346.4 million in capital expenditure allocated to production, logistics and technology projects, which are indispensable for sustaining our growth, which was partially offset by the depreciation in the period. The Property, plant and equipment account represented 21.1% of our total assets in 2011, compared to 17.4% in 2010.

#### Intangible assets

In 2011, Intangible assets came to R\$162.8 million, up 35.5% from 2010. The main driver of this increase was the acquisition of new software. The Intangible Assets account represented 4.3% of our total assets in 2011, compared to 3.7% in 2010.

### **LIABILITIES**

#### Current liabilities

In 2011, Current liabilities were R\$1,274.7 million, up 8.2% from 2010. This decrease was largely due to the higher balance of Domestic suppliers and Taxes payable, as explained below.

#### Borrowings and financing

In 2011, the balance of Borrowings and financing was R\$169.0 million, which was R\$57.6 million higher than in 2010. This variation was mainly due to the new short-term loans contracted for working capital needs. Borrowings and financings corresponded to 4.5% of our total liabilities and shareholders' equity in 2011, compared to 7.0% in 2010.

#### Trade and other payables

In 2011, the balance of Trade and other payables was R\$489.0 million, increasing 33.4% from 2010, driven by the growth in the Corporation's sales, which led to higher purchases of raw materials and packaging to form inventories, given the higher sales and the strategies of the new Distribution Centers. The balance of Trade and other payables corresponded to 12.9% of our total liabilities and shareholders' equity in 2011, compared to 11.4% in 2010.

#### Payroll, profit sharing and related taxes

In 2011, the account Payroll, profit sharing and related taxes was R\$132.0 million, down 18.9% from R\$162.8 million in 2010, due to not meeting the internal profit sharing targets for the period. This account Payroll, profit sharing and related taxes represented 3.5% of our total liabilities and shareholders' equity in 2011, compared to 5.1% in 2010.

#### Taxes payable

In 2011, Taxes payable were R\$446.8 million, increasing 22.1% from R\$366.0 million in 2010, largely due to the higher sales in the period and to the questioning of the ICMS tax balances included in the calculation of the PIS and COFINS tax base. The account Taxes payable represented 11.8% of

our total liabilities and shareholders' equity in 2011, compared to 11.4% in 2010.

#### Unrealized Gains/Provision for losses in derivatives trading

In 2011, the account Provision for gains in derivatives trading was a debit balance of R\$28.6 million, which represented 0.8% of our total assets, versus the credit balance in the Provision for losses in derivatives trading of R\$ 4.1 million in 2010. The market value of these instruments was R\$406.9 million and R\$90.3 million in 2011 and 2010, respectively.

#### Other payables

In 2011, the balance of the account Other payables was R\$37.9 million, decreasing 27.1% from R\$52.1 million in 2010. The account Other payables represented 1.0% of our total liabilities and shareholders' equity in 2011, compared to 1.6% in 2010.

#### Non-current liabilities

In 2011, Non-current liabilities were R\$1,268.0 million, up 61.2% from 2010. This increase was largely due to the proceeds from new Borrowings and financing in the period.

#### Borrowings and financing

In 2011, Borrowings and financing amounted to R\$1,017.7 million, growing 118.8% from 2010. Borrowings and financings corresponded to 26.8% of our total liabilities and shareholders' equity in 2011, compared to 14.4% in 2010.

#### Provision for tax, civil and labor contingencies

In 2011, the provision for contingent liabilities was R\$65.0 million, decreasing 12.0% from 2010. Provisions for tax, civil and labor contingencies represented in the long term 1.7% of total liabilities in 2011 and 2.3% in 2010.

#### Taxes payable

In 2011, the account Taxes payable in the long term was R\$140.5 million, decreasing 34.7% from R\$215.1 million in 2010, mainly due to the agreement in the state of Paraná for the tax issues regarding the level of the value added margin (MVA). The account Taxes payable in the long term represented 3.7% of our total liabilities and shareholders' equity in 2011, compared to 6.5% in 2010.

#### Shareholders' equity

Shareholders' equity decreased from R\$1,257.5 million in 2010 to R\$1,250.2 million in 2011, basically due to (i) the net income in 2011, net of dividends distributed and proposed and of interest on equity; (ii) the cumulative adjustment in the translation of the financial statements of the Corporation's overseas subsidiaries; and (iii) the acquisition of treasury stock.

## Other equity accounts

Any equity accounts not mentioned above did not show any significant variations between the balances in 2011 and 2010.

## *Uses and sources of funds*

Our main sources of funds are our operations and borrowings from financial institutions.

## **Operations by overseas subsidiaries**

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

The international operations made an important contribution and already account for 11.6% of consolidated net revenue. The operations in consolidation (Argentina, Chile and Peru) registered net revenue growth in weighted local currency of 28.0% in 2012. EBITDA was a gain of R\$78.4 million, with EBITDA margin of 16.1% (R\$43.0 million in 2011 with margin of 12.8%). In the operations in implementation (Mexico and Colombia), net revenue in weighted local currency grew by 52.0% in the year.

Our overseas subsidiaries registered a loss before financial impacts of R\$57.8 million (corresponding to 11.5% of net revenue) in 2011, compared to R\$20.3 million (corresponding to 2.8% of net revenue) in 2012. The operations in consolidation (Argentina, Chile and Peru) are already registering positive cash flow.

## **Cash Flow**

	Fiscal year ended		
	<i>(R\$ million)</i>		
	2012	2011	2010
Net cash provided by operating activities .....	1,342.0	663.8	973.8
Net cash used in investing activities.....	(965.6)	(250.3)	(313.5)
Net cash used in financing activities .....	255.3	(460.1)	(595.8)
Increase (decrease) in cash and cash equivalents.....	628.8	(44.6)	59.9

Our cash flow derives primarily from our operational activities and may vary in accordance with the fluctuations in our operating revenue, cost of goods sold, operating expenses and financial gains or losses. Our main source of funds is the revenue from sales to Natura Consultants.

Internal cash flow in the year was R\$1,040.7 million, an increase of 7.9%, which is line with the 3.7% growth in net income in the period. Of this sum, R\$281.1 million was used in working capital and R\$437.4 million in Property, plant and equipment. As a result, free cash flow was R\$884.3 million, up 115.4% from 2011.

We continue to observe an increase in inventory coverage, driven primarily by the lower-than-expected sales. We also observed a decrease in recoverable taxes due to the use of PIS and Cofins tax credits on services, financial income and freight recognized in 2011.

In 2012, our current capital (current assets less current liabilities) was approximately R\$963.6 million, compared to R\$928.5 million in 2011 and R\$691.9 million in 2010. We believe our current capital is sufficient to meet our current needs.

### Uses of funds

Our funds are used mainly to pay our borrowings, make investments and pay dividends and interest on equity. In 2012, we had R\$2,324.5 million in short and long term Borrowings and financing. In 2011, these amounts were R\$1,186.7 million.

We paid dividends and/or interest on equity (net) of R\$846.1 million in 2012, R\$814.5 million in 2011 and R\$710.5 million in 2010.

Our investments totaled R\$846.1 million in 2012, R\$346.4 million in 2011 and R\$236.9 million in 2010. See details of our investments below in the section "Investments".

### Investments

Our operational activities require regular investments, particularly those related to the development of our infrastructure and the acquisition of the tools used in our business, such as software, machinery, tools, vehicles and industrial molds.

The following table shows the investments made in the periods indicated:

	Fiscal year ended		
	2012	2011	2010
	<i>(R\$ million)</i>		
Software and information technology equipment	111.1	66.4	61.6
Machinery, tools and accessories .....	22.5	45.0	29.7
Vehicles .....	20.4	21.0	24.2
Buildings and facilities .....	3.1	6.1	7.2
Molds <sup>(1)</sup> .....	13.9	15.3	17.0
IT machinery and equipment .....	12.8	11.4	7.3
Furniture and fixtures .....	5.2	5.7	1.6
PPE in progress/ advances to suppliers .....	235.4	165.7	84.6
Other investments .....	13.1	9.8	3.7
Total investments .....	437.5	346.4	236.9

<sup>(1)</sup> These are steel molds made especially for use by our suppliers to produce plastic bottles and packaging for our products. We hold ownership of these molds.

Our investments were in general guided by the need to better meet the need for improvements in logistics and in our information technology structures.

In the fiscal years from 2009 to 2012, there were no relevant capital divestments. In the same period,

there were also no investments made related to interests held in companies outside of the Natura Group.

For its investments in expanding its manufacturing and inventory capacities, the Corporation is seeking credit lines. Financing lines are important for supporting our expansion. However, we believe that we will be able to implement our current expansion projects using own resources, in a scenario marked by a shortage of liquidity in the financial market.

## **10.2 The Officers must comment on:**

*(a) the results from the operations of the Corporation, in particular: (i) a description of any important revenue components; and (ii) factors that materially affect the operating results of the Corporation*

In Brazil, our Corporation operates on an integrated basis in Brazil's cosmetic, fragrance and toiletry industry, engaged in the development, manufacture, distribution and marketing of products. We also are present in seven other countries in Latin American and Europe: Argentina, Bolivia, Chile, Colombia, Mexico, Peru and France. The operations in Venezuela were discontinued in 2010.

Nearly all (88.4% in 2012) of our gross revenue is denominated in Brazilian real and derives from the sale of our products to our Natura Consultants. The number of Natura Consultants and their productivity are among the main drivers of growth in our gross operating revenue. Our revenue denominated in foreign currency derives from our sales in other countries where we have operations and from the exports made to our distributor in Bolivia and to Duty Free.

In addition to the activities directly undertaken by the Corporation, our organizational structure also includes the subsidiaries, whose activities are described below:

- *Indústria e Comércios de Cosméticos Natura Ltda.*: is engaged primarily in the manufacture and marketing of Natura brand products for the Corporation and for our subsidiaries abroad;
- *Natura Logística e Serviços Ltda.*: is engaged primarily in providing administrative and logistics services to the companies of our conglomerate based in Brazil;
- *Natura Inovação e Tecnologia de Produtos Ltda.*: is engaged primarily in developing products and technologies and conducting market research. It is a wholly owned subsidiary of Natura Innovation et Technologies de Produits SAS - France, which is the research satellite inaugurated in Paris in 2007;
- *Ybios*: the activities of Ybios consist of research, management, project development, products and services in the field of biotechnology, including through partnerships and agreements with universities, foundations, companies, cooperatives and associations, as well as other government and private entities;
- *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.*: these companies engage in activities similar to those of the Corporation in Brazil; and
- *Natura Europa SAS and Natura Brasil SAS*: are engaged primarily in the buying, selling, importing, exporting and distribution of cosmetic, fragrance and toiletry products.

Our revenue is almost entirely generated by our operations. The following table shows the contribution from our subsidiaries, which together accounted for 11.6% of our gross revenue in the fiscal year ended December 31, 2012:

	Fiscal year ended on December 31,		
	2012	2011	2010
<b>Subsidiaries</b>	<i>(% contribution)</i>		
Operations in Consolidation	7.7%	6.0%	4.8%
Operations in Implementation	3.6%	2.7%	1.6%
Other (Bolivia and Duty Free)	0.3%	0.3%	0.4%
<b>Total Subsidiaries</b>	<b>11.6%</b>	<b>9.0%</b>	<b>6.8%</b>
<b>Total Natura Cosméticos</b>	<b>88.4%</b>	<b>91.0%</b>	<b>93.2%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Brazilian economic scenario

Brazil's economic scenario directly affects our financial position and our operating result. Sudden changes in economic policy and in economic conditions that already took place or might happen in the future have demanded, and will continue to demand, constant evaluation of the risks associated with our activities and corresponding adjustments to our business strategy. Household income and employment levels, especially, are factors that drive the growth of our business. Moreover, our production costs are affected by inflation and by foreign exchange variations, which affect the cost of imported components that we use in our products. Nevertheless, our sales model has been perseverant during economically difficult times, especially due to the role direct sales as an additional source of household income.

The Brazilian economy has remained relatively stable for several years, even registering growth, despite the world economic crisis. The country's GDP measured by the Brazilian Institute of Geography and Statistics (IBGE) grew 5.1% in 2008, dropped 0.2% in 2009 and once again grew 7.5%, 2.7% and 1.2% in 2010, 2011, and 2012, respectively. Inflation, as measured by the Extended Consumer Price Index (IPCA) and published by IBGE, stood at 5.9%, 4.3%, 5.9%, 6.5% and 5.7% p.a. in 2008, 2009, 2010, 2011 and 2012, respectively.

The increased buying power resulting from the increase in household income among the low and middle income families in 2010 and 2011 has driven up consumption in Mexico. The economic recovery stimulated basic industry and contributed to the trade surplus.

In 2012, GDP growth slowed down even with the unemployment remaining low. The IPCA remained within the target set by the Brazilian government, despite efforts to stimulate economic activity, which has been affected by the reduction in imports of Brazilian products by China and the United States. The buying power of Brazil's middle class continued to increase and the higher consumption partly

offset the negative effects of lower private investments on GDP.

The following table shows the changes in GDP and interest rates for years ended December 31, 2008, 2009, 2010, 2011 and 2012.

	December 31				
	2008	2009	2010	2011	2012
Growth (reduction) in GDP(1) .....	5.1%	(0.3)%	7.5%	2.7%	0.9%
Average CDI(2) rate.....	12.3%	9.8%	9.7%	11.6%	8.4%
TJLP(3) .....	6.3%	6.0%	6.0%	6.0%	5.5%

(1) As measured by IBGE's new methodology for the period from 2008 through 2011 and by the Central Bank of Brazil in 2012.

(2) CDI rate is the average of the daily interbank rates practiced in Brazil (past 12 months). Source: CETIP

(3) CDI rate is the average of the daily interbank rates practiced in Brazil (past 12 months). Source: BNDES

### Effects of inflation and foreign exchange variation

Until the adoption of the Real Plan in 1994, for many years Brazil witnessed high, and generally unpredictable, rates of inflation and constant devaluation of its currency against the U.S. dollar. Since the introduction of the real in 1994, the inflation rate has been significantly lower than in earlier periods. The following tables shows the annual inflation indices measured in terms of IGP-M (General Market Price Index) and IPCA (Extended Consumer Price Index), as well as variations of the Brazilian real against the U.S. dollar, using the exchange rates announced by the Central Bank on the last date of each period:

	December 31				
	2008	2009	2010	2011	2012
Inflation (IGP-M)(1)	9.8%	(1.7)%	11.3%	5.1%	7.8%
Inflation (IPCA)(2)	5.9%	4.3%	5.9%	6.5%	5.8%
Foreign exchange rate (end of period) (R\$/US\$)	2.34	1.75	1.69	1.84	2.04
Foreign exchange rate variation (R\$/US\$)	32.2%	(25.6)%	(4.5)%	12.6%	8.9%

(1) Inflation (IGP-M) is the General Market Price Index measured by the Getúlio Vargas Foundation (FGV).

(2) Inflation (IPCA) is the Extended Consumer Price Index measured by IBGE.

Foreign exchange variations affect, and will continue to affect, our financial conditions and operating result. They also affect our monetary assets and liabilities denominated in Brazilian real. The value of these assets and liabilities in dollar declines when the real weakens against the dollar and increases when the real strengthens against the dollar. During periods of devaluation of the real, we report (a) a revaluation of the losses from monetary assets denominated in real, and (b) a revaluation of the gains from monetary liabilities denominated in real.

*(b) revenue variations attributed to changes in prices, exchange rates, inflation, volumes and the launch of new products and services*

Our operating revenue is directly impacted by changes in the quantity of products sold by our Natura Consultants and the prices of such products.

In fiscal year 2012, consolidated gross revenue was R\$8,566.1, increasing by 13.7%. Our total consultant base reached 1,570 thousand, growing 10.5% compared to 2011. In Brazil, we ended 2012 with 1,268 thousand consultants, which represents growth of 7.9%, and with 12,125 Super Consultants (CNOs). In the international operations, we ended the year with 304 thousand consultants, for growth of 22.8%.

In fiscal year 2011, consolidated gross revenue was R\$7,535.8, increasing 8.3% in relation to 2010. This growth reflects the 14.3% expansion in the number of consultants on a consolidated basis, as well as the good execution and successful product launches in the period.

In fiscal year 2010, consolidated gross revenue was R\$6,959.8, increasing 20.2% in relation to 2009. This growth reflects the 18.0% expansion in the number of consultants on a consolidated basis, as well as the good execution and successful product launches in the period.

Note that the prices practiced in the Corporation's industry are characterized by gradual increases over time, basically due to (i) the higher production costs; and (ii) the higher demand for higher-value products. Consistent gains in productivity in the industry have allowed manufacturers to avoid fully passing through their cost increases to consumers. Furthermore, the low concentration of suppliers and the high level of competition among them minimize the increases in raw material costs.

We expect consumer prices to continue growing gradually and that companies will continue to achieve productivity gains to avoid fully passing through their cost increases to consumers.

For information on the impacts of inflation, exchange and interest rates on the performance of the Corporation, see item (c) of this item 10.2. below.

*(c) impact of inflation, variations in the prices of main inputs and products, the exchange rate and interest rates on our operating and financial results*

Inflation

The Corporation's results have been affected by inflation. Most of our costs and expenses are incurred in Brazilian real and are increased when our suppliers or service providers raise their prices. Our service providers in general use the IPCA price index to adjust their prices, while our suppliers in general use the INPC consumer price index published by the Brazilian Geography and Statistics Institute (IBGE) and the IGP-M general price index published by the Getúlio Vargas Foundation (FGV) or a variation in the prices of certain commodities to adjust their prices for inflation. Our gross revenue is also indirectly affected by inflation, since in general we pass through part of our cost

increases to consumers through price increases.

### Foreign exchange

Due to the accounts receivable and financial obligations of various natures undertaken by the Corporation in foreign currencies, a Currency Hedge Policy was implemented that establishes the levels of exposure connected with these risks.

Our operating and financial results are affected by fluctuations in the exchange rate between the Brazilian real and the U.S. dollar and between the Brazilian real and the euro, mainly regarding: (i) changes in the costs of raw materials and packaging that are imported or pegged to the dollar; (ii) our financing pegged to foreign currencies; and (iii) the costs of products sold in Brazilian real to our subsidiaries that conduct operations in Argentina, Chile, Peru, Mexico, Colombia and France.

For their currency exposure, the Corporation and its subsidiaries contract operations with derivative instruments such as swaps and forward currency purchases known as Non Deliverable Forwards (NDF). The currency hedge policy determines that the hedge instruments contracted by the Corporation must limit the losses from currency devaluation in relation to the net income projected for the current fiscal year, based on a certain estimate of currency devaluation in relation to the U.S. dollar. This limit sets the ceiling or the maximum currency exposure allowed by the Corporation.

### Interest Rates

Since the Corporation does not have significant interest-bearing assets, the results and operating cash flow of the Corporation are substantially independent of changes in market interest rates.

The Corporation's interest rate risk derives from short- and long-term financial investments and loans and financing facilities. The Corporation's management has a policy of maintaining the indexers of its exposures to the interest rates of its funding and lending operations linked to floating rates. The financial investments and loans and financing facilities, except those contracted based on the Long-Term Interest Rate (TJLP), are restated by a floating rate (CDI rate), in accordance with the contracts signed with financial institutions and the securities traded with investors in this market.

The Corporation contracts swap derivative instruments with the goal of mitigating the risks of its loan and financing operations contracted with indexers other than the CDI rate.

The Corporation's business is affected by interest rates to the extent that higher interest rates could lead to lower household consumption. However, recent history has shown that our business model, which is very dependent on credit, has not suffered significant impacts from interest rate fluctuations.

The Corporation has not experienced difficulties or suffered financial losses arising from interest rate volatility in the fiscal years ended December 31, 2010, 2011 and 2012.

**10.3 The Officers must comment on any relevant effects that the following events have caused or are expected to cause on its financial statements and results:**

*(a) the introduction or divestment of operating segments*

There were no introductions or divestments of operating segments in our activities during the fiscal years ended December 31, 2010, 2011 or 2012 that caused or are expected to cause relevant effects on the financial statements or results of our Corporation.

*(b) the constitution, acquisition or divestment of ownership interests*

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

The acquisition was concluded on February 28, 2013 and was paid with the Corporation’s cash.

*(c) atypical events or operations*

No atypical events or operations occurred during the fiscal years ended December 31, 2010, 2011 or 2012 that caused or are expected to cause relevant effects on the financial statements or results of our Corporation.

**10.4. The Officers must comment on:**

**(a) any significant changes in accounting practices**

None

**(b) any significant effects of the changes in accounting practices**

None

**(c) any qualifications or emphasis of matter paragraphs in the auditor’s report**

None

**10.5 The Officers must indicate and comment on critical accounting policies adopted by the Corporation, exploring in particular any accounting estimates made by management about uncertain and relevant matters for describing the financial situation and results, which require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax credits, long-term assets, useful life of non-current assets, pension plans, adjustments of foreign currency conversion, environmental recovery costs, criteria for impairment testing assets and financial instruments**

The main accounting practices are those that are relevant to portraying our financial condition and our

results, and whose determination is more difficult, subjective and complex, frequently requiring estimates about inherently uncertain issues. To the extent that the number of variables and assumptions related to such uncertain and future matters increase, these determinations become even more subjective and complex. To describe the manner in which our management makes these determinations concerning future events, including the variables and assumptions underlying such estimates and the sensitivity of such judgments under different circumstances, we highlight the following accounting practices:

#### Property, plant and equipment

These are recorded at the acquisition and/or construction cost, and augmented, when applicable, by capitalized interest during the construction period for the cases of qualifying assets, and net of accumulated depreciation and impairment losses, when applicable.

The rights to tangible assets destined for the maintenance of activities of the Corporation and its subsidiaries, originating from financial leasing operations, are booked as if they were a financed acquisition, with one property, plant and equipment asset and one financing liability being booked at the beginning of each operation, and the assets are also subject to depreciation calculated according to the estimated useful lives of the respective assets. Land is not depreciated. The depreciation of other assets is calculated using the straight-line method to distribute their value over the estimated useful life and the same is reviewed annually.

Gains and losses from divestments are calculated by comparing the sale amount with the residual book value and recognizing the difference in the income statement.

#### Operations with derivatives

Operations with derivative financial instruments, contracted by the Corporation and its subsidiaries, are confined to swaps and non-deliverable forwards (NDF), solely for hedging against foreign exchange risks associated with positions in the balance sheet, as well as cash flows from capital infusions in the subsidiaries projected in foreign currencies.

They are measured at their fair value and the differences are carried to the year's result, except when they are designated in cash flow hedge accounting, whose changes in fair value are booked under "Other comprehensive income" in the balance sheet.

The fair value of derivative instruments is calculated by the treasury area of the Corporation based on information about each operation contracted and the respective market information on the closing dates of the financial statements, such as interest and foreign exchange rates. In cases where applicable, such information is compared with the positions informed to the trading desks of each financial institution involved.

Though the Corporation and its subsidiaries use derivatives for hedge purposes, they do not employ hedge accounting.

### Provisions

#### - Contingent liabilities

These are recognized when the Corporation and its subsidiaries have a present or non-formalized obligation of past events and it is probable that an outflow of resources is necessary to settle the obligation and the value might be estimated safely. The provisions are quantified at the present value of the disbursement expected for settling the obligation using an adequate discount rate according to the risks related to the liability. They are restated up to the dates of the balance sheets by the estimated amount of probable losses, subject to their nature and based on the opinion of the Corporation's legal advisors.

#### - Provision for credits of doubtful settlement

Natura Consultants have direct contact with their customers and make fundamental use of our sales catalog *Revista Natura*, which is printed every Sales Cycle. Natura Consultants acquire our products and pay for their orders in installments, with payment in twenty-one days or in forty-two days on certain special dates of the year, for resale to their customers, at prices, terms and conditions freely agreed between them. We may cancel the contracts with Natura Consultants that fail to pay for our products, who are prevented from placing new orders if the previous order has not been paid. Due to the default of certain Natura Consultants, we constitute in our financial statements provisions for the credits of doubtful settlement based on our estimates of the probable losses in realizing receivables, taking into account the historical data for defaults. We analyze our accounts receivable and the probability of collections on a monthly basis and note that historically out default levels have been considerably low, given the high dispersion of our portfolio of Natura Consultants. We do not have detailed information or any communication with final consumers other than the Natura Consultants. We do not have any legal recourse against the final consumers of our products for receiving the payments owed by Natura Consultants. If the financial situation of Natura Consultants deteriorates and prevents them from making payments, additional amounts may be provisioned.

#### - Provision for losses in realizing inventories

We also recognize provisions for probable losses of (i) product inventories that have been discontinued or that we plan to discontinue; (ii) excessive inventories of raw materials in relation to the projected sales of the product in which they are used for the next twenty-four months; and (iii) inventories of finished products for which the expiration date will occur before the product can be sold. We update these provisions on each closing date of the balance sheet.

### Stock option plans

The Company offers its executives stock option plans, settled exclusively with its shares. The stock option plan is measure at the fair value on the date of grant. To determine the fair value, the Corporation uses the binomial valuation method.

The cost of transactions settled with equity instruments is recognized, together with the corresponding increase in shareholders' equity to the "Additional paid-up capital" line during the period in which the performance and/or terms of service are complied with, ending on the date on which the employee acquires the full right to the premium (acquisition date). The accumulated expense recognized for transactions settled with equity instruments on each base date until the acquisition date reflects the duration of expiry of the acquisition period and the Corporation's best estimate as to the number of equity instruments that will be acquired. The expense or credit in the income statement of the period is registered under the item "administrative expenses".

When a premium for settlement with equity instruments is canceled, it is treated as if it were acquired on the date of cancellation and any unrecognized premium expense is registered immediately. This includes any premium in which the conditions for non-acquisition within the control of the Corporation or the counterparty were not met. All cancellations of transactions settled with equity instruments are treated in the same manner.

#### Consolidation of the financial statements of subsidiaries

Subsidiaries are all the entities in which the Corporation has the power to govern the financial and operational policies to obtain benefits from their activities and in which it normally holds interest of more than 50%. In cases where applicable, the existence and the effect of potential voting rights, which are currently exercisable or convertible, are taken into consideration while evaluating if the Corporation controls or not another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation and are ceased to be consolidated, where applicable, from the date on which control ceases to exist.

In cases where control is held jointly, consolidation of financial statements is done in proportion to the percentage interest.

#### **10.6 Regarding the internal controls adopted to ensure the preparation of reliable financial statements, the Officers must comment on:**

*(a) the degree of efficiency of such controls, indicating any defects and measures adopted to correct them*

We believe in the efficiency of the internal controls and procedures which we adopt to ensure the quality, precision and reliability of our financial statements. That is why, in the opinion of our management, our financial statements adequately present the profit and loss of our operations and our financial and equity positions on the respective dates.

We emphasize that the financial results in the financial statements do not necessarily indicate the results that can be expected in any other period or fiscal year.

We have sought to achieve the highest levels of governance, enhancing and reinforcing the set of controls and internal procedures. As a result we received the SOx certification, which is based on the criteria of the U.S. Sarbanes-Oxley Act for companies listed on the New York Stock Exchange.

Natura was one of the first Brazilian companies to receive SOx certification without being legally required to meet these standards. In our view, the principal benefit of employing a more efficient set of controls is in providing transparency and security to our stakeholders regarding the execution of our operations, ensuring that our financial statements accurately portray our business processes.

In February 2013 and 2012, we received the final reports from the independent auditor for fiscal years 2011 and 2012, which did not include any qualifications; in other words, stating that we continue to comply with all SOx requirements.

*(b) deficiencies and recommendations concerning the internal controls made in the report of the independent auditor*

The reports of our independent auditors regarding our financial statements for the fiscal years ended December 31, 2010, 2011 and 2012 did not indicate any deficiencies or recommendations about the internal controls and procedures we use to prepare our financial statements.

**10.7 If the Corporation has carried out any public securities distributions, the Officers must comment on:**

*(a) how the proceeds from the offer were used*

Not applicable.

*(b) if there were any relevant deviations between the effective use of the proceeds and the proposed uses disclosed in the prospectus of the distribution*

There were no deviations between the effective use of the proceeds and the proposed uses disclosed in the documents related to the Restricted Offer.

*(c) if there were any deviations, the reasons for such deviations*

Not applicable.

**10.8 The Officers must describe the relevant items not shown in the financial statements of the Corporation, indicating:**

*(a) the assets and liabilities held directly or indirectly by the Corporation that do not appear on its balance sheet (off balance sheet items), such as (i) operating leases, assets and liabilities; (ii) portfolios of written off receivables for which the entity continues to carry risks and responsibilities, indicating the respective liabilities; (iii) contracts for the future purchase and sale of products or services; (iv) contracts for unfinished construction projects; and (v)*

*contracts for the receipt of financing in the future*

The Corporation does not maintain any operations, contracts, obligations or other types of commitment with unconsolidated subsidiaries or other liability operations that could generate relevant effects, in the present or future, on its financial situation and/or changes in its financial situation, revenues or expenses, operating income, liquidity, capital costs or capital resources that are not recorded on its balance sheet.

*(b) Other items not shown on the financial statements*

There are no other relevant items that do not appear in our financial statements.

**10.9 For each item not shown on the financial statements indicated in item 10.8, the Officers must comment on:**

(a) how such items change or could come to change the revenues, expenses, operating income, financial expenses or other items on the financial statements of the Corporation

Not applicable.

(b) the nature and purpose of the operation

Not applicable.

(c) the nature and amount of liabilities undertaking and the rights generated on behalf of the Corporation as a result of the operation

Not applicable.

**10.10 The Officers must indicate and comment on the main elements of the Corporation's business plan, exploring the following topics in particular:**

*(a) Investments, including: (i) quantitative and qualitative description of the ongoing investments and projected investments; (ii) funding sources of the investments; and (iii) the relevant ongoing divestments and projected divestments*

Investments

Our operating activities require regular investments, particularly those related to the development of our infrastructure and the acquisition of items used in our business, such as machinery, software, tools, vehicles and industrial molds. Such investments are in general guided by the need to meet the growing demand for our products.

The following table shows the investments made in the periods indicated:

	<b>Fiscal year ended on December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in R\$ million)</i>		
Information technology software and equipment	111.1	66.4	61.6
Machinery, tools and accessories .....	22.5	45	29.7
Vehicles .....	20.4	21	24.2
Buildings and facilities .....	3.1	6.1	7.2
Molds <sup>(1)</sup> .....	13.9	15.3	17
Computer machinery and equipment.....	12.8	11.4	7.3
Furniture and fixtures .....	5.2	5.7	1.6
Fixed asset in progress/ advances to suppliers .....	235.4	165.7	84.6
Other investments .....	13.1	9.8	3.7
Total investments.....	<u>437.5</u>	<u>346.4</u>	<u>236.9</u>

<sup>(1)</sup> These are steel molds made especially for use by our suppliers to produce plastic bottles and packaging for our products. We hold ownership of these molds.

We plan to continue the efforts to obtain gains in operating efficiency and productivity based on the infrastructure platform already installed and an increase in scale. Since 2008, we have obtained productivity gains due to the improvements implemented in our manufacturing process, the reduction in our SKUs and the better management of inventory. We will also continue our efforts to decentralize distribution and improve the logistics structure (with the implementation of new distribution centers). We also expect to continue adopting other actions related to our operational efficiency, such as: improving the efficiency of our loss-prevention process and redesigning our sales catalog.

The investments in infrastructure will provide the foundation for a new cycle of growth at Natura. Since 2009, our logistics structure has undergone significant transformations. We aim to ensure that our products reach the hands of our consultants even faster, with a reduction in cost per order and in greenhouse gas emissions.

In 2011, we inaugurated a Distribution Center (DC) and three more DCs underwent capacity expansion, with the lines substituted. Equipped with high technology picking lines, high levels of automation and low energy consumption, we are prepared to meet a higher number of orders, including those with fewer items, allowing for deliveries to be divided into smaller batches. This allows for productivity gains and a reduction in order costs.

In 2013, we will continue this expansion by inaugurating a Distribution Center and a hub in São Paulo. With the investments made, we accelerated by almost two years the planning schedule for revamping the logistics network. Our objective is to significantly reduce the service response time for our consultants.

In our international operations, we also obtained efficiency gains in the logistics operations, with new planning for the distribution operations in Latin America, which centralized services in Colombia and Mexico. We consolidated the perfume bottling operations in Argentina, which was begun in 2011, and we began to produce soaps in Colombia. With these initiatives, we expect to significantly increase the percentage of products manufactured locally.

## Financing Sources

To undertake the investments described above, the Corporation uses its own resources, seek lines of credit from financial institutions and/or seeks funding in Brazil's capital markets through the issue and public distribution of equity and securities.

Accordingly, the Corporation was able to carry out the first issue of non-convertible unsecured debentures, with unit face value of R\$1,000 in a single series, in the total amount of R\$350 million and without financial covenants, in accordance with CVM Instruction 476/09 of May 26, 2011, which were issued on May 26, 2011 and subscribed and fully paid up on May 28, 2011, with semiannual interest payments in May and November and repayment of the principal on May 26, 2013.

## Divestitures

There are no relevant ongoing capital divestitures or projected for the coming years.

*(b) if already disclosed, indicate the acquisition of plants, equipment, patents or other assets that should materially influence production capacity*

We have not disclosed any plans and/or projects for the acquisition of plants, equipment, patents or other assets that could materially influence our production capacity.

*(c) new products and services, indicating: (i) a description of the ongoing research already disclosed; (ii) the total amounts spent on research for the development of new products or services; (iii) the projects under development already disclosed; and (iv) the total amounts spent on the development of new products or services*

We offer a large variety of cosmetics, fragrances and toiletry products and we continue to develop new products. We believe that we cannot innovate by considering only the consumer and the competition, but rather must take into consideration the fact that society now faces an unprecedented challenge of finding paths to increase its own sustainability. In this sense, we seek to develop products that reflect our positioning.

One of the main directions of innovation is the sustainable use of biodiversity. We translate this concept by creating and developing new products using native and exotic species and adopting ecological models for plant production and an input certification program in partnership with rural suppliers, such as traditional communities and family farmers that can contribute to conserving biodiversity.

Creating new concepts and innovations, valuing traditional knowledge and preserving the environment are the principles that form our set of efforts in product innovation and development. In this sense, we always seek to innovate by promoting social inclusion and environmental conservation, while establishing goals compatible with sustainable development.

Innovation is an essential aspect for ensuring Natura's sustainability. Accordingly, in 2012, our innovation index (share in the last 12 months of revenue generated by products launched in the last 24 months) reached 67.2%.

	Fiscal year ended on December 31,		
	2012	2011	2010
Number of products launched	104	168	191
Investments in innovation (R\$ million)	154	147	140
Percentage of net revenue invested in innovation	2.6%	2.7%	2.8%
Innovation index (1)	67.2%	64.8%	65.7%

<sup>(1)</sup> Gross revenue from products launched or enhanced in the last <sup>24</sup> as a ratio of total gross revenue in the year.

In this scenario, Natura's open innovation program plays a fundamental role, which seeks to foster the development and acquisition of new technologies through partnerships with universities and research centers in Brazil and abroad. In 2006, the initiatives were reviewed and expanded with the launch of the Natura Technological Innovation Campus Program, and in 2007 with the launch of the Natura Campus Portal ([www.natura.net/campus](http://www.natura.net/campus)). The website promotes our relationships with science and technology institutions in Brazil and allows research groups to register and submit proposals for projects. Currently around 50% of our portfolio of technological projects comes from the open innovation model, which underscores the importance of these initiatives for Natura's innovative processes.

The Natura Campus Program is supported by the programs to foster research and development of the National Council for Scientific and Technological Development (CNPq), the São Paulo State Research Support Foundation (FAPESP) and the Financing and for Research and Projects (FINEP), which facilitates and/or co-finances equipment, scientific scholarships and research material for the participating universities.

The Program also includes the Natura Technological Innovation Award. The award recognizes the best research project conducted in partnership with Natura.

The first edition of the award took place in December 2008, with the award ceremony held at Casa Natura in Campinas, São Paulo. The second edition of the award took place in December 2010, with the ceremony held at the Natura site in Cajamar, São Paulo. Both ceremonies brought together representatives of universities from all over Brazil, research institutions and the country's main entities involved in promoting research.

At Natura, innovation is also expressed in the packaging of our products. In addition to the description of all the ingredients used, which is a mandatory legal requirement, since 2007 we have included environmental information in our launches that includes the origin and destination of the materials which is used as a way to build consumer awareness on the environmental impacts.

Finally, the safety of our consumers guides all our product development processes. With the supervision of the Product Safety Committee, which is formed by professionals from various areas, we

take special care with all new ingredients and formulas, which are rigorously tested by dermatologists or multidisciplinary teams and analyzed by specialists in product safety. We also maintain the Cosmetic Surveillance System, which monitors any potential adverse effects of the products to feed the innovation process.

**10.11. Comments by the Officers of the Corporation on other factors that materially influenced operating performance and were not identified or commented on in the other items of this Section**

The Officers are of the opinion that no other factors exist that materially influenced operational performance that were not identified or commented on in the other items of this Section 10.

## EXHIBIT II

### INFORMATION ON THE PROPOSED ALLOCATION OF INCOME REQUIRED BY CVM INSTRUCTION 481/09

1. *Information on net income from the fiscal year:*

**R\$ 861,223,452.14**

2. *Information on total amount and amount per share of dividends, including anticipated dividends and interest on equity ("IOE") already declared:*

**R\$ 846,125,681.28 (Dividends (+) Net IOE ref. 2012 (-) Tax Incentive Reserve). Per share: 1.97148711**

3. *Information on the percentage of net income from the fiscal year distributed:*

**100% (corresponding to Dividends (+) Net IOE / Dividend Calculation Base (-) Tax Incentive Reserve)**

4. *Information on total amount and amount per share of dividends distributed on the basis of income from previous fiscal years:*

**R\$ 814,589,658.92 (Dividends + Net IOE ref. 2011). Per share: R\$1.89678240**

**R\$ 710,470,492.34 (Dividends + Net IOE ref. 2010). Per share: R\$1.64937600**

**R\$ 591,303,058.36 (Dividends + Net IOE ref. 2009). Per share: R\$1.37448000**

**R\$ 491,060,407.31 (Dividends + Net IOE ref. 2008). Per share: R\$1.14540000**

**R\$ 409,249,699.46 (Dividends + Net IOE ref. 2007). Per share: R\$0.95450001**

5. *Information, if deducted, on anticipated dividends and interest on equity already declared:*

- a. Gross amount of dividends and interest on equity, separately, per share of each type and class:

**Dividends: R\$ 469,512,954.93 = R\$ 1.09367629**

**Gross IOE: R\$ 21,831,846.93 = R\$ 0.05085477**

**Net IOE: R\$ 18,557,069.89 = R\$ 0.04322656**

- b. Manner and term for payment of dividends and interest on equity:

**Paid annually. However, payments have been anticipated to the month of August and the balance is paid in April of the following year.**

c. Any monetary restatement and interests on dividends and interest on equity:

**Not applicable.**

d. Date of declaration of payment of dividends and interest on equity considered for identifying shareholders entitled to receive the same

*Cash earnings in the allocation of net income related to fiscal year ended 12.31.2012*

<b>Earnings</b>	<b>Event-Date</b>	<b>Amount (R\$)</b>	<b>Amount of R\$/share Common share</b>	<b>Payment date</b>
Interest on Equity*	Board of Directors Meeting (“BDM”) of July 25, 2012	R\$ 36,514,869.13	R\$0.08511173 (R\$0.07234497, after 15% withholding income tax)	15,08,2012
Dividends*	BDM of July 25, 2012	R\$ 327,018,017.70	R\$ 0.76223929	15,08,2012
Interest on Equity**	BDM of Feb. 6, 2013***	R\$ 21,831,846.93	R\$ R\$0.05085477 (R\$0.04322656, after 15% withholding income tax)	17,04,2013
Dividends**	BDM of Feb. 6, 2013***	R\$ 469,512,954.93	R\$ 1.09367629	17,04,2013

\* Said interest on equity and dividends were calculated based on the ownership structure on July 25, 2012, and as of July 26, 2012, the Corporation’s shares were traded ex-interest on equity and dividends.

\*\* Said interest on equity and dividends were calculated based on the ownership structure on February 15, 2013, and as of February 18, 2013, the Corporation’s shares were traded ex-interest on equity and dividends.

\*\*\* The Board of Directors’ meeting held on February 6, 2013 resolved to recommend the approval, by the shareholders of the Corporation at the Annual Shareholders’ Meeting called for April 12, 2013, of the payment of dividends and IOE.

**6.** If there has been declaration of dividends or interest on equity based on income calculated in semiannual balance sheets or balance sheets for shorter periods:

a. Information on the amount of dividends or interest on equity already declared:

**1<sup>st</sup> half of 2012**

**Net IOE: R\$ 31,037,640.00**

**Gross IOE: R\$ 36,514,869.13**

**Dividends: R\$ 327,018,017.70**

b. Information on the date of the respective payments

**August 15, 2012**

7. Presentation of comparative table indicating the following amounts per share of each type and class:

- a. Net income from the fiscal year and the three (3) previous fiscal years
- b. Dividend and interest on equity distributed in the three (3) previous fiscal years

	<i>Fiscal Years ended December 31</i>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Net Income</b>	<b>861,223,452.14</b>	<b>830,900,897.69</b>	<b>744,049,778.89</b>	<b>683,923,098.58</b>	<b>525,780,821.00</b>
<b>Net Dividends and IOE distributed</b>	846,125,684.89	814,589,658.92	710,470,492.34	591,303,058.36	491,060,407.31
<b>Earnings per share</b>	1.971487109	1.8967824	1.649376	1.37448	1.1454

8. In the event of allocation of profits to legal reserve

- a. Amount allocated to legal reserve
- b. Details on the method for calculating legal reserve

**There was no allocation.**

9. If the Company has preferred shares entitled to fixed or minimum dividends

- a. Description of the method for calculating fixed or minimum dividends
- b. Information as to whether income from the fiscal year is sufficient to cover the full payment of fixed or minimum dividends
- c. Identification if a certain unpaid portion is cumulative
- d. The total amount of fixed or minimum dividends to be paid to each class of preferred shares
- e. The fixed or minimum dividends to be paid per preferred share of each class

**Not applicable**

10. In respect of the mandatory dividend

a. Description of the method for calculating envisaged in the Bylaws

**According to Chapter IV of Article 28 of the Bylaws:**

**“Shareholders shall be entitled to receive, in each fiscal year, as dividends, a minimum mandatory percentage of thirty per cent (30%) of the net income, with the following adjustments:**

**I. The addition of amounts resulting from the reversal, during the fiscal year, of previously constituted contingency reserves;**

**II. The deduction of sums allocated, during the fiscal year, to the constitution of legal reserve and contingency reserves.**

**III. Whenever the mandatory minimum dividend exceeds the realized portion of net income from the fiscal year, the Management may propose, and the Annual Shareholders’ Meeting approve, the allocation of surplus to the constitution of unrealized profits reserve (article 197 of Law 6,404/76, as amended by Law 10,303/01).”**

a. Information on whether it is being paid in full.

**Yes**

b. Information on any amount withheld.

**Not applicable**

11. If there is withholding of mandatory dividend due to the financial condition of the Corporation:

a. Information on the amount withheld; b. Brief description of the financial condition of the Corporation, and the aspects related to the analysis of liquidity, working capital and positive cash flows; and c. Justification for the withholding of dividends.

**Not applicable**

12. If there is allocation of income to contingency reserves: a. Identification of the amount allocated to the reserve; b. Identification of any loss deemed probable and its motive; c. Explanation

on why was the loss deemed probable; and d. Justification for the constitution of the reserve.

**Not applicable**

**13.** If there is allocation of income to unrealized profit reserve: a. Identification of the amount allocated to the unrealized profit reserve; and b. Information on the nature of the unrealized profits that originated the reserve.

**Not applicable**

**14.** If there is allocation of income to statutory reserves: a. Description of the clauses in the Bylaws providing for the reserves; b. The amount allocated to the reserve; and c. Description on how such amount was calculated.

**Not applicable**

**15.** Withholding of profits provided for in the capital budget:

There will be no withholding for the capital budget.

**16.** If there is allocation of net income to tax incentive reserve:

- a. The amount allocated to the reserve; and
- b. Explanation of the nature of allocation.

**The amount allocated to the tax incentive reserve totals R\$6,345,763.45, related to Investment Subsidy for the Itapecerica site.**

The investment subsidy controlled and registered in Natura refers to a tax incentive related to the ICMS transfer that Natura Cosméticos S.A. (Itapecerica da Serra) generates for the Municipality of Itapecerica da Serra due to the business it conducts there. Said incentive is closely linked to the investments Natura made to install its facilities and operate in Itapecerica da Serra in 2002.

**EXHIBIT III  
MANAGERS OF THE COMPANY**

**Information on candidates for Member of the Board of Directors**

<b>Name</b>	<b>Age</b>	<b>Profession</b>	<b>Taxpayers' Registration Number (CPF)</b>	<b>Position Held</b>	<b>Date of Appointment</b>	<b>Date of Investiture</b>	<b>Term of Tenure</b>	<b>Other Positions Held</b>	<b>Appointed by the Controlling Shareholder</b>
Antonio Luiz da Cunha Seabra	70	Economist	332.927.288-00	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Pedro Luiz Barreiros Passos	61	Engineer	672.924.618-91	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Guilherme Peirão Leal	63	Business Administrator	383.599.108-63	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Julio Moura Neto	60	Business Administrator and Engineer	468.948.027-34	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Luiz Ernesto Gemignani	66	Engineer	345.209.708-06	Independent Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Marcos de Barros Lisboa	48	Economist	806.030.257-49	Independent Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Raul Gabriel Beer Roth	60	Engineer	761.608.078-20	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Plínio Villares Musetti	60	Engineer	954.833.578-68	Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes
Roberto Oliveira de Lima	61	Business Administrator	860.196.518-00	Independent Director	04.12.2013	Up to 30 days after the date of appointment	1 year	Member of Committee	Yes

## **Information on the Members of the Board of Directors**

*(a) Description of the main duties and résumé of our Directors and indication of the management positions currently or previously held in publicly-held corporations:*

**Antônio Luiz da Cunha Seabra**, is a graduate in Economy by Universidade São Judas. He is one of the founders and Co-chairman of the Company's Board of Directors. He was a Superintendent of Remington Rand do Brasil and manager of Laboratórios Bionat. Founded Natura in 1969.

**Pedro Luiz Barreiros Passos**, is a graduate in Production Engineering by Escola Politécnica of the Universidade de São Paulo and in Business Administration by the Fundação Getúlio Vargas. He is a Co-chairman of the Board of Directors of the Company, which he joined in 1983. Currently, in addition to being a Member of the Board of Directors of the Company, he is the Chairman of the Instituto de Estudos para o Desenvolvimento Industrial (IEDI), Vice-President of the Curator Council of the Fundação Nacional da Qualidade (FNQ), and a member of the Board of Directors of the Instituto de Pesquisas Tecnológicas (IPT), of Fundação SOS Mata Atlântica, of Instituto Empreender Endeavor, of Fundação Dom Cabral and of Totvs S.A. He is also a Member of the Science, Technology and Innovation Council of the Brazilian Ministry of Science and Technology.

**Guilherme Peirão Leal**, is a graduate in Business Administration by Universidade de São Paulo and completed the Advanced Administration Program of Fundação Dom Cabral/INSEAD. He is a business man and social entrepreneur, Co-chairman of the Company's Board of Directors and one of the founders of Natura Cosméticos, a global company recognized for its commitment with sustainability. Over the last 25 years, he has participated in the organization and promotion of several social organizations, such as *Fundação Abring pelos Direitos da Criança de do Adolescente*, *Instituto Ethos de Empresas e Responsabilidade Social* and *Instituto Akatu para o Consumo Consciente*. Participated, as well, in organizations such as *Ashoka – Empreendedorismo Social*. After 2000 actively participated in several environmental organizations, such as FUNBIO (Fundo Brasileiro para Biodiversidade) and WWF-Brasil, in which was a member of the Board. In 2007 was one of the founders of the Movimento Nossa São Paulo, which goal is to articulate several sectors of the local society for a better, more fair and sustainable city. Since 2008 dedicates himself to sustain his legacy through the Instituto Arapyaú, an organization dedicated to the education and sustainable development. During the elections of 2010 he was a candidate to the vice presidency of Brazil with Marina Silva. Together they received around 20 million votes, representing approximately 20%

of the Brazilian electorate. In 2012 he helped to establish the *Rede de Ação Política pela Sustentabilidade*, a non-political organization dedicated to identify, offer formation, congregate and monitor the current and future better leaders in Brazil.

**Júlio Moura Neto**, is a graduate in Mechanical Engineer by Federal Technology Institute (ETH) of Zurich, Switzerland. Mr. Moura is a Post-Graduate of the Sloan School of Management (MIT), Cambridge, USA. Currently, in addition to being a Member of the Board of Directors of Natura, he is also a Member of the Board of Directors of Adecoagro S.A. and Cencosud S.A., both companies listed in the New York Stock Exchange, as well as of Brinox Metalurgica S.A. Mr. Moura held, among others, the positions of Chairman of the Board of Directors and Executive President of the Grupo Nueva, Chairman of the Board of Directors of MASISA S.A., President and CEO of Grupo AMANCO; Executive Vice President and Member of the Executive Committee of Elevadores Schindler, in Lucerne, Switzerland; Corporate Vice President and Chairman of the Latin America Division of SIKA, in Baar, Switzerland; Member of the Board of Directors of Messerli AG, Switzerland.

**Luiz Ernesto Gemignani**, is a graduate in Mechanical Production Engineering by Escola Politécnica of the Universidade de São Paulo and has attended several specializing courses in the fields of management and finances, such as the Advanced Management Program of Harvard Business School. He is currently a Member of the Board of Directors of the Company, Vice President of the Curators Committee of the Fundação Nacional da Qualidade, Chairman of the Deliberative Council of the Instituto Akatu. Since April, 2007 he holds the position of Chairman of the Board of Directors of Promon S.A., holding the position of Chief Executive from 2001 to 2010. Also holds the position of Chairman of the Deliberative Council of Fundação Promon de Previdência Social. Mr. Gemignani is a Member of the Board and of the Investment Committee de Investimento of P2 Brasil Infrastructure Fund.

**Marcos de Barros Lisboa**, Economist with a PhD in Economy by University of Pennsylvania. He was as assistant professor with the Department of Economy of the Stanford University from 1996 to 1998 and of EPGE/Fundação Getúlio Vargas from 1998 to 2002. From 2003 to 2005, Mr. Lisboa was the Secretary for Economic Politics of the Brazilian Ministry of Finance and President of Instituto de Resseguros do Brasil from 2005 to 2006. Between 2006 and 2009, Mr. Lisboa was an Executive Officer of Itaú Unibanco and since 2009 he is a Vice-President of the bank. He is also a Member of the Board of Directors of Porto Seguro.

**Raul Gabriel Beer Roth**, is a graduate in Production Engineering by Escola Politécnica of the Universidade de São Paulo. For 25 years he worked at PwC (PricewaterhouseCoopers) as the leading partner in the practice of Corporate Finance in Brazil. In such area, he carried out negotiations and appraisals of numerous companies of various segments, in addition to a number of strategic and financial analysis. Mr. Roth also coordinated the areas of Due Diligence, Negotiation and Restructuring of Debts, Project Finance, Public-Private Partnerships (PPPs) and indirectly participated in the *Tax M&A* team. Mr. Roth is a managing partner of R.Beer Consultores, acting as Business Adviser in the areas of Finance, Strategy, Negotiation and Appraisal of Companies.

**Plínio Villares Musetti**, is a graduate in Civil Engineering and Business Administration by Universidade Mackenzie. He was the Executive Chairman of Elevadores Atlas S.A. from 1992 through 1999 and of Elevadores Atlas Schindler S.A. until 2002. From 2002 to 2007 he was a partner of JP Morgan Partners, the Private Equity entity of the JP Morgan Chase bank, having led the process of investments in Private Equity in Brazil and in Latin America. Mr. Musetti held executive offices and had seats in the Boards of Directors of companies in which JP Morgan Partners invested, such as Vitopel, Diagnósticos da América S.A. and Latasa. From the beginning of 2008 until September, 2009, Mr. Musetti was Executive Chairman of Satipel Industrial S.A. Since May, 2010 he is the managing partner of Pragma Patrimônio and after of Janos Holding. Mr. Musetti is currently a member of the Boards of Directors of Natura, Raia Drogasil S.A., of Adecoagro (a company listed in the NYSE) and of Portobello S.A.

**Roberto Oliveira de Lima**, is a graduate in Public Administration by Fundação Getúlio Vargas, is a post-graduate in Business Administration by Fundação Getúlio Vargas and by the Institut Supérieur des Affaires, Jouy en Josas, in France. He is member of the Board of Directors of EDENRED SARL, based in Paris, France, of MIH Holdings Ltd, based in Johannesburg, South Africa, of Cia. Brasileira de Distribuição, based in São Paulo, Brazil, of Rodobens Negócios Imobiliários, based in São Paulo, Brazil and member of the Board of Directors and Quality Service and Commercial Attention Committee of Telefonica Brasil S.A. He was the CEO of Vivo Participações S.A. and Vivo S.A. and Officer of TBS Celular Participações Ltda., Ptelecom Participações S.A. e Portelcom Participações S.A. until May 2011, all of them subsidiaries Brasilcel N.V. He was also chairman of Instituto Vivo and Chairman of the Board of Directors of Grupo Credicard from 1999 to 2005 and CEO of Banco Credicard S.A. from 2002 to 2005. Held executive positions at Accor Brasil S.A., Rhodia Rhone Poulenc S.A. and Saint Gobain S.A.

*Description of any of the following events, occurring during the past 5 years:*

- i. *Any criminal conviction;*
- ii. *Any adverse decision rendered in an administrative proceeding conducted by the Brazilian SEC (“CVM”) and the penalties applied in this connection; and*
- iii. *Any final and unappealable conviction in a court or administrative proceeding that had the effect of suspending or disqualifying for the practice of a professional or business activity of whatever nature*

All Managers of the Company represent, for all legal purposes and effects, that during the past five (5) years they have not been subject to the consequences of any criminal conviction, adverse decision or application of penalty in any administrative proceeding instituted by the CVM or any final and non-appealable conviction, whether in judicial or administrative instance, the effect of which would be the suspension from or disqualification for the practice of a professional or business activity of whatever nature.

*(c) Marital relationship, steady union or kinship*

Other than as described herein below, there is no kinship between (i)

Mr. Antonio Luiz da Cunha Seabra is a controlling shareholder of Lisis Participações S.A., which has other members of his family as Shareholders. Lisis Participações S.A. is a signatory of the Shareholders Agreement executed by the controlling block of the Company.

Mr. Guilherme Peirão Leal is a controlling shareholder of Utopia Participações S.A., which has other members of his family as Shareholders. Utopia Participações S.A. is a signatory of the Shareholders Agreement executed by the controlling block of the Company.

Mr. Pedro Luiz Barreiros Passos is a controlling shareholder of Passos Participações S.A., which has other members of his family as Shareholders. Passos Participações S.A. is a signatory of the Shareholders Agreement executed by the controlling block of the Company.

- (d) Subordination relationships, service providing or controlling relations, maintained during the past three (3) Fiscal Years between the managers of the Company and: (i) any entity directly or indirectly controlled by the Company; (ii) any entity that directly or indirectly controls the Company; and/or (iii) if applicable, a supplier, client, debtor or creditor of the Company, of controlling or controlled entities of the Company and of any of such persons*

Certain Officers of the Company are also managers of entities controlled by the Company.

Certain Members of the Board of Directors are also Shareholders of the signatory companies of the Shareholders Agreement executed by the controlling block of the Company.

Mr. Antonio Luiz da Cunha Seabra is a direct and indirect controlling shareholder, through Lisis Participações S.A., a joint-stock company that, together with Mr. Seabra, form the controlling block and appear as signatories of the Shareholders Agreement executed by the controlling block of the Company.

Mr. Guilherme Peirão Leal is a direct and indirect controlling shareholder, through Utopia Participações S.A., a joint-stock company that, together with Mr. Leal, form the controlling block and appear as signatories of the Shareholders Agreement executed by the controlling block of the Company.

Mr. Pedro Luiz Barreiros Passos is a direct and indirect controlling shareholder, through Passos Participações S.A., a joint-stock company that, together with Mr. Passos, form the controlling block and appear as signatories of the Shareholders Agreement executed by the controlling block of the Company.

In addition, there is a sublease agreement in place, executed by and between the Company and Janos Comércio Administração Participações Ltda., in which Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos appear as partners, the subject matter of which is the subleasing of business offices used by members of Natura's board.

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 program "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.

(e) Description of the provisions of any agreements, including insurance

policies, providing for the payment or reimbursement of expenses incurred in by the managers, arising out of compensation of damages caused to third parties or to the Company, of penalties charged by government officials, or agreements aiming at the settlement of any administrative or court proceedings, by virtue of the exercise of their duties

The Company has a Civil Liability Insurance for Directors and Officers purchased from Ace Seguros, valid for the period comprised between 12.31.2012 to 12.31.2013, to cover loss and damages caused to third parties by acts pertaining to the exercise of the duties and attributions of the Company's Directors and/or Officers, up to an amount of ten million Brazilian Reais (R\$10,000,000.00).

**EXHIBIT IV**  
**MANAGERS' COMPENSATION - ITEM 13 OF THE REFERENCE**  
**FORM**

**Management Compensation**

**1. Policy or practice for compensating the Board of Directors, Board of Executive Officers, Audit Committee and Committees**

**(a) Objectives of the compensation policy or practice**

The compensation of our Corporation is partially linked to its results and increase in value. We believe that the variable portion of the compensation that we offer allows us to attract and ensure we maintain highly qualified professionals in the management of our Corporation.

We are permanently attentive to the variations in the external environment and on an annual basis we compare our salary levels with reference markets, such as competitors in the consumer goods sector, Brazilian multinationals, exchange-listed companies or companies with similar compensation strategies to that of Natura. For some years, we have maintained a policy that positions the total compensation of the various groups of employees on a level above the market average, in order to share the generation of wealth with all those who participate independently or entrepreneurially to transform our value proposition into reality.

Our greatest difference in relation to the market is our model of variable compensation and gains, which is adapted to the characteristics of each public of employees and executives as a form of payment, values and goals adapted to the reality of each activity.

We also offer a pension plan for our officers and employees, which is a savings plan with incentives in which the employee invests on a monthly basis up to 5% of their salary and Natura contributes with 60% of this amount.

Combined with this effort, concerning the base compensation, we opt to pay 14 monthly salaries per year in Brazil, whereas the legal requirement is 13 salaries, which especially benefits lower-income professional, promoting a culture of savings. Meanwhile, our sales team employees receive a premium for each cycle (period of 21 days), proportional to the results obtained. For this public, the 14<sup>th</sup> salary is replaced by the sales premium, which is a specific model of variable compensation.

Developing leaders is fundamental for maintaining our growth trajectory and is a concept that is aligned with our Values and Beliefs. Therefore, related initiatives were increased in 2009 to include new professionals who have joined us in recent years.

For the group of senior executives responsible for Natura's long-term strategy, we link compensation not only to short-term results, but also to their commitment to our long-term project, for which we provide them with the opportunity to participate in the Stock Option Plan. We understand that this plan does not represent the executive's compensation, but can represent a gain depending on the variation in the stock price on the date these shares are sold. For more information on the Stock Option Plan, please see item 16 below "Other Material Information".

The changes proposed by the People & Organizational Development Committee and approved by the Board of Directors sought to ensure a sense of ownership and involvement, strengthening the relation between compensation and gains and creating value at the Corporation and ensuring its healthy growth with a balanced distribution of income when business profitability allows.

According to the new dynamics of the Program, as of 2009, the options to buy or subscribe to the shares is associated with the decision of the executive to invest at least 50% of the amount received via profit sharing towards the acquisition of shares in Natura. The options granted may be exercised after a vesting period of four years (grace period to attain maturity), with a validity of eight years. During this time, these shares acquired are unavailable for sale and associated with the options, i.e. the sale leads to the loss of the options. Until the previous year, the vesting was established at three years and the Plan expired in six years and did not require the purchase and maintenance of shares. With the new terms, the executive gains longer to choose the best moment to exercise his/her options, at the same time that Natura reinforces the long-term commitment with senior executives.

The Board of Directors also established that the total annual sum of the profit sharing, based on the long-term incentive program, cannot exceed 10% of the net profit. With these limits, Natura has a coherent and well-controlled system that avoids the recent distortions occurring in executive compensation in other countries.

**(b) Breakdown of the compensation, indicating:**

**i. description of the elements of compensation and the objectives of each;**

Our management members have a base compensation and a variable compensation, as well as indirect benefits.

- Base Compensation: the base compensation is the monthly sum paid to recognize and reflect the value of the experience and responsibility of the position of each manager.

- Variable Compensation: the variable portion of the compensation of a member of the Corporation's management is a way to reward achieving and exceeding goals based on economic, social and environmental factors that can help the Corporation obtain its goals based upon these factors.

The variable component, whether short-term compensation or long-term gains, represents a greater portion for senior executives in relation to the other employees, since we believe in building value together. Besides the well-defined limits, all variable compensation is linked to effectively attaining the goals, i.e. exceeding the minimum expectations of growth established annually by management. The system of performance indicators that measures this performance encompasses the three dimensions of sustainability.

For example, in 2012, the following indicators were considered: • Economic - consolidated EBITDA and the financial results of the international operations; • Social - organizational climate survey and the satisfaction survey of the consultants; • Environmental – water consumption and carbon emissions.

**ii. what the proportion of each element is in the total compensation;**

According to the following table, the proportions for the fiscal year ended December 31, 2012 were:

	<b>% related to the total compensation of the amount paid as</b>			
	<b>Base compensation</b>	<b>Variable Compensation</b>	<b>Benefits</b>	<b>Total</b>
<b>Board of Directors</b>	70.3%	29.3%	0.4%	100.00%
<b>Board of Executive Officers</b>	54.0%	45.6%	0.4%	100.00%

**iii. method for calculating and adjusting each compensation element; and**

The adjustment of the compensation of the members of our management is defined annually in the Annual Shareholder's Meeting.

**iv. reasons justifying the composition of the compensation.**

With the compensation policy indicated above, we have the objective of compensating our professionals in accordance with the responsibilities of their position, market practices and the level of competitiveness of the Corporation.

**c) main performance indicators taken into consideration in determining each compensation element**

The performance indicators used to determine the elements of variable compensation take into consideration financial, social and environmental aspects.

**d) structure of compensation to reflect the evolution in performance indicators**

The performance indicators are monitored on a quarterly basis and the final calculation of the financial results is performed in the subsequent year and is approved by the Board of Directors. The performance indicator arising from the financial results directly determines the total variable compensation.

**e) relationship between the compensation policy or practice and the interests of the Corporation**

Since the Corporation essentially considers the financial results when determining the variable compensation detailed below, the Corporation ensures a sustainable compensation without committing any other investments.

**f) existence of compensation borne by direct or indirect subsidiaries or controlling shareholders**

The compensation of all executives is performed solely and directly by the Corporation, including in the case of subsidiaries in other countries, with no members of the Board of Directors or of the Board of Executive Officers receiving any compensation borne by direct or indirect subsidiaries or controlling shareholders.

**g) compensation or benefits related to the occurrence of corporate events**

There are no benefits or compensation linked to the occurrence of corporate events.

**2. Compensation of the Board of Directors, Audit Committee and Board of Executive Officers of the Corporation and the compensation projected for fiscal year 2013**

*Amounts estimated for 2013:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	9	4	13
<b>Fixed Annual Compensation</b>	<b>5,993.2</b>	<b>7,344.2</b>	<b>13,337.4</b>
Base Compensation	5,962.7	7,290.9	13,253.6
Benefits	30.5	53.3	83.8
Participation in Committees	-	-	-
Other	-	-	-
<b>Variable Compensation</b>	<b>2,484.4</b>	<b>8,623.7</b>	<b>11,108.2</b>
Bonus	-	-	-
Profit Sharing	2,484.4	6,158.7	8,643.2
Participation in Meetings	-	-	-
Commissions	-	-	-
Other	-	-	-
<b>Post-Employment Benefits</b>	-	-	-
<b>Benefits from removal from the position</b>	-	-	-
<b>*Share-based compensation</b>	-	<b>2,465.0</b>	<b>2,465.0</b>
<b>Monthly compensation</b>	<b>706.5</b>	<b>1,330.7</b>	<b>2,037.1</b>
<b>Total compensation</b>	<b>8,477.6</b>	<b>15,968.0</b>	<b>24,445.6</b>

\* These expenses, to be incurred by the Corporation in 2013 with any exercise of options granted under the Stock Option Plans approved at the extraordinary shareholders' meetings held on March 29, 2005 and March 23, 2009 ("Plans"), reflected in Note 23.2 to the Financial Statements, are not included in the proposal for overall annual compensation to be submitted to the shareholders' meeting to be held on April 12, 2013. These expenses will result in the compliance by the Corporation with the contractual obligations assumed in the agreements signed with the beneficiaries of the Plans. Hence it is not a matter to be submitted for fresh deliberation but only for booking the expense resulting from performing the obligation assumed through the execution of the Plans, based on the resolution of the shareholders' meeting.

*Amounts paid 2012:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	6.83	4	10.83
<b>Fixed Annual Compensation</b>	<b>5,653.9</b>	<b>6,931.6</b>	<b>12,585.5</b>
Base Compensation	5,625.1	6,878.3	12,503.4
Benefits	28.8	53.3	82.1
Participation in Committees	-	-	-
Other	-	-	-
<b>Variable Compensation</b>	<b>2,343.8</b>	<b>8,275.1</b>	<b>10,618.9</b>
Bonus	-	-	-
Profit Sharing	2,343.8	5,810.1	8,153.9
Participation in Meetings	-	-	-
Commissions	-	-	-
Other	-	-	-
<b>Post-Employment Benefits</b>	-	-	-
<b>Benefits from removal from the position</b>	-	-	-
<b>Share-based compensation</b>	-	<b>2,465.0</b>	<b>2,465.0</b>
<b>Monthly compensation</b>	<b>666.5</b>	<b>1,267.2</b>	<b>1,933.7</b>
<b>Total compensation</b>	<b>7,997.7</b>	<b>15,206.7</b>	<b>23,204.4</b>

*The Audit Board was not installed in 2012.*

*Amounts paid in 2011:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	6.83	4	10.83
<b>Fixed Annual Compensation</b>	<b>3,786.6</b>	<b>5,671.0</b>	<b>9,457.6</b>
Base Compensation	3,786.6	5,656.8	9,443.4
Benefits	-	14.2	14.2
Participation in Committees	-	-	-
Other	-	-	-
<b>Variable Compensation</b>	-	-	-
Bonus	-	-	-

Profit Sharing	-	-	-
Participation in Meetings	-	-	-
Commissions	-	-	-
Other	-	-	-
<b>Post-Employment Benefits</b>	-	-	-
<b>Benefits from removal from the position</b>	-	-	-
<b>Share-based compensation</b>	-	<b>3,714.3</b>	<b>3,714.3</b>
<b>Monthly compensation</b>	<b>315.6</b>	<b>782.1</b>	<b>1,097.6</b>
<b>Total compensation</b>	<b>3,786.6</b>	<b>9,385.3</b>	<b>13,171.9</b>

*The Audit Board was not installed in 2011.*

*Amounts paid in 2010:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	6.42	4	10.42
<b>Fixed Annual Compensation</b>	<b>3,347.5</b>	<b>4,354.3</b>	<b>8,397.8</b>
Base Compensation	3,123.5	4,877.2	8,000.7
Benefits	224.0	173.1	397.0
Participation in Committees	-	-	-
Other	-	-	-
<b>Variable Compensation</b>	<b>1,985.4</b>	<b>4,034.4</b>	<b>6,019.8</b>
Bonus	-	-	-
Profit Sharing	1,985.4	4,034.4	6,019.8
Participation in Meetings	-	-	-
Commissions	-	-	-
Other	-	-	-
<b>Post-Employment Benefits</b>	-	-	-
<b>Benefits from removal from the position</b>	-	-	-
<b>Share-based compensation</b>	-	<b>3,038.1</b>	<b>3,038.1</b>
<b>Monthly compensation</b>	<b>444.4</b>	<b>757.0</b>	<b>1,201.5</b>
<b>Total compensation</b>	<b>5,332.9</b>	<b>12,122.7</b>	<b>17,455.6</b>

*The Audit Board was not installed in 2010.*

### **3. Variable compensation of the Board of Directors, Board of Executive Officers and Audit Board in the last three fiscal years of the Corporation and the compensation projected for fiscal year 2013**

*Amounts estimated for 2013, according to our compensation plan:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	9	4	13
<b>Salary / Pro-labore</b>	<b>5,962.7</b>	<b>7,290.9</b>	<b>13,253.6</b>
Estimated minimum amount	470.2	959.7	1,348.9

Estimated maximum amount	920.0	2,579.4	3,301.3
Estimated average amount	662.5	1,822.7	968.2
<b>Profit sharing</b>	<b>2,484.4</b>	<b>8,623.7</b>	<b>11,108.2</b>
Estimated minimum amount	195.9	607.7	743.1
Estimated maximum amount	383.3	2,700.0	3,333.3
Estimated average amount	276.0	1,539.7	733.8
<b>Benefits</b>	<b>30.5</b>	<b>53.3</b>	<b>83.8</b>
Estimated minimum amount	-	9.6	82.0
Estimated maximum amount	10.2	14.6	82.0
Estimated average amount	3.4	13.3	82.0
<b>Total</b>	<b>8,477.63</b>	<b>15,967.96</b>	<b>24,445.59</b>

*Amounts paid in 2012, according to our compensation plan:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	9	4	13
<b>Salary / Pro-labore</b>	<b>5,625.1</b>	<b>6,878.2</b>	<b>12,503.4</b>
Minimum amount	443.6	905.4	1,349.0
Maximum amount	867.9	2,433.4	3,301.3
Average amount	625.0	1,719.6	2,344.6
<b>Profit sharing</b>	<b>2,343.8</b>	<b>8,275.1</b>	<b>10,618.9</b>
Minimum amount	184.8	573.3	743.1
Maximum amount	361.6	2,547.2	3,333.3
Average amount	260.4	1,452.5	733.8
Amount– goals reached	2,343.8	8,275.1	10,618.9
Amount effectively recognized	2,343.8	8,275.1	10,618.9
<b>Benefits</b>	<b>28.8</b>	<b>53.3</b>	<b>82.1</b>
Minimum amount	0.0	9.6	82.0
Maximum amount	9.6	14.6	82.0
Average amount	3.2	13.3	82.0
<b>Total</b>	<b>7,997.76</b>	<b>15,206.66</b>	<b>23,204.42</b>

<sup>(1)</sup> The Audit Board was not installed in 2012.

*Amounts paid in 2011, according to our compensation plan:*

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	6.83	4	10.83
<b>Salary / Pro-labore</b>	<b>3,786.6</b>	<b>5,656.8</b>	<b>9,443.4</b>
Minimum amount	318.9	675.9	994.8
Maximum amount	814.9	2,111.2	2,926.1
Average amount	554.4	1,414.2	871.9
<b>Profit sharing</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Minimum amount	0.0	0.0	0.0
Maximum amount	0.0	0.0	0.0
Average amount	0.0	0.0	0.0
Amount– goals reached	0.0	0.0	0.0
Amount effectively recognized	0.0	0.0	0.0
<b>Benefits</b>	<b>0.0</b>	<b>14.2</b>	<b>14.2</b>
Minimum amount	0.0	14.2	14.2

Maximum amount	0.0	14.2	14.2
Average amount	0.0	14.2	14.2
<b>Total</b>	<b>3,786.6</b>	<b>5,671.0</b>	<b>9,457.6</b>

<sup>(1)</sup> The Audit Board was not installed in 2011.

*Amounts paid in 2010, according to our compensation plan<sup>(1)</sup>:*

	Board of Directors	Board of Executive Officers	Total
Number of Members	6	4	10
<b>Salary / Pro-labore</b>	<b>3,123.5</b>	<b>4,877.2</b>	<b>8,000.7</b>
Minimum amount	270.5	549.0	819.5
Maximum amount	791.0	1,925.1	2,716.1
Average amount	446.2	1,219.3	1,665.5
<b>Profit sharing</b>	<b>1,985.4</b>	<b>4,034.4</b>	<b>6,019.8</b>
Minimum amount	108.5	300.0	408.5
Maximum amount	840.0	1,984.4	2,824.4
Average amount	283.6	1,008.6	1,292.2
Amount– goals reached	1,985.4	4,034.4	6,019.8
Amount effectively recognized	1,985.4	4,034.4	6,019.8
<b>Benefits</b>	<b>224.0</b>	<b>173.0</b>	<b>397.0</b>
Minimum amount	0.0	27.7	27.7
Maximum amount	58.8	53.0	111.8
Average amount	32.0	43.2	75.2
<b>Total</b>	<b>5,332.9</b>	<b>9,084.6</b>	<b>14,417.5</b>

<sup>(1)</sup> The Audit Board was not installed in 2010.

#### 4. Stock Option Plan

See item 16 – Other Material Information.

#### 5. Shares held by members of the Corporation's Management

The following table indicates the number of shares held directly by our Directors and Officers, as well as the percentage that their direct individual interests represent in the total number of shares issued at December 31, 2012, in other words, in relation to our total capital stock:

Board Members/Executive Officers	Position	Number of Shares	Percentage (%)
Antonio Luiz da Cunha Seabra	Co-Chairman	3,628,920	0.8415%
Guilherme Peirão Leal	Co-Chairman	3,462,917	0.8030%
Pedro Luiz Barreiros Passos	Co-Chairman	855,038	0.1983%
Marcos Lisboa	Board Member	1	0.0000%
Luiz Ernesto Gemignani	Board Member	32,200	0.0075%
Julio Moura Neto	Board Member	2,200	0.0005%
Alessandro Giuseppe Carlucci	Chief Executive Officer	2,221,820	0.5152%
Roberto Pedote	Chief Financial and	30,804	0.0071%

Lucilene Silva Prado	Investor Relations Officer	23,940	0.0054%
José Vicente Marino	Chief Legal Officer Chief Commercial Officer	93,427	0.0178%

Some of our Directors also hold stock indirectly. For more information on the stock held indirectly by our Directors, see Item “15.1. - Control Group” of the Reference Form.

## 6. Stock Option Plan recognized in the last three fiscal years

There was no Stock Option Plan in fiscal year 2012

*Amounts related to fiscal year 2011<sup>(1)</sup>*

	<b>Board of Executive Officers</b>					
Number of Members	4					
<b>In relation to each Grant</b>						
Granting date	March 29, 2006	April 24, 2007	April 22, 2008	April 22, 2009	March 19, 2010	March 21, 2011
Number of shares granted	86,265	120,000	193,821	510,048	601,822	188,199
Vesting period	03.29.2010	04.24.2011	04.22.2012	04.22.2013	03.19.2014	03.21.2015
Deadline to exercise the options	03.29.2012	04.24.2013	04.22.2014	04.22.2017	03.19.2018	03.21.2019
Period with restriction to share transfer	N/A	N/A	N/A	N/A	N/A	N/A
Average weighted exercise price of each of the following groups of shares:	31.97	30.24	23.48	25.61	37.58	43.85
Outstanding at the start of the fiscal year	86,265	124,446	235,343	510,048	556,467	-
Ratified during fiscal year	-	-	-	-	45,355	-
Exercised during fiscal year	-	4,446	41,522	-	-	-
Expired during fiscal year	-	-	-	-	-	-
<b>Fair value of the options at granting date</b>	<b>10.73</b>	<b>9.73</b>	<b>6.57</b>	<b>7.83</b>	<b>10.82</b>	<b>16.45</b>
<b>Potential dilution in the event of exercise of the options</b>	<b>0.02%</b>	<b>0.03%</b>	<b>0.05%</b>	<b>0.12%</b>	<b>0.13%</b>	<b>0.05%</b>

<sup>(1)</sup> The Audit Board was not installed in 2011.

*Amounts related to fiscal year 2010 <sup>(1)</sup>*

**Board of Executive Officers**

Number of Members	4						
<b>In relation to each Grant</b>							
Granting date	April 10, 2004	March 16, 2005	March 29, 2006	April 24, 2007	April 22, 2008	April 22, 2009	March 19, 2010
Number of shares granted	-	-	86,265	124,446	235,343	510,048	556,467
Vesting period	04.10.2008	03.16.2009	03.29.2010	04.24.2011	04.22.2012	04.22.2013	03.19.2014
Deadline to exercise the options	04.10.2010	03.16.2011	03.29.2012	04.29.2013	04.22.2014	04.22.2017	03.19.2018
Period with restriction to share transfer	N/A						
Average weighted exercise price of each of the following groups of shares:	9.45	20.25	30.17	28.53	22.16	24.17	35.46
Outstanding at the start of the fiscal year	9,793	9,970	93,085	128,892	235,343	510,048	-
Ratified during fiscal year	-	-	-	-	-	-	-
Exercised during fiscal year	9,793	9,970	6,820	-	-	-	-
Expired during fiscal year	-	-	-	-	-	-	-
<b>Fair value of the options at granting date</b>	<b>2.53</b>	<b>5.85</b>	<b>10.73</b>	<b>9.73</b>	<b>6.57</b>	<b>7.83</b>	<b>10.82</b>
<b>Potential dilution in the event of exercise of the options</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.03%</b>	<b>0.05%</b>	<b>0.12%</b>	<b>0.13%</b>

<sup>(1)</sup> The Audit Board was not installed in 2010.

*Amounts related to fiscal year 2009 <sup>(1)</sup>*

**Board of Executive Officers**

Number of Members	4					
<b>In relation to each Grant</b>						
Granting date	April 10, 2004	March 16, 2005	March 29, 2006	April 24, 2007	April 22, 2008	April 22, 2009
Number of shares granted	9,793	9,970	93,085	128,892	235,343	510,048
Vesting period	04.10.2008	03.16.2009	03.29.2010	04.24.2011	04.22.2012	04.22.2013
Deadline to exercise the options	04.10.2010	03.16.2011	03.29.2012	04.24.2013	04.22.2014	04.22.2017
Period with restriction to share transfer	N/A	N/A	N/A	N/A	N/A	N/A
Average weighted exercise price of each of the following groups of shares:						
Outstanding at the start of the fiscal year	9,793	9,970	93,085	128,892	235,343	-
Ratified during fiscal year	-	-	-	-	-	-
Exercised during fiscal year	-	-	-	-	-	-
Expired during fiscal year	-	-	-	-	-	-
<b>Fair value of the options at granting date</b>	<b>2.53</b>	<b>5.85</b>	<b>10.73</b>	<b>9.73</b>	<b>6.57</b>	<b>7.83</b>
<b>Potential dilution in the event of exercise of the options</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.03%</b>	<b>0.05%</b>	<b>0.12%</b>

<sup>(1)</sup> The Audit Board was not installed in 2009.

## 7. Outstanding Stock Options

*Amounts related to fiscal year 2012<sup>(1)</sup>*

	<b>Board of Executive Officers</b>				
Number of Members	4				
<b>Regarding outstanding options</b>	<b>2007 Plan</b>	<b>2008 Plan</b>	<b>2009 Plan</b>	<b>2010 Plan</b>	<b>2011 Plan</b>
Number	120,000	144,821	510,048	601,822	188,199
Vesting date	30,03,2011	30,03,2012	22,04,2013	19,03,2014	23,03,2014
Deadline to exercise the options	30,03,2013	30,03,2014	22,04,2017	19,03,2018	23,03,2018
Period with restriction to share transfer	N/A	N/A	N/A	N/A	N/A
Average weighted exercise price	30.24	23.48	25.61	37.58	43.85
<b>Fair value of the options at granting date</b>	<b>9.73</b>	<b>6.57</b>	<b>7.83</b>	<b>10.82</b>	<b>16.45</b>
Fair value of all Options at the last day of the fiscal year	3,628,800	4,550,917	13,062,329	22,616,471	8,252,526

<sup>(1)</sup> The Audit Board was not installed in 2012.

## 8. Exercised Options

*Amounts related to fiscal year 2012<sup>(1)</sup>:*

	<b>Board of Executive Officers</b>			
Number of Members .....	4			
<b>Regarding outstanding options .....</b>	<b>2006 Plan</b>	<b>2007 Plan</b>	<b>2008 Plan</b>	<b>2009 Plan</b>
Number .....	86,265-	0-	49,000	0
Average weighted exercise price.....	32.31	n/a	24.00	n/a
Difference between the exercise price and the market price of shares in relation to exercised Options .....	767,000	n/a	890,040	n/a
<b>In relation to the shares from the exercise .....</b>	<b>Shares related to the share-based compensation for the board of directors and the board of executive officers were not delivered</b>			

<sup>(1)</sup> The Audit Board was not installed in 2012.

*Amounts related to fiscal year 2011<sup>(1)</sup>:*

	<b>Board of Executive Officers</b>		
Number of Members	4		
<b>Regarding outstanding options</b>	<b>2006 Plan</b>	<b>2007 Plan</b>	<b>2008 Plan</b>
Number	-	4,446	41,522
Average weighted exercise price	-	R\$29.23	R\$22.97
Difference between the exercise	-		616,000

price and the market price of shares in relation to exercised Options		50,000	
<b>In relation to the shares from the exercise</b>	<b>Shares related to the share-based compensation for the board of directors and the board of executive officers were not delivered</b>		

<sup>(1)</sup> The Audit Board was not installed in 2011.

*Amounts related to fiscal year 2010 <sup>(1)</sup>:*

	Board of Executive Officers		
Number of Members	4		
<b>Regarding outstanding options</b>	<b>2005 Plan</b>	<b>2007 Plan</b>	<b>2007 Plan</b>
Number	9,970	6,820	4,446
Average weighted exercise price	19.63	29.38	28.12
Difference between the exercise price and the market price of shares in relation to exercised Options	135,970	72,910	69,180
<b>In relation to the shares from the exercise</b>	<b>Shares related to the share-based compensation for the board of directors and the board of executive officers were not delivered</b>		

<sup>(1)</sup> The Audit Board was not installed in 2010.

## 9. Material information regarding the Stock Option Plan

*There was no Stock Option Plan in fiscal year 2012*

*Amounts related to fiscal year 2011 <sup>(6)</sup>*

	Board of Directors	Board of Executive Officers
a) pricing model	N/A	Binomial
b) data and assumptions used in the pricing model, including average weighted price of shares, exercise price, expected volatility, option duration, expected dividends and risk-free interest rate	N/A	Volatility of 36%; Dividend yield of 5.3%; Risk-free rate of 10.9%.
c) method and assumptions used to incorporate the expected effects of early exercise	N/A	N/A
d) how expected volatility is determined	N/A	Standard deviation 740 days.
e) whether any other characteristic of the option was incorporated in the calculation of its fair value	N/A	N/A

<sup>(6)</sup> The Audit Board was not installed in 2011.

*Amounts related to fiscal year 2010* <sup>(6)</sup>

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>
a) pricing model	N/A	Binomial
b) data and assumptions used in the pricing model, including average weighted price of shares, exercise price, expected volatility, option duration, expected dividends and risk-free interest rate	N/A	Volatility of 37%; Dividend yield of 5.3%; Risk-free rate of 10.8%.
c) method and assumptions used to incorporate the expected effects of early exercise	N/A	N/A
d) how expected volatility is determined	N/A	Standard deviation 740 days.
e) whether any other characteristic of the option was incorporated in the calculation of its fair value	N/A	N/A

<sup>(6)</sup> The Audit Board was not installed in 2010.

**10. Pension plan for members of the Board of Directors and Board of Executive Officers**

*Amounts related to fiscal year 2012* <sup>(1)</sup>

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
a) Number of members	9	4	13
b) Name of the plan	Not applicable	Incentive savings	Incentive savings
c) number of managers in conditions to retire	Not applicable	According to 60 years Contract (end of relationship with the Corporation )	-
d) conditions for early retirement	Not applicable	Minimum age 50 years (end of relationship with the Corporation)	-
e) updated amount of contributions accumulated in the pension plan up to the closing of the last fiscal year, discounting the portion related to contributions made directly by the managers	Not applicable	34.3	34.3

f) total amount accumulated of the contributions made during the last fiscal year, discounting the portion related to contributions made directly by the managers	Not applicable	14.887	14.887
g) whether there is the possibility of early redemption and under which conditions	Not applicable	Yes, early redemption of Corporation portion, only upon termination of the employee and after 5 years of contributions to the plan	-

<sup>(1)</sup> The Audit Board was not installed in 2012.

## 11. Average compensation of the Board of Directors, Board of Executive Officers and Audit Board for the last three fiscal years

### Board of Directors

Year	Number of Members	Highest Individual Compensation	Average Individual Compensation	Lowest Individual Compensation
2010	6.42	1,689.8	761.8	379
2011	6.83	849.3	588.8	353.3
2012	9	1229.6	885.4	628.4

### Board of Executive Officers

Year	Number of Members	Highest Individual Compensation	Average Individual Compensation	Lowest Individual Compensation
2010	4	3,962.50	2,271.10	876.7
2011	4	2,111.22	1,417.75	680.66
2012	4	4,980.6	3,172.1	1,478.8

### Audit Board

The Audit Board was not installed in 2012.

## 12. Description of the contractual arrangements, insurance policies or other instruments that structure compensation or indemnification mechanisms for executives in the event of termination or retirement, indicating the financial consequences for the Corporation

On December 31, 2012, we did not hold any contractual arrangements, insurance policies or other instruments that structure compensation or indemnification mechanisms for executives in the event of termination or retirement.

**13. For the last three fiscal years, indicate the percentage of total compensation of each organ recognized in the profit or loss of the Corporation for members of the Board of Directors, Board of Executive Officers or the Audit Board that are parties related to the direct or indirect controlling shareholders, as defined by the accounting rules dealing with this matter**

*Amounts related to fiscal year 2010 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
56%	0%	21%

<sup>(1)</sup> The Audit Board was not installed in 2010.

*Amounts related to fiscal year 2011 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
55%	0%	21%

<sup>(1)</sup> The Audit Board was not installed in 2011.

*Amounts related to fiscal year 2012 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
46%	0%	18%

<sup>(1)</sup> The Audit Board was not installed in 2012.

**14. For the last three fiscal years, indicate the amounts recognized in the profit or loss of the Corporation as compensation of the members of the board of directors, statutory officers or Audit Board grouped by body, for any reason other than the position they hold, such as consulting or advisory commissions and services**

*Amounts related to fiscal year 2012 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
0	0	0

<sup>(1)</sup> The Audit Board was not installed in 2012.

*Amounts related to fiscal year 2011 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
0	0	0

<sup>(1)</sup> The Audit Board was not installed in 2011.

*Amounts related to fiscal year 2010 <sup>(1)</sup>*

<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
0	0	0

<sup>(1)</sup> The Audit Board was not installed in 2010.

**15. For the last three fiscal years, indicate the values recognized in the profit or loss of the direct or indirect controlling shareholders, of companies under shared control and of subsidiaries of the Corporation as compensation of the members of the Board of Directors, Board of Executive Officers or Audit Board, grouped by body, specifying the reason for such values being attributed to these individuals**

We do not have any values recognized in the profit or loss of the direct or indirect controlling shareholders, of companies under shared control or of subsidiaries of the Corporation as compensation of the members of the Board of Directors or Board of Executive Officers. In addition, during fiscal year 2010, the Audit Board was not installed.

#### **16. Other Material Information**

The Stock Option Plan of the Corporation is a program in which participants must disburse an amount to exercise the option, which is called fair value. The fair value of options granted is calculated based on the binomial pricing method and is recognized as an expense in the profit or loss of the period during which it was acquired, after meeting certain conditions. On the balance sheet dates, the management of the Corporation reviews its estimates for the number of options and when applicable recognizes them in the profit or loss of the fiscal year/quarter against shareholders' equity, reflecting the effects arising from the revision of these initial estimates.

The exercise of each Option by executives is made after fulfilling certain requirements of each plan, such as the vesting period, and against payment of the fair value adjusted monthly by the participant of the plan. The rate of monetary adjustment of the fair value is defined in each option plan approved annually by the Board of Directors, in accordance with the rules for Stock Option Plans in force.

The difference between the amount paid to exercise the option and the price at the time of sale of the stock in the Corporation resulting from this exercise may represent a gain for the participants of each plan.

	<b>Board of Directors</b>	<b>Board of Executive Officers</b>	<b>Total</b>
Number of Members	9	4	13
Options granted on the basis of Plan 2012, reference year 2011	0	0	0

**EXHIBIT V – COMPARATIVE TABLE OF THE PROPOSED AMENDMENTS TO THE BYLAWS**

**Revision of the Bylaws - Natura Cosméticos S.A.**

CURRENT BYLAWS	NEW WORDING OF THE BYLAWS	JUSTIFICATION
<p><b>Section 2<sup>nd</sup></b> - The registered office of the Company is located in the City of Itapecerica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, w/o no., km 293, Bairro Potuverá, Edifício I, ZIP Code 06882-700.</p>	<p><b>Section 2<sup>nd</sup></b> - The registered office of the Company is located in the City of São Paulo, State of São Paulo.</p>	<p>Amendment of the registered office of the Company.</p>
<p><b>Section 3<sup>rd</sup></b> - The Company's purposes are:</p> <p>I. trading, export and import of beauty and personal care products, toiletry, cosmetics, apparel, jewelry, costume jewelry, home articles, foods, nutritional supplements, software, books, publishing material, entertainment products, phonographic products, medication, including phytotherapeutic and homeopathic medicines, drugs, pharmaceutical raw materials, and home cleaning products, the Company being permitted to carry on any and all activities and transactions related to such purposes;</p> <p>(...)</p>	<p><b>Section 3<sup>rd</sup></b> - The Company's purposes are:</p> <p>I. trading, export and import of beauty and personal care products, toiletry, cosmetics, apparel, electric devices for personal use, jewelry, costume jewelry, home articles, baby and children supplies, bed, bath and table supplies, foods, nutritional supplements, software, books, publishing material, entertainment products, phonographic products, medication, including phytotherapeutic and homeopathic medicines, drugs, pharmaceutical raw materials, and home cleaning products, the Company being permitted to carry on any and all activities and transactions related to such purposes;</p>	<p>Improvement of the corporate purpose to include the trading, export and import of electric devices for personal use, baby and children supplies and bed, bath and table supplies .</p>

**Section 15 -** A majority of members will constitute a quorum for the meetings of all management bodies of the Company, which meetings will pass their resolutions by a majority vote of the attendees.

**Paragraph 1** – In the case of a tie vote at a meeting of the Board of Directors, the co-chairman of the Board of Directors presiding over the meeting will cast a deciding vote.

**Section 18 -** The Board of Directors will have up to three (3) co-chairmen, who will be elected by a majority vote of the directors at the first meeting of the Board held after investiture of the directors, or whenever a resignation or vacancy occurs.

**Paragraph 1** – Additionally, at such first meeting of the Board of Directors, the directors will designate one among the co-chairmen to preside over the meetings of the Board of Directors during the entire term of office of the directors.

**Paragraph 2** -In the event of a permanent impediment or vacancy on the Board of Directors, the Board will call a Shareholders’ Meeting to fill the open position.

**Section 15 -** A majority of members will constitute a quorum for the meetings of all management bodies of the Company, which meetings will pass their resolutions by a majority vote of the attendees.

**Paragraph 1** – In the case of a tie vote at a meeting of the Board of Directors, the member of the Board of Directors who is presiding over the meeting will cast a deciding vote

**Section 18** – The Board of Directors will have a Chairman, who will be elected by a majority vote of the directors at the first meeting of the Board held after investiture of the directors.

**Paragraph 1** – In the event of an impediment or a permanent vacancy of office of the Board of Directors, the Board shall call a Shareholders’ Meeting to fill in the open position.

**Paragraph 2** – In case of resignation or permanent vacancy in the office of Chairman of the Board of Directors, the Board of Directors shall appoint the new Chairman, by majority of votes of its members, at the first meeting held immediately after the resignation or

Exclude mention to the Co-Chairmen of the Board of Directors.

Exclude mention to the Co-Chairmen of the Board of Directors.

	permanent vacancy.	
<p><b>Section 19</b> - The Board of Directors will hold regular meetings four (4) times a year, and may hold special meetings whenever called by the co-chairman selected as described in Paragraph 1 of Article 18 hereof, or by a majority of directors. The Board meetings, as an exception, may be held by telephone conference, video conference, e-mail or any other means of communication that allows identification of each director and simultaneous communication with all other persons attending the meeting.</p>	<p><b>Section 19</b> - The Board of Directors will hold regular meetings four (4) times a year, and may hold special meetings whenever called by the Chairman or by the majority of directors. The Board meetings, as an exception, may be held by telephone conference, video conference, e-mail or any other means of communication that allows identification of each director and simultaneous communication with all other persons attending the meeting.</p>	<p>Exclude mention to the Co-Chairmen of the Board of Directors.</p>
<p><b>Section 34</b> (...)</p> <p><b>Paragraph 2</b> – The purchase price per share of the capital stock of the Company in the Tender Offer may not be less that the result of the following formula: (...)</p> <p>Share Value” corresponds to the greater of (i) the highest quoted price per share of the capital stock of the Company during the period of twelve (12) months next preceding the Tender Offer on any stock exchange trading shares of the Company, (ii) the highest price per share paid by the Relevant Shareholder at any time for a share or block of shares of the capital stock of the Company; and (iii) an</p>	<p><b>Section 34</b> (...)</p> <p><b>Paragraph 2</b> – The purchase price per share of the capital stock of the Company in the Tender Offer may not be less that the result of the following formula: (...)</p> <p>Share Value” corresponds to the greater of (i) the highest quoted price per share of the capital stock of the Company during the period of twelve (12) months next preceding the Tender Offer on any stock exchange trading shares of the Company, (ii) the highest price per share paid by the Relevant Shareholder at any time for a share or block of shares</p>	<p>Correction of cross-reference, given that the definition of EBITDA to which the provision is referred to in paragraph 11 of Article 34 of the Bylaws</p>

amount corresponding to twelve (12) times the Average Consolidated EBITDA of the Company (as defined in Paragraph 11 below) minus the net consolidated indebtedness of the Company, divided by the total number of shares of the capital stock of the Company.

of the capital stock of the Company; and (iii) an amount corresponding to twelve (12) times the Average Consolidated EBITDA of the Company (as defined in Paragraph 11 below) minus the net consolidated indebtedness of the Company, divided by the total number of shares of the capital stock of the Company.

**Section 35 -** Any Relevant Shareholder that subscribes for and/or acquired shares issued by the Company in an amount equal to or greater than thirty percent (30%) of the total Outstanding Shares (as defined in the New Market Regulations) of the Company, and subsequently wishes to purchase additional shares of the Company on a stock exchange, will be required, prior to any such additional purchase, to advise in writing the Company and the trading director of BM&FBOVESPA, through the brokerage house serving as intermediary in the transaction, of the intention of such Relevant Shareholder to purchase additional shares of the capital stock of the Company, at least three (3) business days prior to the intended date of the additional purchase of shares, so that such director may arrange for an auction for the purchase of shares to be conducted on the trading floor of

**Section 35 -** Any Relevant Shareholder that subscribes for and/or acquired shares issued by the Company in an amount equal to or greater than thirty percent (30%) of the total Outstanding Shares (as defined in the New Market Regulations) of the Company, and subsequently wishes to purchase additional shares of the Company on a stock exchange, will be required, prior to any such additional purchase, to advise in writing the Company and to BM&FBOVESPA of the intention of such Relevant Shareholder to purchase additional shares of the capital stock of the Company, at least three (3) business days prior to the intended date of the additional purchase of shares, and to take all action to ensure that such acquisition be carried out by means of an auction for the purchase of shares to be conducted on the trading floor of BM&FBOVESPA, in which intervening third parties and/or the Company

Wording given pursuant to instructions of the BM&FBOVESPA.

BM&FBOVESPA, in which intervening third parties and/or the Company may participate, in compliance at all times with applicable legislation, the regulations of the Brazilian Securities and Exchange Commission – CVM, and the regulations of BM&FBOVESPA.

**Section 49 -** The provisions of Section 34 of these bylaws will not apply to the current shareholders of the Company that already own fifteen percent (15%) or more of the total shares of the shares issued by the Company or to the successors of such shareholders, including and in particular the controlling shareholders of the Company signatories to the Shareholders' Agreement dated April 26, 2004 and filed with the registered office of the Company, in accordance with the terms of Article 118 of Law No. 6,404, dated December 15, 1976, b applicable only to those investors that purchase shares and become shareholders of the Company after registration of the Company as a publicly-held company with the Brazilian Securities and Exchange Commission – CVM and after its shares have commenced trading on BM&BOVESPA.

may participate, in compliance at all times with applicable legislation, the regulations of the Brazilian Securities and Exchange Commission – CVM, and the regulations of BM&FBOVESPA.

**Section 49 -** The provisions of Section 34 of these bylaws will not apply to the current shareholders of the Company that already own fifteen percent (15%) or more of the total shares issued by the Company or to the successors of such shareholders, including and in particular the controlling shareholders of the Company signatories to the Shareholders' Agreement dated April 26, 2007 and filed with the registered office of the Company, in accordance with the terms of Section 118 of Law No. 6,404, dated December 15, 1976, but will apply only to those investors that purchase shares and become shareholders of the Company after registration of the Company as a publicly-held company with the Brazilian Securities and Exchange Commission – CVM and after its shares have commenced trading on BM&BOVESPA.

Correcting the date of the Shareholders Agreement to April 26, 2007.

## EXHIBIT VI – PROPOSED AMENDMENTS TO THE BYLAWS - RESTATED

*(The track changes below are the inclusions/exclusions proposed to the current wording of the bylaws of the Company, that will be discussed in the Extraordinary Shareholders' Meeting.)*

### BY-LAWS OF NATURA COSMÉTICOS S.A.

#### ARTICLE I

#### NAME, REGISTERED OFFICE, PURPOSES AND DURATION

**Section 1 - NATURA COSMÉTICOS S.A.** is a publicly-held corporation, which is governed by these By-laws, applicable legislation and the *Novo Mercado* Listing Regulations (*Regulamento de Listagem no Novo Mercado*).

**Sole Paragraph** – Given that the Company has joined the special listing segment known as *Novo Mercado*, maintained by BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros (“BM&FBOVESPA”), the Company, its shareholders, Managers and Audit Committee members, if any, are also subject to the provisions of the *Novo Mercado* Listing Regulations of BM&FBOVESPA (“*Novo Mercado* Regulations”).

**Section 2 -** The registered office of the Company is located in the City of ~~Itapeverica da Serra~~São Paulo, State of São Paulo, ~~at Rodovia Régis Bittencourt, w/o no., km 293, Bairro Potuverá, Edifício I, ZIP CODE 06882-700.~~

**Paragraph 1<sup>st</sup>** – The Company may establish branches, agencies, warehouses, offices and other premises of any kind anywhere in Brazil, according to a resolution passed by the Board of Executive Officers.

**Section 3 -** The purposes of the Company are as follows:

- I. trading, export and import of beauty and personal care products, toiletry, cosmetics, apparel, electric devices for personal use, jewelry, costume jewelry, home articles, baby and children supplies, bed, bath and table supplies, foods, nutritional supplements, software, books, publishing material, entertainment products, phonographic products, medication, including phytotherapeutic and homeopathic medicines, drugs, pharmaceutical raw materials, and home cleaning products, the Company being permitted to carry on any and all activities and transactions related to such purposes;
- II. the provision of services of any kind, such as services related to beauty treatment, marketing consulting, credit information, planning, and risk analysis; and
- III. the formation and management of, and the holding of interests in, companies and businesses of any kind and in any manner whatsoever, as a shareholder or quotaholder.

**Section 4 -** The duration of the Company is for an indefinite period of time.

## **ARTICLE II CAPITAL STOCK, SHARES AND SHAREHOLDERS**

**Section 5 -** The capital stock of the Company, fully subscribed to and paid in, is of four hundred twenty-seven million, seventy-two thousand, seven hundred and seven Brazilian Reais and thirty-two centavos (R\$ 427,072,707.32), divided into four hundred thirty-one million, two hundred thirty-nine thousand, two hundred sixty-four (431,239,264 ) registered common shares, with no par value.

**Sole Paragraph** – The Company may not issue preferred shares.

**Section 6 -** The Company is hereby authorized to increase its capital stock, irrespective of an amendment to these By-laws, up to four hundred forty-one million, three hundred ten thousand, one hundred twenty-five (441,310,125) common shares, with no par value, upon a resolution of the Board of Directors, which will establish the terms of issuance, including as to price and payment.

**Paragraph 1<sup>st</sup>** – Within the limits of the authorized capital, the Board of Directors may approve the issuance of warrants and convertible debentures.

**Paragraph 2<sup>nd</sup>** – The Board of Directors may grant stock purchase or subscription options, under the Stock Purchase or Subscription Option Programs approved by the Shareholders' Meeting, to the Managers and employees of the Company, as well as to Managers and employees of other companies directly or indirectly controlled by the Company, without preemptive rights to the shareholders at the time of either grant or exercise of such options, subject to the balance of the authorized capital limit at the time of exercise of subscription options, and the balance of treasury shares at the time of exercise of purchase options.

**Paragraph 3<sup>rd</sup>** – The Company is forbidden from issuing founder's shares.

**Section 7 -** The capital stock of the Company will be represented solely by common shares, and each common share will be entitled to one vote on the resolutions to be adopted by the shareholders.

**Section 8 -** All shares of the Company will be in book-entry form and will be kept, in the name of the holders thereof, in a deposit maintained with a financial institution authorized to do business by the Brazilian Securities Commission ("CVM").

**Sole Paragraph** – The costs of any transfers or recordal as well as the costs of services related to the shares under custody may be charged directly to the shareholder by the depository institution , as defined in the relevant custody agreement.

**Section 9** - The Board of Directors may, in its discretion, exclude or restrict preemptive rights when issuing shares, convertible debentures and subscription warrants placed by way of sale on a stock exchange, public subscription or exchange of shares in a tender offer, according to the provisions of law and within the limits of the authorized capital.

## **ARTICLE III MANAGEMENT OF COMPANY**

### **PART I SHAREHOLDERS' MEETING**

**Section 10** - The Annual Shareholders' Meeting will be held once a year, and Special Shareholders' Meetings may be held whenever called in accordance with the provisions contained in the law and in these By-laws.

**Paragraph 1<sup>st</sup>** – The resolutions of the Shareholders' Meeting will be passed by a majority of votes.

**Paragraph 2<sup>nd</sup>** – The Shareholders' Meeting may only resolve on the matters listed in the agenda for the meeting, as set forth in the relevant call notice.

**Section 11** - The Shareholders' Meeting will be called and presided over by a shareholder designated by the attendees, who will be allowed to appoint up to two (2) secretaries.

**Section 12** - In addition to the powers and duties provided for by law, it is incumbent upon the Shareholders' Meeting:

- I. to elect and remove from office the members of the Board of Directors and the members of the Audit Committee, when applicable;
- II. to fix the aggregate remuneration of the members of the Board of Directors and of the Board of Executive Officers, as well as the compensation of the members of the Audit Committee, when in operation;
- III. to pay stock dividends and approve any stock split or reverse stock split;
- IV. to approve stock purchase or subscription option programs for the Managers and employees of the Company, as well as for the Managers and employees of other companies directly or indirectly controlled by the Company;
- V. to resolve on the allocation of the net income for the year and the distribution of dividends;
- VI. to appoint a liquidator and the Audit Committee that will serve during the period of liquidation;

- VII. to resolve on delisting the Company from the *Novo Mercado* listing segment of the BM&FBOVESPA - Bolsa de Valores Mercadorias e Futuros – (“BM&FBOVESPA”); and
- VIII. to select the specialized firm or entity charged with preparation of an appraisal report for the shares of the Company, in the case of cancelation of registration as publicly-held company or delisting from the *Novo Mercado*, as provided in Article V hereof, from a list of specialized firms or entities produced by the Board of Directors.

**Sole Paragraph** - The chairman of the Shareholders’ Meeting will comply with and enforce the provisions of the shareholders’ agreements filed at the registered office of the Company, and will disregard any votes cast in violation of the contents thereof.

## **PART II MANAGEMENT BODIES**

### **Subpart I General Provisions**

**Section 13** - The Company will be managed by the Board of Directors and the Board of Executive Officers.

**Paragraph 1<sup>st</sup>** – The Managers will take office by executing a statement of acceptance of office recorded in the appropriate book, the posting of a fidelity bond not being required.

**Paragraph 2<sup>nd</sup>** – Investiture of the members of the Board of Directors and of the Board of Executive Officers is contingent upon execution of the Consent of Manager, in accordance with the provisions of the *Novo Mercado* Listing Regulations and applicable legal requirements.

**Paragraph 3<sup>rd</sup>** – The Managers will hold their positions until such time as their replacements will have taken office.

**Section 14** - The Shareholders’ Meeting will set the aggregate annual amount to be distributed among the Managers of the Company, and the Board of Directors will distribute such amount individually to each director and executive officer, subject to the provisions of these By-laws.

**Section 15** - A majority of members will constitute a quorum for the meetings of all management bodies of the Company, which meetings will pass their resolutions by a majority vote of the attendees.

**Paragraph 1<sup>st</sup>** – In the case of a tie vote at a meeting of the Board of Directors, the ~~co-chairman~~ member of the Board of Directors who is presiding over the meeting will cast ~~the tie~~ a deciding vote.

**Paragraph 2<sup>nd</sup>** – The requirement of call notice for meetings may only be waived where all members are in attendance, provided further that votes cast in writing may be computed in this regard.

## **Subpart II Board of Directors**

**Section 16** - The Board of Directors will be composed of at least five (5) and no more than nine (9) members, who will be elected and removed by the Shareholders' Meeting, with a unified term of office of up to two (2) years, reelection being permitted.

**Paragraph 1<sup>st</sup>** - Out of the members of the Board of Directors, at least twenty percent (20%) will be Independent Directors, as defined in the *Novo Mercado* Regulations and as expressly stated in the minutes of the Shareholders' Meeting that elects such Independent Directors, provided further that a director elected as permitted under Section 141, Paragraphs 4 and 5 of Law 6,404/76 will also be deemed an Independent Director. Should compliance with the foregoing percentage requirement lead to a fractional number of directors, the rounding procedure described in the *Novo Mercado* Regulations will be followed.

**Paragraph 2<sup>nd</sup>** – The directors will be persons of excellent reputation and unless otherwise permitted by the Shareholders' Meeting, a person may not be elected as director that (i) holds a position in a company that could be regarded as a competitor of the Company; or (ii) has or poses a conflict of interest with the Company. A director may not cast a vote in the case of the supervening impediment as aforesaid.

**Paragraph 3<sup>rd</sup>** – Pursuant to Section 115, Paragraph 1 of Law No. 6,404/76, no voting rights may be exercised for the election of directors where a conflict of interest with the Company exists.

**Paragraph 4<sup>th</sup>** – A director may not have access to information or take part in meetings of the Board of Directors that involve matters as to which such director has a conflict of interest with the Company or matters that could pose such a conflict of interest.

**Paragraph 5<sup>th</sup>** – In furtherance of its duties, the Board of Directors may establish committees or work groups having defined objectives and comprised of persons designated by the Board from among the management of the Company and/or persons directly or indirectly affiliated with the Company.

**Paragraph 6<sup>th</sup>** – A single person may not concurrently hold the offices of chairman of the Board of Directors and President or Chief Executive Officer of the Company.

**Section 17** – At the time of election of directors, the Shareholders' Meeting will first determine by a majority of votes the number of directors to be elected. If the cumulative voting system has not been requested pursuant to law, the Shareholders' Meeting will vote on slates of directors filed in advance with the chair, which will

ensure that shareholders owning, individually or as a block, fifteen percent (15%) or more of the common shares of the Company will be entitled to nominate one director, subject to the limitation in the leading paragraph of Section 16. The chair may not acceptance for filing a slate in violation of the provision of this section.

**Section 18** - The Board of Directors will have ~~up to three (3) co-chairmen~~ a Chairman, who will be elected by a majority ~~of votes~~ vote of the directors at the first meeting of the Board held after investiture of the directors, ~~or whenever a resignation or vacancy occurs.~~

**Paragraph 1<sup>st</sup>** - ~~Additionally, at such first meeting of the Board of Directors, the directors will designate one among the co-chairmen to preside over the meetings of the Board of Directors during the entire term of office of the directors. In the event of an impediment or a permanent vacancy of office of the Board of Director, the Board shall call a Shareholders' Meeting to fill in the open position.~~

**Paragraph 2<sup>nd</sup>** - ~~In the event case of resignation or permanent impediment or vacancy on the Board of Directors, the Board will call a Shareholders' Meeting to fill in the open position~~ vacancy in the office of Chairman of the Board of Directors, the Board of Directors shall appoint the new Chairman, by majority of votes of its members, at the first meeting held immediately after the resignation or permanent vacancy.

**Section 19** - The Board of Directors will hold regular meetings four (4) times a year, and may hold special meetings whenever called by the ~~co-chairman selected as described in Paragraph 1<sup>st</sup> of Section 18 hereof, or by a~~ Chairman or by the majority of directors. The Board meetings may exceptionally be held by telephone conference, video conference, e-mail or any other means of communication that allows identification of each director and simultaneous communication with all other persons attending the meeting.

**Paragraph 1<sup>st</sup>** - Notice to all meetings will be given at least seventy-two (72) hours in advance.

**Paragraph 2<sup>nd</sup>** - All resolutions passed by the Board of Directors will be recorded in minutes transcribed on the appropriate book of the Board of Directors and executed by all directors in attendance.

**Paragraph 3<sup>rd</sup>** - A director attending a meeting of the Board of Directors by telephone conference, video conference or other means of communication, as aforesaid, will confirm its vote in a statement to be sent to the chairman of the meeting by letter, fax, e-mail or other means of communication that allows identification of each director, promptly after the closing of the meeting. Upon receipt of such statement, the chairman will have full authority to execute the minutes of the meeting on behalf of the director in question.

**Paragraph 4<sup>th</sup>** - In the event of temporary absence of any director, he or she may be substituted at Board meetings by another director that he or she may have expressly appointed under a specific power of attorney,

stating, among other things, the votes to be cast on the items of the agenda for each meeting. In such case, the substitute, in addition to his or her own vote, will cast the vote previously indicated by the absent director. Only an Independent Director may substitute for an absent Independent Director.

**Section 20** - In addition to other powers and duties assigned by law or these By-laws, it is incumbent on the Board of Directors:

- I. to regulate the affairs of the Company, and to take charge of, examine and deliberate on, any matters that do not fall within the exclusive authority of the Shareholders' Meeting or the Board of Executive Officers;
- II. to set the general guidelines for the business of the Company;
- III. to elect and remove from office the executive officers of the Company;
- IV. to assign the duties of each executive officer, and to designate the Investor Relations Officer, in compliance with the provisions hereof;
- V. to take action to call the Shareholders' Meeting, at such times as the Board deems fit, or in the case of Section 132 of the Corporation Law (Law No. 6,404/76);
- VI. to oversee the performance of the executive officers; to examine at any time the books and records of the Company; and to request information on any contracts made or about to be made and any other acts;
- VII. to review the quarterly results of operations of the Company;
- VIII. to select and replace the independent auditors;
- IX. to call for the presence of the independent auditors to provide clarification as required;
- X. to issue an opinion on the Management Report and the accounts of the Board of Executive Officers, and to resolve on the submission thereof to the Shareholders' Meeting;
- XI. to approve annual and multi-annual budgets, strategic plans, expansion projects and investment programs, and to follow up on the implementation thereof;
- XII. to approve the creation and dissolution of subsidiaries and the taking of ownership interests in other companies, in Brazil or abroad, as well as the establishment of branch offices, warehouses, offices and any other premises abroad;

- XIII. to order any inspection, audit or taking of accounts with respect to subsidiaries, Controlled companies or affiliates of the Company, or any foundations maintained by the Company;
- XIV. to previously discuss any matters to be submitted to the Shareholders' Meeting;
- XV. to authorize the issuance of shares in the Company within the limits authorized in Section 6 hereof, and to set the terms for any such issuance of shares, including as to price and payment, provided, further, that the Board may exclude preemptive rights or reduce the time period for exercise thereof in the case of shares, convertible debentures and warrants to be placed by way of sale on a stock exchange, public subscription or tender offer, in keeping with the provisions of law;
- XVI. to resolve on the purchase by the Company of the shares of its own capital stock to be kept as treasury shares and/or for subsequent retirement or disposal;
- XVII. to resolve on the issuance of warrants, as provided for in Paragraph 1<sup>st</sup> of Section 6 hereof;
- XVIII. to grant stock purchase or subscription options, under Stock Purchase or Subscription Option Programs adopted by the Shareholders' Meeting, to the Managers and employees of the Company, as well as to the Managers and employees of other companies directly or indirectly controlled by the Company, without preemptive rights to the shareholders at the time of either award or exercise of such options, with due regard for the balance of the authorized capital at the time of exercise of stock subscription options, and the balance of treasury shares at the time of exercise of the stock purchase options;
- XIX. to set the amount of any profit-sharing to the executive officers, managers and employees of the Company;
- XX. to resolve on the issuance of debentures;
- XXI. to authorize the Company to give a guaranty or security for the obligations of third parties;
- XXII. to approve the levels of authority and the policies of the Board of Executive Officers, as well as any modifications thereof, including rules governing (a) acquisition of fixed assets and incurrence of financial obligations; (b) encumbrance of fixed assets; (c) raising of money and issuance of debt securities for the raising of money, such as bonds, notes, commercial papers, promissory notes and others generally used in the marketplace, and to approve the terms of issuance and redemption thereof, among other rules as to levels of authority; and to oversee compliance with such policies by the executive officers;

- XXIII. to define the list of three firms specialized in economic appraisal in charge of preparing an appraisal report for the shares of the Company in the case of the Tender Offer for cancellation of registration as a publicly-held company or delisting from the *Novo Mercado*;
- XXIV. to approve engagement of the institution that will serve as transfer agent for the book-entry shares of the Company;
- XXV. with due regard for the provisions of these By-laws and prevailing legislation, to regulate the proceedings of the Board and to issue or adopt internal regulations for its operation;
- XXVI. to issue a favorable or unfavorable opinion on any tender offer to purchase shares of the capital stock of the Company, such opinion to be well-reasoned and to be issued no later than fifteen (15) days after publication of the notice for the tender offer, covering at least (i) the convenience and timeliness of the tender offer, in view of the interests of the shareholders as a whole and the liquidity of their securities; (ii) the repercussions of the tender offer on the interests of the Company; (iii) the strategic plans communicated by the offeror with regard to the Company; and (iv) other points that the Board of Directors may deem relevant, as well as any information required by the applicable rules issued by CVM; and
- XXVII. to resolve on (i) payment of interim dividends, pursuant to Section 28, Paragraph 3<sup>rd</sup>; and (ii) payment or credit to the shareholders of interest on shareholders' equity during the fiscal year, in accordance with applicable legislation.

### **Subpart III Board of Executive Officers**

**Section 21** - The Board of Executive Officers, whose members will be elected and removed by the Board of Directors at any time, will be composed of the Chief Executive Officer, a Chief Marketing Officer, a Chief Legal Officer and a Chief Financial Officer, who will each serve for a term of three (3) years, reelection being permitted.

**Paragraph 1<sup>st</sup>** – The Board of Executive Officers will be elected preferably on the date the Annual Shareholders' Meeting is held.

**Paragraph 2<sup>nd</sup>** – The Chief Financial Officer will substitute for the Chief Executive Officer in the temporary impediments and absences of the latter, provided, further, that in the event the position of Chief Executive Officer becomes vacant, the Chief Financial Officer will occupy such position until the next meeting of the Board of Directors, which will appoint a replacement to serve for the unexpired portion of the term.

**Paragraph 3<sup>rd</sup>** – The remaining executive officers will be replaced, in the case of temporary absence or impediment, by another executive officer selected by the Board of Executive Officers. In the case of the vacancy, the Board will appoint an interim replacement who will serve

until the Board of Directors elects a permanent replacement for the unexpired portion of the term.

**Section 22** - The Board of Executive Officers will have full authority to take all action required for representation of the Company and achievement of its purposes, no matter how special such action may be, including authority to waive rights and to settle and compromise, subject to the applicable provisions of law and these By-laws, the resolutions adopted by the Shareholders' Meeting and the Board of Directors, and the provisions and levels of authority specified by the Board of Directors. In particular, it is incumbent on the Board of Executive Officers:

- I. to comply with and enforce these By-laws and the resolutions passed by the Board of Directors and the Shareholders' Meeting;
- II. to prepare and submit each year to the Board of Directors a strategic plan, the annual revisions thereof, and the general budget of the Company, and to see to their implementation;
- III. to resolve on the opening, relocation and closing of branch offices, warehouses, offices and any other premises of the Company in Brazil;
- IV. within the limits of authority set by the Board of Directors, to make decisions concerning the acquisition, disposal and/or encumbrance of fixed assets, as well as incurrence of financial obligations related to the investment projects of the Company;
- V. to submit each year for review to the Board of Directors a Management Report and the accounts of the Board of Executive Officers, together with the report of the independent auditors and the proposed application of the income for the preceding year; and
- VI. to submit every quarter to the Board of Directors a detailed trial balance sheet of the Company and its Controlled Companies.

**Section 23** - It is incumbent on the Chief Executive Officer, in addition to coordinating the action of the executive officers and guiding the general planning activities of the Company:

- I. to call and preside over the meetings of the Board of Executive Officers;
- II. to keep the members of the Board of Directors abreast of the affairs of the Company and the progress of its operations;
- III. to propose to the Board of Directors, on its own non-exclusive initiative, the duties to be assigned to the executive officers; and
- IV. to carry out such other duties as are assigned by the Board of Directors.

**Section 24** – It is incumbent on the executive officers, in addition to carrying out the activities assigned to them by the Board of Directors, to discharge the following duties:

**Paragraph 1<sup>st</sup>** – It is incumbent on the Chief Financial Officer:

- (a) to plan, implement and coordinate the financial policies of the Company, and to organize, prepare and monitor its budget;
- (b) to prepare financial statements, and to manage the accounting activities and the treasury of the Company, in keeping with applicable legal requirements;
- (c) to provide guidance to the Company on any decision-making that involves financial risks;
- (d) to prepare financial reports and to provide information on his or her areas of responsibility to the bodies of the Company; and
- (e) to plan and carry out management policies for his or her areas of responsibility.

**Paragraph 2<sup>nd</sup>** – It is incumbent on the Chief Marketing Officer:

- (a) to plan, define and manage marketing strategies;
- (b) to set up and manage the sales structure and the policies on business relations;
- (c) to provide guidance to the Company on any decision-making that involves commercial risks;
- (d) to prepare commercial reports and to provide information on his or her areas of responsibility to the bodies of the Company; and
- (e) to plan and carry out management policies for his or her areas of responsibility.

**Paragraph 3<sup>rd</sup>** – It is incumbent on the Chief Legal Officer:

- (a) to organize, control, coordinate and oversee the legal matters and activities of the Company, in all technical, operational and strategic respects;
- (b) to counsel the Company on any decision-making that involves legal risks and on the implementation of such decisions, in compliance with applicable legal requirements;
- (c) to retain and oversee legal services to be provided by outside professionals;
- (d) to prepare legal reports and to provide information on his or her areas of responsibility to the bodies of the Company; and

- (e) to plan and carry out management policies for his or her areas of responsibility.

**Section 25** - As a general rule, and except for the cases mentioned in the following paragraphs, the Company will be bound by two (2) executive officers, or one executive officer acting together with one attorney in fact, or two (2) attorneys in fact, acting within the limits of their powers of attorney.

**Paragraph 1<sup>st</sup>** – The acts for which these By-laws require the prior consent of the Board of Directors may only be performed after this condition has been met.

**Paragraph 2<sup>nd</sup>** – The Company may be represented by one (1) single executive officer or one (1) single attorney in fact in the following cases:

- (a) where the act to be performed requires a single representative, the Company will be represented by any executive officer or any attorney in fact holding special powers; and
- (b) in the case of release and discharge of amounts payable to the Company, issuance and trading, including endorsement and discount, of trade papers for sales made, as well as in the case of correspondence not involving an obligation to the Company and performance of routine acts of management, including those before governmental agencies, mixed-capital companies, the Federal Revenue Service, State and Local Treasury Departments, the Boards of Trade, the National Health Surveillance Agency, Labor Courts, INSS, FGTS and related collecting banks, and other similar acts.

**Paragraph 3<sup>rd</sup>** – The Board of Directors may authorize a single executive officer or attorney in fact acting alone to perform other acts that bind the Company. The Board may also adopt criteria for limitation of authorities and may define certain cases where the Company will be represented by a single executive officer or attorney in fact.

**Paragraph 4<sup>th</sup>** – The following rules will apply to the appointment of attorneys in fact:

- (a) all powers of attorney will be issued jointly by any two (2) executive officers;
- (b) where a power of attorney involves performance of acts that require a prior consent from the Board of Directors, execution will be expressly contingent on the securing of such consent, which will be mentioned in the text of the power.

**Paragraph 5<sup>th</sup>** – Any acts performed in unconformity with the provisions of this section will be devoid of validity and will not be binding on the Company.

### **PART III AUDIT COMMITTEE**

**Section 26** - The Audit Committee of the Company, having such powers and duties as are established by law, will be composed of three (3) acting members and three (3) alternates.

**Paragraph 1<sup>st</sup>** – The Audit Committee will not operate on a permanent basis and will only operate when called by the shareholders, in accordance with the provisions of law.

**Paragraph 2<sup>nd</sup>** – The internal regulations applicable to the Audit Committee will be approved by the Shareholders' Meeting that convenes the Audit Committee.

**Paragraph 3<sup>rd</sup>** - Investiture of the members of the Audit Committee is contingent on execution of the Consent of Audit Committee Member, in accordance with the terms of the *Novo Mercado* Listing Regulations and with applicable legal requirements.

### **ARTICLE IV DISTRIBUTION OF INCOME**

**Section 27** - The fiscal year of the Company will start on January 1 and will end on December 31 of each year.

**Paragraph 1<sup>st</sup>** – At the end of each fiscal year, the Board of Executive Officers will cause the following financial statements to be prepared, in compliance with applicable legal requirements:

- (a) balance sheet;
- (b) income statement;
- (c) statement of changes in shareholders' equity;
- (d) statement of cash flows;
- (e) statement of added value; and
- (f) notes to the financial statements.

**Paragraph 2<sup>nd</sup>** – Together with the financial statements for the fiscal year the Board of Directors will submit to the Annual Shareholders' Meeting the proposed allocation of the net income, in compliance with the provisions of law and these By-laws.

**Section 28** - The shareholders will be entitled to receive as dividends each year a mandatory minimum percentage of thirty percent (30%) of the net income, as adjusted by:

- I. adding the amounts resulting from reversal during the year of contingency reserves previously established;

- II. deducting the amounts set aside during the year for establishment of the statutory reserve and contingency reserves; and
- III. where the mandatory minimum dividend exceeds the realized portion of the net income for the year, the management may propose, and the Shareholders' Meeting may approve, allocation of the excess to an unrealized profits reserve (Section 197 of Law 6,404/76, as amended by Law 10,303/01).

**Paragraph 1<sup>st</sup>** – The Shareholders' Meeting may approve profit sharing for the Managers, subject to applicable legal limitations. Payment of any profit sharing will be contingent on distribution of the mandatory dividend to the shareholders, as aforesaid. Whenever a semi-annual balance sheet is prepared and interim dividends are paid based on such balance sheet equivalent to at least thirty percent (30%) of the net income for the period, as determined according to the terms of this section, profit sharing may be paid to the Managers with respect to such semi-annual income, upon a resolution of the Board of Directors and subject to subsequent confirmation by the Shareholders' Meeting.

**Paragraph 2<sup>nd</sup>** – The Shareholders' Meeting may approve at any time a payment of dividends out of existing profits reserves or earnings from prior years retained pursuant to a resolution of the Shareholders' Meeting, after distribution of the aforesaid mandatory dividend to the shareholders during each year.

**Paragraph 3<sup>rd</sup>** – The Company may prepare semi-annual or other interim balance sheets, and the Board of Directors may approve a distribution of dividends out of income determined as per such balance sheets. The Board of Directors may also declare an interim dividend out of retained earnings or existing profits reserves, as shown on such balance sheets or the most recent annual balance sheet.

**Paragraph 4<sup>th</sup>** – Any dividends that fail to be claimed within a period of three (3) years will revert to the Company.

**Paragraph 5<sup>th</sup>** - The Board of Directors may pay or credit interest on shareholders' equity in accordance with the provisions of prevailing regulations.

**Section 29** - The Shareholders' Meeting may approve the capitalization of any reserves established in a semi-annual or other interim balance sheet.

## **ARTICLE V**

### **SALE OF CONTROLLING INTEREST, CANCELLATION OF REGISTRATION AS A PUBLICLY-HELD COMPANY, AND DELISTING FROM THE *NOVO MERCADO***

**Section 30** - The sale of a Controlling Interest in the Company in a single transaction or series of successive transactions must be agreed upon under a condition precedent or

subsequent that the Purchaser will make a tender offer to purchase the remaining shares of the Company, subject to the terms of, and within the time limits prescribed by, prevailing legislation and the *Novo Mercado* Listing Regulations, so that the holders of such remaining shares may receive the same treatment as accorded to the Selling Controlling Shareholder.

**Section 31** - A tender offer as referred to in the preceding section must also be made:

- I. upon assignment for financial consideration of interests exercisable for newly-issued shares and other securities or interests to convertible securities that may result in the Sale of the Controlling Interest in the Company; or
- II. in the event of sale of the controlling interest in a company that holds Controlling Power over the Company, in which case the Selling Controlling Shareholder will be required to disclose to BM&FBOVESPA the value assigned to the Company in such sale as well as the relevant supporting documentation.

**Section 32** - Any person that acquires Controlling Power over the Company as a result of the share purchase agreement entered into with the Controlling Shareholder for any number of shares will be required:

- I. to make a tender offer as provided in Section 30 of these Bylaws; and
- II. to pay, as stated below, a sum equivalent to the difference between the tender offer price and the value per share paid for shares purchased on a stock exchange within a period of six (6) months next preceding the date of acquisition of Controlling Power, duly adjusted for inflation up to the date of payment. Said sum will be distributed among all persons that sold shares of the Company on the trading sessions where the Purchaser made purchases, pro rata to the net daily selling balance thereof, BM&FBOVESPA to arrange for such distribution in accordance with its regulations.

**Section 33** - For the purposes of these By-laws, the following capitalized terms will have the following meanings:

“Controlling Shareholder” and “Selling Controlling Shareholder” have the meanings assigned to such terms in the *Novo Mercado* Regulations.

“Relevant Shareholder” means any person (including, without limitation, any natural person or legal entity, investment fund, joint ownership arrangement, securities portfolio, pooling of interests or other organization residing, domiciled or headquartered in Brazil or abroad) or group of persons bound to a Relevant Shareholder under a voting agreement and/or representing the same interests as a Relevant Shareholder, that subscribes to and/or purchases shares of the Company. Examples of the person representing the same interests as a Relevant Shareholder include any person (i) that is directly or indirectly controlled or managed by such Relevant Shareholder, (ii) that controls or manages in any manner such Relevant Shareholder, (iii) that is directly or indirectly controlled or managed by any person that directly or indirectly

controls or manages such Relevant Shareholder, (iv) in which the controlling person of such Relevant Shareholder directly or indirectly has an ownership interest equal to or greater than thirty percent (30%), (v) in which such Relevant Shareholder directly or indirectly holds an ownership interest equal to or greater than thirty percent (30%), or (vi) that directly or indirectly holds an ownership interest in such Relevant Shareholder equal to or greater than thirty percent (30%).

“Managers” when used in the singular mean an executive officer or director of the Company, and when used in the plural mean the executive officers and the directors of the Company collectively.

“Purchaser” means a person to whom a Selling Controlling Shareholder transfers Controlling Shares in a Sale of the Controlling Interest in the Company.

“Sale of the Controlling Interest in the Company” has the meaning assigned to such term in the *Novo Mercado* Regulations.

“Independent Director” has the meaning assigned to such term in the *Novo Mercado* Regulations.

“Group of Shareholders” means a group of two or more persons (a) bound by voting agreements or arrangements of any kind whatsoever, including a shareholders’ agreement, whether written or oral, and whether directly or through a Controlled company, a Controlling Person or a company under common Control; or (b) having a relationship of Control among themselves, whether directly or indirectly; or (c) under Common Control.

“Controlling Power” (and the correlative terms “Controlling”, “Controlled”, “under Common Control” or “Control”) means the power actually exercised to direct the corporate activities and guide the operation of the bodies of the Company, whether directly or indirectly, and whether *de facto* or *de jure*, irrespective of ownership interest held. There will be a relative presumption of control with respect to a person or Group of Shareholders that owns shares corresponding to an absolute majority of the votes cast by the shareholders attending the three most recent Shareholders’ Meetings of the Company, even though such person or Group of Shareholders may not own shares representing an absolute majority of the voting capital stock.

“Economic Value” has the meaning assigned to such term in the *Novo Mercado* Regulations.

**Section 34 -** Any Relevant Shareholder that acquires or becomes the owner of shares of the capital stock of the Company corresponding to twenty-five percent (25%) or more of the total shares of the capital stock of the Company must, within no more than sixty (60) days after the date of acquisition or the event giving rise to ownership of shares corresponding to twenty-five percent (25%) of more of the total shares of the capital stock of the Company, make or apply for registration of, as the case may be, a

tender offer to purchase all shares of the capital stock of the Company (“Tender Offer”), subject to the provisions of the applicable regulations issued by the Brazilian Securities Commission – CVM, the regulations issued by BM&FBOVESPA, and the terms of this section.

**Paragraph 1<sup>st</sup>** – The Tender Offer must be (i) addressed generally to all shareholders of the Company, (ii) take the form of an auction conducted on BM&FBOVESPA, (iii) launched at a price determined according to the terms of Paragraph 2 below, and (iv) call for payment in cash and in local currency, as consideration for the shares of the capital stock of the Company to be purchased in the Tender Offer.

**Paragraph 2<sup>nd</sup>** – The purchase price per share of the capital stock of the Company in the Tender Offer may not be less than the result of the following formula:

$$\text{Tender Offer Price} = \text{Share Value}$$

Where:

“Tender Offer Price” corresponds to the purchase price of each share of the capital stock of the Company in the Tender Offer mentioned in this section.

“Share Value” corresponds to the greater of (i) the highest quoted price per share of the capital stock of the Company during the period of twelve (12) months next preceding the Tender Offer on any stock exchange trading shares of the Company, (ii) the highest price per share paid by the Relevant Shareholder at any time for a share or block of shares of the capital stock of the Company; and (iii) an amount corresponding to twelve (12) times the Average Consolidated EBITDA of the Company (as defined in Paragraph ~~10~~11 below) minus the net consolidated indebtedness of the Company, divided by the total number of shares of the capital stock of the Company.

**Paragraph 3<sup>rd</sup>** – A Tender Offer made as aforesaid in this section will not exclude the possibility of another shareholder of the Company or, as the case may be, the Company itself making a competing Tender Offer, pursuant to applicable regulations.

**Paragraph 4<sup>th</sup>** – A Tender Offer as aforesaid in this section may be waived by the affirmative vote of shareholders representing a majority of the capital stock at a special shareholders’ meeting of the Company called especially to consider such Tender Offer.

**Paragraph 5<sup>th</sup>** – The Relevant Shareholder will be under an obligation to comply with any requests or requirements that may be made by the Brazilian Securities Commission – CVM concerning the Tender Offer, within the maximum time limits prescribed by applicable regulations.

**Paragraph 6<sup>th</sup>** – In the event the Relevant Shareholder fails to meet the obligations imposed by this section, including as regards compliance with maximum time limits (i) to make or apply for registration of the Tender Offer, or (ii) to comply with any requests or requirements made by the Brazilian Securities Commission – CVM, the Board of Directors of the Company will call a Special Shareholders’ Meeting, at which the Relevant Shareholder will be barred from voting, to consider suspension of the rights of the Relevant Shareholder defaulting under any obligation imposed by this section, in accordance with the terms of Section 120 of Law No. 6,404, dated December 15, 1976.

**Paragraph 7<sup>th</sup>** – Any Relevant Shareholder that purchases or becomes the holder of other rights, including rights of usufruct or fideicommissum, to shares of the capital stock of the Company in an amount of twenty-five percent (25%) or more of the total shares of the capital stock of the Company will also be required, within no more than sixty (60) days after such purchase or event giving rise to the holding of rights to shares in an amount of twenty-five percent (25%) or more of the total shares of the capital stock of the Company, to make or apply for registration of, as the case may be, a Tender Offer as described in this Section 34.

**Paragraph 8<sup>th</sup>** – The obligations under Section 254-A of Law No. 6,404/76, and Sections 30, 31 and 32 of these By-laws will not circumvent compliance by the Relevant Shareholder with the obligations under this section.

**Paragraph 9<sup>th</sup>** – The provisions of this Section 34 will not apply to a person that comes to hold shares of the capital stock of the Company in an amount in excess of twenty-five percent (25%) of the total shares of the capital stock of the Company as a result of (i) merger of another company into the Company, (ii) a stock-for-stock transaction (*incorporação de ações*) with another company, or (iii) subscription for shares of the Company in a single primary issue approved at a Shareholders’ Meeting of the Company called by the Board of Directors, where the proposed capital increase includes an issue price based on economic value as determined by an appraisal report for the Company prepared by a specialized entity or firm having recognized expertise in the valuation of publicly-held companies.

**Paragraph 10<sup>th</sup>** – In the calculation of the percentage of twenty-five percent (25%) of the total shares of the capital stock of the Company referred to in the leading sentence of this section, there shall not be computed an involuntary increase of equity interest resulting from a retirement of treasury shares or from a reduction of the capital stock of the Company by way of the retirement of shares.

**Paragraph 11<sup>th</sup>** – For the purposes of these By-laws, the capitalized terms below will have the following meanings:

“Average Consolidated EBITDA of the Company” is the arithmetic mean of the Consolidated EBITDA’s of the Company for the two (2) most recent full fiscal years.

“Consolidated EBITDA of the Company” means the consolidated earnings of the Company before net financial expenses, income tax and social contribution, depreciation, depletion and amortization, as determined based on the most recent audited consolidated year-end financial statements made available to the market by the Company.

**Paragraph 12<sup>th</sup>** – Should the regulations issued by the Brazilian Securities Commission – CVM applicable to the Tender Offer under this section require adoption of the method of calculation of the purchase price for each share of the Company in the Tender Offer that arrives at a purchase price greater than that calculated according to the terms of Paragraph 2 above, the purchase price to prevail in the Tender Offer made under this section will be the purchase price determined according to the regulations issued by the Brazilian Securities Commission – CVM.

**Section 35** - Any Relevant Shareholder that subscribes for and/or acquires shares issued by the Company in an amount equal to or greater than thirty percent (30%) of the total Outstanding Shares (as defined in the *Novo Mercado* Regulations) of the Company, and subsequently wishes to purchase additional shares of the Company on a stock exchange, will be required, prior to any such additional purchase, to advise in writing the Company and ~~the trading director of the BM&FBOVESPA, through the brokerage house serving as intermediary in the transaction,~~ of the intention of such Relevant Shareholder to purchase additional shares of the capital stock of the Company, at least three (3) business days prior to the intended date of the additional purchase of shares, ~~so and to take all action to ensure~~ that such ~~director may arrange for acquisition be carried out by means of~~ an auction for the purchase of shares to be conducted on the trading floor of BM&FBOVESPA, in which intervening third parties and/or the Company may participate, in compliance at all times with applicable legislation, the regulations of the Brazilian Securities and Exchange Commission – CVM, and the regulations of BM&FBOVESPA.

**Sole Paragraph** – In the event the Relevant Shareholder fails to meet the obligations imposed by this section, the Board of Directors of the Company will call a Special Shareholders’ Meeting, at which the Relevant Shareholder will be barred from voting, to consider suspension of the rights of the Relevant Shareholder that failed to comply with the obligation imposed by this section, as provided in Section 120 of Law No. 6,404, dated December 15, 1976.

**Section 36** - In the tender offer for purchase of shares to be made by the Controlling Shareholder or the Company, in the case of cancellation of registration as a publicly-held company, the minimum offered price will correspond to Economic Value, as determined by an appraisal report prepared pursuant to the *caput* and to Paragraph 1<sup>st</sup> of Section 39, subject to applicable rules and regulations.

**Section 37 -** In the case of the resolution to delist the Company from the *Novo Mercado* in order to register Company securities for trading outside the *Novo Mercado*, or a resolution to delist as a result of the corporate reorganization in which the surviving company does not have its securities traded in the *Novo Mercado*, the Controlling Shareholder must make, within one hundred and twenty (120) days after the Shareholders' Meeting that approves the transaction in question, a tender offer to purchase the shares of the remaining shareholders of the Company for at least the Economic Value thereof, as determined by an appraisal report prepared pursuant to the *caput* and to Paragraph 1<sup>st</sup> of Section 39, subject to applicable rules and regulations.

**Section 38 –** If no Controlling Shareholder exists and a resolution is made to delist the Company from the *Novo Mercado* in order to register securities for trading outside the *Novo Mercado*, or such a resolution is made as a result of the corporate reorganization in which the surviving company does not have its securities traded in the *Novo Mercado*, delisting will be contingent on a tender offer being made for the purchase of shares on the terms described in the preceding section, within one hundred and twenty (120) days after the Shareholders' Meeting that approves the transaction in question.

**Paragraph 1<sup>st</sup> –** Such Shareholders' Meeting will define the person(s) responsible for making the tender offer to purchase shares, which person(s) will be present at the Shareholders' Meeting and will expressly undertake the obligation to carry out the offer.

**Paragraph 2<sup>nd</sup> –** In the absence of definition of the persons responsible for making the tender offer to purchase shares, in the case of the corporate reorganization in which the surviving company does not have its securities traded in the *Novo Mercado*, those shareholders voting in favor of the corporate reorganization will be responsible for making such tender offer.

**Section 39 -** The appraisal report referred to in Sections 36 and 37 hereof will be prepared by a specialized entity or firm of recognized expertise and independent from the decision-making power of the Company, its Managers and controlling persons, provided, further, that such appraisal report will meet the requirements in Paragraph 1 of Section 8 of Law No. 6,404/76, and will provide for the liability mentioned in Paragraph 6 of said Section 8.

**Paragraph 1<sup>st</sup> -** Selection of the specialized entity or firm charged with determination of the economic value of the Company falls within the exclusive authority of the Shareholders' Meeting and will be made from a list of three names submitted by the Board of Directors. The relevant decision will disregard any blank votes and will be made by a majority of votes of the shareholders owning Outstanding Shares in attendance at the meeting, which will transact business, on first call, upon attendance by shareholders representing at least twenty percent (20%) of the total Outstanding Shares and, on second call, upon attendance by any number of shareholders owning Outstanding Shares.

**Paragraph 2<sup>nd</sup> –** The costs related to preparation of the appraisal report will be fully borne by the offeror.

**Section 40** - The Company will only register the transfer of shares to the Purchaser or the person(s) that come of hold Controlling Power after they have executed a Consent of Controlling Person, as mentioned in the *Novo Mercado* Regulations.

**Section 41** – No shareholders’ agreement providing for exercise of Controlling Power may be filed with the registered office of the Company before its signatories have signed a Consent of Controlling Person, as mentioned in the *Novo Mercado* Regulations.

**Section 42** - Delisting of the Company from the *Novo Mercado* for failure to comply with the obligations under the *Novo Mercado* Regulations is contingent on the making of the tender offer for purchase of shares for at least the Economic Value thereof, based on an appraisal report prepared according to Section 39 of these By-laws, subject to applicable rules and regulations.

**Paragraph 1<sup>st</sup>** – The Controlling Shareholder will be required to make such tender offer for purchase of shares.

**Paragraph 2<sup>nd</sup>** – If no Controlling Shareholder exists and delisting from the *Novo Mercado* as aforesaid results from a resolution passed by the Shareholders’ Meeting, those shareholders voting in favor of the resolution leading to noncompliance will be required to make the tender offer to purchase shares.

**Paragraph 3<sup>rd</sup>** – If there is no Controlling Shareholder and delisting from the *Novo Mercado* as aforesaid results from action or failure to act on the part of the management, the Managers of the Company will call a Shareholders’ Meeting to pass a resolution to cure noncompliance with the obligations under the *Novo Mercado* Regulations or, as the case may be, a resolution to delist the Company from the *Novo Mercado*.

**Paragraph 4<sup>th</sup>** – If the Shareholders’ Meeting mentioned in Paragraph 3 above passes a resolution to delist the Company from the *Novo Mercado*, such Shareholders’ Meeting will define the person(s) responsible for making the tender offer to purchase shares, which person(s) will be present at the meeting and will expressly undertake the obligation to carry out the offer.

**Section 43** – The provisions of the *Novo Mercado* Regulations will prevail over the provisions of these By-laws where the rights of the offerees in the tender offer contemplated herein are adversely affected.

**Section 44** - The cases as to which these By-laws are silent will be disposed of by the Shareholders’ Meeting, in accordance with the precepts of Law No. 6,404, dated December 15, 1976.

## **ARTICLE VI ARBITRATION**

**Section 45** – The Company, its shareholders, Managers and Audit Committee members agree to settle by arbitration conducted before the Market Arbitration Chamber any and all disputes and controversies between them arising from or in connection with the application, validity, effectiveness, construction, breach and the effects of breach of the provisions of Law No. 6,404/76, the By-laws of the Company, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities Commission, as well as other regulations applicable to the operation of the capital markets in general, the *Novo Mercado* Regulations, the Arbitration Rules, the Rules on Sanctions, and the *Novo Mercado* Agreement.

## **ARTICLE VII LIQUIDATION OF COMPANY**

**Section 46** - The Company will be liquidated in the cases provided for by law, it being incumbent on the Shareholders' Meeting to elect the liquidator or liquidators and the Audit Committee that will serve during the period of liquidation, in compliance with applicable legal requirements.

## **ARTICLE VIII FINAL AND TEMPORARY PROVISIONS**

**Section 47** - The Company will comply with the shareholders' agreements filed with its registered office. The officers presiding over the proceedings of the Shareholders' Meeting and the members of the Board of Directors may not acceptance a vote that is cast by a shareholder signatory to a shareholders' agreement duly filed with the registered office, at variance with the provisions of such shareholders' agreement, and the Company is expressly barred from accepting and recording any transfer of shares and/or encumbrance and/or assignment of preemptive rights and/or other securities made in breach of the provisions and precepts of such shareholders' agreement.

**Section 48** - The Company is forbidden from providing financing or offering a guarantee or collateral of any kind whatsoever to third parties in connection with business outside the scope of the corporate purposes.

**Sole Paragraph** – The Company may not provide financing or offer a guarantee or collateral of any kind whatsoever to its controlling shareholders.

**Section 49** - The provisions of Section 34 of these bylaws will not apply to the current shareholders of the Company that already own fifteen percent (15%) or more of the total shares issued by the Company or to the successors of such shareholders, including and in particular the controlling shareholders of the Company signatories to the Shareholders' Agreement dated April 26, ~~2004~~2007 and filed with the registered office of the Company, in accordance with the terms of Section 118 of Law No. 6,404, dated December 15, 1976, but will apply only to those investors that purchase shares and become shareholders of the Company after registration of the Company as a publicly-held company with the Brazilian Securities and Exchange Commission – CVM and after its shares have commenced trading on BM&FBOVESPA.

## EXHIBIT VII

### INFORMATION ON ACQUISITIONS REQUIRED BY CVM INSTRUCTION 481 - EXHIBIT 19

#### ACQUISITION OF CONTROL

1. Describe the transaction:

The terms and conditions of the transaction are described in the Share Sale Agreement, entered into on December 20, 2012, by and among the Company and the shareholders of Emeis Holding Pty Ltd., as amended on February 28, 2013 (“Agreement”), and the Shareholders’ Deed entered into on December 20, 2012, by and among the Company and the other continuing minority shareholders of Emeis, as amended on February 28, 2013 (“Shareholders’ Deed”).

The Agreement provides for the acquisition by the Company, through Natura Australia Pty Ltd. (“Natura Australia”), a wholly owned subsidiary, of 65% of the ordinary shares issued by Emeis Holdings Pty Ltd., an Australian manufacturer, distributor and seller of premium cosmetics and beauty products which operates with the “Aesop” trademark in Australia, Asia, Europe and North America (“Transaction”). The consideration payable under the Transaction is AUD\$ 68,250,000.00 (sixty eight million, two hundred and fifty thousand Australian dollars), to be fully funded with the Company’s own resources, subject to (i) adjustments regarding the acquisition and performance of Emeis’ distributors; (ii) adjustments regarding the variation of working capital, between a reference amount and the amount as at the date of completion of the Transaction, which was February 28, 2013 (“Closing Date”); and (iii) other adjustments regarding the financial condition of Emeis at the Closing Date (“Transaction Value”). The exchange rate at the date the funds for payment of the Transaction Value have been remitted was R\$ 2.0198 for each AUD\$ 1

The Shareholders’ Deed provides that on the date of the adoption of Emeis’ annual accounts for the financial year ending June 30, 2015, Natura Australia may exercise, against the minority shareholders of Emeis, a call option to acquire ordinary shares representing up to 50% of the shares held by such minority shareholders of Emeis, for an amount proportionally equivalent to the number of ordinary shares acquired under such call option, based on a value assigned to the total number of ordinary shares of Emeis equivalent to 12 times Emeis’ EBITDA (earnings before interest, taxes, depreciation and amortization) in the 12 months financial year ending immediately prior to the exercise of such call option, less Emeis’ net debt (“Option Price Formula”).

On the date of the adoption of Emeis’ annual accounts for the financial year ending June 30, 2016 and on date of the adoption of Emeis’ annual accounts for each subsequent financial year until and including the financial year ending June 30, 2025, Natura

Australia may exercise, against the minority shareholders of Emeis, a call option to acquire up to 100% of the ordinary shares held by such minority shareholders, for an amount determined by the Option Price Formula.

On the date of the adoption of Emeis' annual accounts for the financial year ending June 30, 2015, each of Emeis' minority shareholders may exercise, against Natura Australia, a put option to sell up to 50% of the ordinary shares held by such minority shareholders of Emeis to Natura Australia, for an amount determined by the Option Price Formula.

On the date of the adoption of Emeis' annual accounts for the financial year ending June 30, 2016 and on date of the adoption of Emeis' annual accounts for each subsequent financial year until and including the financial year ending June 30, 2025, each of Emeis' minority shareholders may exercise, against Natura Australia, a put option to sell up to 100% of the ordinary shares held by such minority shareholders of Emeis to Natura Australia, for an amount determined by the Option Price Formula.

2. Inform the reason, whether legal or statutory, by which the transaction was submitted for approval of shareholders general meeting:

The Brazilian Corporation Law (Law No. 6,404/76) sets forth in its article 256 that the acquisition of control of any company is subject to the acquiring company's shareholders' general approval whenever (i) the purchase price represents a material investment to the acquirer pursuant to article 247, sole paragraph, or (ii) the average price per share or quota exceeds one and a half times the highest of the following values: a) the average price of the shares traded on the stock exchange or organized over-the-counter markets, during the ninety days prior to the date of the agreement; b) the value of the net shareholders' equity (article 248) at market prices (article 183, paragraph one) per share or quota; c) the value of the net profit per share or quota, which shall not exceed 15 (fifteen) times the annual net profit per share (article 187, n. VII) in the last 2 (two) fiscal years, monetarily restated.

The acquisition of Emeis' shares represents a material investment pursuant to article 247, sole paragraph, and the purchase price per share exceeds the net shareholders' equity at market prices per share.

3. With regard to the company which had its control acquired or to be acquired:

a. Inform name and qualification

Emeis Holding Pty Ltd., private company, ACN 097 023 544 of 25 Smith Street, Fitzroy, Victoria, Australia ("Emeis").

b. Number of shares or quotas of each class or type issued

Immediately following the completion of the Transaction, the corporate capital will be divided into 2,517,815 ordinary shares and a number of non-voting convertible redeemable preference shares (“Preferred Shares”), in a number to be determined, issued as a result of possible adjustments, as indicated in item 4.d, below.

c. List all the direct or indirect controlling shareholders or shareholders that are part of the controlling block, and their corresponding equity stake in the corporate capital, in case they are related parties, pursuant to the definition of the applicable accounting rules

Not applicable.

d. For each class and type of share or quota of the company which the control is being acquired, inform:

i. Lower, average and higher price, in the markets where they are traded, for the last 3 (three) years

Not applicable.

ii. Lower, average and higher price, in each quarter, in the markets where they are traded, for the last 2 (two) years

Not applicable.

iii. Lower, average and higher price, in each month, in the markets where they are traded, for the last 6 (six) months

Not applicable.

iv. Average price, in the markets where they are traded, for the last 90 (ninety) days

Not applicable.

v. Net book value at market prices, if such information is available;

Not available.

vi. Net profit in the last 2 (two) fiscal years, monetary restated:

Fiscal year ending on June 30, 2012: AUD\$ 1,505,756.00

Fiscal year ending on June 30, 2011: AUD\$ 829,371.00

4. Main terms and conditions, including:

a. Identification of the sellers

Dennis Paphitis; Michael O’Keeffe; Fable Holdings Pty. Ltd.; Harbert Australian Private Equity Fund I, L.P.

b. Total number of shares or quotas acquired or to be acquired

1,636,580 ordinary shares, equivalent to 65% of the ordinary shares issued by Emeis; and Preferred Shares, in a number to be determined, issued as a result of possible adjustments, as indicated in item 4.d, below.

c. Total price

The value of the Transaction is AUD\$ 68,250,000.00 (sixty eight million, two hundred and fifty thousand Australian dollars), to be fully paid with the Company’s own resources, subject to (i) adjustments regarding the acquisition and performance of Emeis’ distributors; (ii) adjustments regarding the variation of working capital, between a reference amount and the amount as at the Closing Date; and (iii) other adjustments regarding the financial condition of Emeis at the Closing Date. The total price may be adjusted downward in case some premises of the agreement are not verified.

d. Price per share or quota of each class or type

With regard to the ordinary shares which shall be acquired from the sellers, the total purchase price to be paid, not taking into account the possible adjustments, is equivalent to AUD\$ 68,250,000.00 (sixty eight million and two hundred and fifty thousand Australian dollars) for 1,641,217 ordinary shares, resulting in a price per share equivalent to AUD\$ 41.58.

With regard to the Preferred Shares, the total issuance price to be paid shall be equivalent to the value of certain adjustments to the price due for the common shares indicated in the Agreement. The total value of such adjustments shall be deducted from the price owed to the sellers for the common shares and shall be paid to Emeis for paying-up, on behalf of the Company, the Preferred Shares. In this case, the total amount disbursed by the Company in the context of the acquisition shall not be increased. The issuance price per Preferred Share shall be AUD\$ 1.00 per share and it shall be used by the Emeis to settle the obligations or to compensate expenses which have caused the price adjustment.

e. Payment conditions

100% of the value of the Transaction was paid with the Company's own resources, at the Closing Date. The exchange rate at the date the funds for payment of the Transaction Value have been remitted was R\$ 2.0198 for each AUD\$ 1.00.

f. Conditions precedent and resolute conditions to which the transaction is subject

All conditions precedent and resolute conditions to which the transaction was subject have been met or waived.

g. Summary of sellers' representations and warranties

Emeis' shareholders have made to the Company the representations and warranties usual for transactions similar to the Transaction, especially with regards to:

- i. Authority: the sellers have all necessary powers and authorizations to enter into the Agreement, which comprises obligations which are valid, enforceable and that do not breach other obligations to which the sellers are subject to;
- ii. Property of the shares and absence of liens: each of the sellers is the rightful owner of the transferred shares, which are free of any liens;
- iii. Regularity: Emeis and its subsidiaries (together, the "Emeis Group"), and the sellers which are legal entities have been validly incorporated and existing according the applicable laws;
- iv. Assets: the Emeis Group has the full property over the assets used by it to develop its business as they have currently been developed;
- v. Conduct of business: the Emeis Group has been conducting its activities according to the applicable laws;
- vi. Absence of association: the Emeis Group has not undertaken any obligation to associate itself in any way with third parties;
- vii. Permanent establishment: the Emeis Group has no permanent establishments (as defined in the relevant taxation agreements) outside Australia, United Kingdom, Singapore, Hong Kong, France, Japan or United States;
- viii. Commissions: except as indicated in the Agreement, no third party may claim any commissions regarding the Transaction from the sellers of or from the Emeis Group;
- ix. Solvency: it has not been taken (and there is no evidence that it will be taken) any measure for the liquidation, dissolution or arrangement that may lead to any third party taking charge of the sellers' or Emeis Group's management. The sellers and Emeis Group are capable of paying their respective debts in their respective due dates;
- x. Shares issued by Emeis: the shares issued by Emeis had their issuance duly authorized and are fully paid-up. At the date of the Transaction, except as indicated, there are no liens over the shares issued by the Emeis Group. With the Transaction, the Company will be the rightful owner of the acquired shares. Except for the shares

specified in the Agreement, the Emeis Group has not issued any other securities and there is no obligation for it to issue securities, except as indicated;

xi. Financial statements: the financial statements of the Emeis Group disclose a true and fair view of its economic and financial situation. Such financial statements have been prepared in accordance to the applicable legal and accounting requirements, and on a consistent basis in comparison with the financial statements of previous years. The documents on which the financial statements are based are true, reflect the business of the Emeis Group, and are kept or controlled by it, consistent with past practices. Emeis adopts internal accounting practices to reasonably assure that the financial statements reflect the actual financial and economic condition of the Emeis Group. There are no debts of the Emeis Group with the sellers that have not been created in the ordinary course of business. Since their respective base dates, (i) no events have occurred that, if known at the date they have been prepared, could materially change the contents of the financial statements, (ii) no events have occurred that may cause a material impact on the Emeis Group's activities or on their financial statements, (iii) the Emeis Group's businesses have been conducted in their ordinary course, and (iv) except for the sale of inventory in the regular course of business, no assets of the Emeis Group have been subject to liens or bound to sale;

xii. Accuracy of information: the documents and information regarding the Emeis Group and delivered to the Company are accurate, complete and not misleading. All information necessary for a buyer to evaluate the purchase of the shares in Emeis has been disclosed to the Company;

xiii. Assets: except as indicated, the assets of the Emeis Group are (i) rightfully owned and under its possession, (ii) all the assets required to conduct its business as currently conducted and (iii) free from liens. The location and use of such assets do not violate any law or regulation to which they are subject to. The assets are in good repair and condition, suitable for the proposed use for which they have been acquired. There are no claims against Emeis Group for defects in its products;

xiv. Intellectual Property: all intellectual property used by the Emeis Group in its activities is owned by it or has been duly licensed to it, free of liens. There are no current or imminent proceedings which aim at contesting such intellectual property. The use of such intellectual property or the Transaction will not violate any license term, law or regulation applicable to it. Except as indicated, the Emeis Group (i) has not granted any license to third parties related to the intellectual property used by it in its activities, (ii) does not depend on third party's license to use material intellectual property to its activities, (iii) does not have use restrictions for the intellectual property necessary to the development of its activities;

xv. Computer systems: the computer systems used by the Emeis Group do not violate laws and regulations applicable to them, are fully operational, and fulfill the purposes and activities that they are intended to, satisfying the requirements of the activities developed by them. Such systems have sufficient mechanisms to ensure their integrity and security;

xvi. Leased property: the properties leased by the Emeis Group (i) are the only properties necessary for the development of its activities, (ii) are in conditions that make

them suitable to their proposed use, (iii) are not subject to liens, and (iv) are duly authorized to be used. The use of such properties, as they have been currently used, does not violate law, regulation or obligation applicable to them;

xvii. Contracts: the Emeis Group has complied with all the material obligations to which it is bound pursuant to the terms of the agreements executed by it, which are fully valid and enforceable in accordance with their terms. The Emeis Group's clients will remain clients after the Transaction, subject to the same terms currently applicable to their relationship. There is no offer of any kind made by the Emeis Group that may give rise to a binding obligation to it. The Emeis Group has not granted any financial benefit to a related party. The leased assets are in conditions that make them suitable to their proposed use;

xviii. Employees: all the bonuses or incentives due to the Emeis Group's employees have been duly paid except as indicated. Except as indicated, there is no outstanding payment to the Emeis Group's employees in connection with the Transaction. The Emeis Group is not a party to any agreement with unions and has been complying with all its obligations imposed by law, regulation or agreement related to labor matters. There is no strike or similar event, in course or imminent, involving the Emeis Group. The Transaction will not cause the violation of labor obligations applicable to the Emeis Group;

xix. Retirement: all of the Emeis Group's employees are parties to retirement plans and Emeis Group only contributes to such plans. These contributions from the Emeis Group are made in accordance with the applicable law, regulation and obligations;

xx. Compliance with law: the Emeis Group has complied at all times with the applicable legislation and regulation, and has not received any notice from governmental authorities that might indicate a violation to such legislation or regulation. The Emeis Group has obtained all the necessary authorizations (or waivers to such authorizations) to conduct its businesses, which are currently in force. The Emeis Group or its representatives have not performed any act that may be considered as corruption, pursuant to the terms of the applicable legislation and regulation;

xxi. Documentation: all the documentation related to the Emeis Group's activities (i) has been duly compiled and filed, (ii) is under the Emeis Group's possession, and (iii) is in accordance with the applicable legislation and regulation. All the documents that should have been presented to the governmental authorities, in the last three years, have been duly and timely presented to them;

xxii. Insurance: the Emeis Group had and has valid and adequate insurance, as required by law, for the risks usually incurred by companies that develop similar activities. No act has been practiced that may deem such insurance invalids and none of them will become invalid by virtue of the Transaction. All the tangible assets are insured up to their substitution value. There are no material discussions and proceedings between the Emeis Group and its insurance companies. The insurance policies are valid and in force, all of their premiums have been duly paid and the Emeis Group complies with the terms of such insurance policies;

xxiii. Litigation: except as indicated, in the last three years, the Emeis Group was not a party to any claim (or similar proceedings) or investigations. There are no claim or investigation in course or imminent against the Emeis Group;

xxiv. Tax matters: all the taxes payable by the Emeis Group up to the date of the Transaction have been or will be paid until such date, or have been duly provisioned for payment thereafter. All the tax statements have been duly prepared and presented by the Emeis Group. All the tax records required by law have been duly maintained by the Emeis Group and are under its possession. All withholding obligations have been duly fulfilled by the Emeis Group, as applicable. There is no claim (or similar proceeding), effective or imminent, questioning the Emeis Group' tax matters, neither currently nor during the five years previous to the Transaction. The distribution of dividends made by the Emeis Group, the recording of its tax credits, the deductions and other material events have complied with the applicable tax rules.

h. Rules regarding the indemnification of the purchasers

The sellers shall indemnify the Company for losses suffered as a result of breaches of representations and warranties and covenants set out in the Agreement, subject to a maximum limit of AUD\$ 68,250,000.00 and certain other limits and conditions.

Nonetheless, the sellers are severally liable for any claim based on the Agreement (including claims related to representations made by the sellers) or derived from an indemnity provided in the Agreement in proportion to the proportion of the total sale shares sold by each seller. The sellers shall be individually and solely liable for losses in relation to (i) release of potential guarantees that the sellers may have given to third parties; (ii) leakage of privileged information; (iii) breach of the non-compete obligation with Emeis.

Pursuant to the terms of the Agreement, the Company has hired a specific insurance policy aiming at covering the amounts related to the sellers' obligations to indemnify the Company set forth in the Agreement, up to the limit of AUD50,000,000.00, subject to limits and conditions set forth in such policy. Except in case of fraud, losses exceeding the limit of the policy, certain tax matters, or to the extent required to facilitate or permit a claim based on such policy against the insurance company, the Company shall not make a claim directly against the sellers based on their obligations to indemnify the Company set forth in the Agreement and shall make a payment claim against the insurance company in lieu of the sellers.

i. Necessary governmental approvals

The Transaction is not subject to governmental approvals.

j. Guarantees granted

No guarantees have been granted to the Transaction.

5. Description of the deal's purpose

With the Transaction, the Company aims at obtaining access to an expressive and global brand, acting in Australia, Asia, Europe and North America, with excellent products offered by means of a unique purchase experience in concept stores, providing the increase of revenue and the strengthening of its competitive positioning, with the purpose of generating long term value.

6. Provide analysis of the transaction's benefits, costs and risks

With this Transaction, Natura brings a new brand to its business network. Aesop brings as main benefits the quality of its products, its growth potential in the markets where it already operates and the expansion to new markets on a standalone basis. Besides, Aesop's retail management skills bring lessons that Natura may use in the future towards its potential expansion beyond Latin American markets.

The main risks associated to the deal are growing below the expectations and currency exchange rates, since Aesop operates in many countries.

7. Inform which costs will be incurred in by the company if the transaction is not approved

Not applicable, considering that the Company's controlling shareholders have already expressed in favor of the approval of the Transaction.

8. Describe the sources of the funds used in the transaction

The Transaction will be totally funded with the Company's own resources.

9. Describe the management's plans for the company whose control is being acquired

Natura and Aesop will continue to operate independently, but will share skills and local technical knowledge that, in the long term, may lead Aesop to enter the Brazilian market and Natura to explore the concept of specialized stores in other markets. The investment in Aesop is consistent with the long term strategy of alignment with world level brands, with a solid value proposal and exposure to markets beyond Latin America. Natura remains completely engaged with the direct sale channel in Latin America, which continues to gain market share and to expand.

10. Provide a justified statement from the management recommending the approval of the transaction

Taking into account the information contained herein, the Company's management recommends the approval of the Transaction, since the acquisition of Emeis will strengthen the Company's competitive positioning, allowing the generation of long-term value.

With the Transaction, the Company intends to expand its market share in the cosmetics market, accessing the markets of Australia, Asia, Europe and North America, providing the growth of revenue and strengthening of its competitive positioning, aiming ultimately to generate value in the long term.

In view of the foregoing, the Company's management recommends that the shareholders approve the Transaction, without any reservation or restriction.

11. Describe any corporate relationship that exists, even if indirectly, between:

a. Any of the sellers and the company whose control was or will be sold;  
and

There is no corporate relationship, either direct or indirect, between Emeis or its shareholders and the Company.

b. Related parties to the Company, as defined by the accounting rules dealing with this matter

There is no corporate relationship, either direct or indirect, between Emeis or its shareholders and related parties to the Company.

12. Provide details on any transaction conducted over the last 2 (two) years by related parties to the Company, as defined by the accounting rules dealing with this matter, involving equity interests or other securities or debt instruments of the company whose control was or will be acquired

In the last 2 years, no transactions were conducted by related parties to the Company involving equity interests or any other securities or debt instruments of Emeis.

13. Provide a copy of all studies and valuation reports prepared by the Company or by third parties substantiating the negotiation of the acquisition price.

The report prepared by KPMG is available to the shareholders at the Company's head office.

14. Regarding third parties that have prepared studies or valuation reports

- a. Inform their name

Luis Augusto Motta Pinto da Luz

- b. Describe their qualifications

Partner – Corporate Finance – KPMG São Paulo

Degree in Accounting from FCPES-RJ - Cândido Mendes (Rio de Janeiro); Executive MBA in Finance from USP - Universidade de São Paulo; Extension course in leadership and business from Fundação Dom Cabral; Leadership program for KPMG partners in Latin America, sections in São Paulo, Buenos Aires, Mexico City and Miami.

Mr. Motta has extensive experience in financial projections, feasibility studies, valuation and advisory services for mergers and acquisitions processes. He started at KPMG in 2002 as a director and was promoted to partner in 2006. From 1987 to 2002 he worked in the Corporate Finance and Business Advisory area at Arthur Andersen, as Director, Manager and Manager of Business Advisory Corporate Finance, advising mergers and acquisitions, developing projects of economic and financial evaluation of companies, feasibility studies, companies' restructuring services, among others.

- c. Describe the selection process

KPMG has been selected by the management of Natura to prepare the economic and financial valuation report of Emeis' shares, based on the extensive experience of KPMG in the development of Mergers and Acquisitions transactions.

- d. Inform if they are related parties to the Company, as defined by the accounting rules dealing with this matter

KPMG is not a related party to the Company.

**EXHIBIT VIII**  
**INFORMATION ON ACQUISITIONS REQUIRED BY CVM INSTRUCTION**  
**481 – EXHIBIT 20**

**RIGHT TO WITHDRAW**

1. Describe the event that led or will lead to the right to withdraw and its legal grounds

The event that will lead to the right to withdraw, pursuant to paragraph 2 of Article 256 of the Brazilian Corporation Law, is the acquisition of the control of Emeis Holdings Pty Ltd., an Australian manufacturer of premium cosmetics and beauty products which operates with the “Aesop” trademark in Australia, Asia, Europe and North America, since the acquisition price exceeded 1.5 times the net shareholders’ equity of Emeis’ at market prices.

2. Inform the shares and classes of shares to which the right to withdraw will apply

The right to withdraw applies to all Company shareholders who dissent from the resolution that ratifies the Transaction. For the purpose of the withdraw right, dissenting shareholders are those who (a) have voted against the ratification of the Transaction; (b) have abstained from voting on the ratification of the Transaction; or (c) have not attended the General Meeting for the ratification of the Transaction.

3. Inform the date of the first publication of the call notice to the General Meeting, as well as the date of the first publication of the material fact related to the resolution that led or will lead to the withdrawal

Date of the first publication of the call notice: March 13, 2013.

Publishing date of the material fact: December 21, 2012.

4. Inform the period for the exercising of the right to withdraw and the date that will be considered for the purpose of determining the holders of shares who will be entitled to the withdrawal

The shareholders of the Company on December 21, 2012, the publishing date of the first material fact announcing the Transaction, including trades made on such date, will be entitled to the reimbursement. The right to withdraw shall be exercised within 30 days of the date of publication of any resolution of the shareholders passed at a General Meeting that ratifies the Transaction.

5. Inform the reimbursement value per share or, in case it is not possible for it to be determined, the estimate value provided by the management

The reimbursement value shall be R\$3.0424 per share.

6. Inform how the reimbursement value has been calculated

The reimbursement value has been calculated based on the net shareholders' equity value of the shares, which was based on the Company's balance sheet dated December 31, 2012, which shall be submitted to the shareholders' approval at an Annual General Meeting, together with the other financial statements of the Company, pursuant to article 45, §1, of Law No. 6,404/76.

<b>Net Shareholders' Equity</b>	<b>Number of Shares</b>	<b>Net Shareholders' Equity Value / Share</b>
R\$ 1,306,096,118.92	429,297,919	R\$ 3.0424

7. Inform if the shareholders will have the right to request the preparation of a special balance sheet

The dissenting shareholders may request the preparation of a special balance sheet, pursuant to article 45, §2, of the Brazilian Corporation Law.

8. In the event the reimbursement amount is determined by an appraisal, list the experts or specialized companies recommended by the management

Not applicable.

9. In case of merger, merger of shares or amalgamation involving controlled or controlling companies, or companies under common control

- a. Calculate the share replacement ratios based on the net shareholders' equity value at market prices or other criterion accepted by the CVM

Not applicable.

- b. Inform if the share replacement ratios indicated in the protocol of the transaction are less favorable than those calculated in accordance with item 9(a) above

Not applicable.

- c. Inform the reimbursement value calculated based on the value of the net shareholders' equity value at market prices or other criterion accepted by the CVM

Not applicable.

10. Inform the book value of each share, based on the last balance sheet approved by the shareholders

The book value of each share, based on their book value according to the Company's balance sheet dated December 31, 2012, is R\$3.0424.

11. Regarding each class or type of share to which the right to withdraw is applicable, inform their corresponding price in the exchange market in which they are traded, identifying:

- i. the lower, average and higher prices in each year, for the last three (3) years

<b>Year</b>	<b>Lower</b>	<b>Average</b>	<b>Higher</b>
2012	35.75	59.00	47.45
2011	30.12	50.27	39.37
2010	31.79	49.45	40.71

- ii. the lower, average and higher prices in each quarter, for the last two (2) years

<b>Quarters/12</b>	<b>Lower</b>	<b>Average</b>	<b>Higher</b>
1Q12	35.75	42.78	39.76
2Q12	39.43	48.50	43.33
3Q12	44.96	55.75	51.18
4Q12	52.68	59.00	55.86
<b>Quarters/11</b>	<b>Lower</b>	<b>Average</b>	<b>Higher</b>
1Q11	39.68	50.27	44.48
2Q11	38.20	47.70	42.64
3Q11	30.79	41.70	35.76
4Q11	30.12	37.97	34.78

- iii. the lower, average and higher prices in the last six (6) months

<b>Month 2012</b>	<b>Lower</b>	<b>Average</b>	<b>Higher</b>
August/12	49.63	54.48	52.13
September/12	48.80	55.75	53.59
October/12	52.68	56.99	55.02
November/12	54.04	56.80	55.47
December/12	55.76	59.00	57.31
January/13	52.01	59.88	56.01
February/13	50.12	56.64	52.72

iv. the average price in the last ninety (90) days:

<b>Period</b>	<b>Average</b>
Dec/12 to Feb/13	55.40
Nov/12 to Jan/12	56.24
Oct/12 to Dec/12	55.86