International Conference Call
Natura
3rd Quarter 2011 Earnings Results
October 28, 2011

Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to Natura's 2011 3rd Quarter Conference Call.

Today with us we have Mr. Alessandro Carlucci the CEO; Roberto Pedotti the CFO; and Mr. Helmut Bossert, the Investor Relations. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After Natura's remarks are completed there will be a question and answer section. At that time further instructions will be given.

Should any participants need assistance during this call please press star zero (*0) to reach the operator.

We have simultaneous webcast that may be accessed through Natura's IR website www.natura.net/investor. The slide presentation may be downloaded from this website. There will be a replay facility for this call on the website.

Before proceeding let me mention that forward looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward looking statements are based on the beliefs and assumptions of Natura Management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events and, therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect to the future results of Natura and could cause results to differ materially from those expressed in such forward looking statements.

Now I will turn the conference over to Mr. Alessandro Carlucci, the CEO. Mr. Carlucci, you may now begin the conference, sir.

Mr. Carlucci: Good morning everyone and welcome to today's conference call where we will comment on Natura's results. Natura's third quarter results in Brazil came in below our expectations, and we would like to begin our comments by addressing the causes of this deceleration and the actions we are taking to recover our growth pace.

As you have seen, our revenue in Brazil grew by 5.5% in the period. In the external environment we observed a slower growth in the Brazilian CFT industries with more intense competition as we have reported previously. In the internal environment we have identified several opportunities to improve our execution. We are currently implementing a major initiative to modernize our ordering and billing systems, decentralize our logistic network and reformulate our planning processes, which will make our operations more robust and improve the level of service we provide to our consultants while reducing costs and environmental impacts.

This quarter in particular, the simultaneous implementation of these initiatives generated instability in our operations, which compromised the level of our service and led to a higher number of products being out of stock. We estimate that this factor had an impact of around 400 bps on our sales. We have already put into place all of the resources and energy required to stabilize our operations in the short term. Even though we expect to still face some instability during 4Q. We believe that this issue will be solved by the end of the year.

We are also working to better manage our promotions seeking to better balance promotions at the regional and national levels, which will allow us to increase their efficiency and profitability with the results becoming apparent in 2012.

We continue to make progress on implementing our program to reduce expenses and capture efficiency and productivity gains, the results of which will begin to be seen as of 4Q of this year. We reaffirm our Ebitda margin guidance for the year at levels in line with our Ebitda margin in 2010, which stood at 24.5%.

Note that the international operations are experiencing an excellent moment with growth of 42% in local currency, with these operations already accounting for almost 10% of Natura's revenue. Ebitda in the operations in consolidation in 3Q was 9.4 million reais with Ebitda margin of 10.3%.

Our operations in implementation continue to invest in developing our sales model in order to foster entrepreneurship while integrating the generation of economical, social and environmental value. On this front in Mexico we continued to implement the sustainable relations network, and in Colombia we started implementing the CNO model at the end of 3Q.

The strong growth in the number of our consultants confirms consumers' preference for the Natura brand and the strength of the direct selling model in the region, and here we see an excellent opportunity to promote the productivity of our consultants. Despite the high penetration of our brand in Brazilian households, which stands at around 60%, we still see an excellent opportunity to leverage consumption frequency in these homes which today stands at 3x per year. In other words, there are already around 100 million people in Brazil with whom we maintain a relationship and buy products from our consultants - but the annual frequency of purchases is still low.

Our focus going forward will be to increase this frequency and to boost the productivity of our consultants. The main initiatives on these fronts will be to improve the quality of our services and the management of our promotions, as we have already mentioned.

We will also focus on our marketing mix to increase the number of categories in the shopping baskets of our consumers and also to expand our product portfolio into new segments and categories that we have not yet presence.

Over the medium and long term we believe innovations in our sales model with the use of social networks and new technologies will play a significant role in our business with our consultants gaining a broader role and the purchase experience improving even more for our final consumers.

We are confident that we will recover our growth rates supported by effective solutions to the problem we faced by the quality of our initiatives on the internal front and by the strength of our consultants channel and our brand.

I would like to invite all of you to participate in Natura's day on November 10th where we will provide more details on our logistic plans and the benefits we expect to obtain in terms of service quality, environmental impact and cost reductions.

Thank you and now I will hand over to Roberto.

Mr. Pedotti: Good morning everyone. First, I would like to comment on our gross margin, which stayed at around the level of 70% registered in the first half of the year, but which was lower than in the same quarter last year. This quarter our margins were impacted by the higher investments in promotions and by the higher product losses which prevented margin expansion in the period. The level of losses this year should remain in line with last year, which is high, but this indicator should decline considerably with our planning initiatives which are still in the stabilization phase.

As Alessandro mentioned we are intensifying our actions to increase efficiency in productivity by taking advantage of opportunities to cut costs and focus on projects that offer higher returns. As we have said, the results of these initiatives will be perceived gradually over the coming quarters.

Another important factor is our working capital. Stabilizing our systems and process will also be critical for improving the efficiency of our inventory management. In addition to this, initiatives to increase the use of tax credit that are currently under way should become apparent by the end of the year.

We continue to invest in infrastructure projects, in our logistics and systems that will lead to significant improvements in our service quality and help reduce costs and environmental impact.

Capex this year should exceed our initial guidance by around 10%. The level of Capex this year is compatible with our conservative capital structure and with our dividend policy.

And with that I will pause here so then we can move on to the question and answer session of today's call. Thank you very much.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the Q&A session. If you have a question please press the star key followed by the one (*1) key on your touchtone phone. If at any time you would like to remove yourself from the questioning queue, press star two (*2).

Excuse me, our first question comes from Ms. Daniela Bretthauer from Raymond James.

Ms. Daniela Bretthauer: Hi, good afternoon everyone. I just wanted to explore two issues that Alessandro mentioned in his opening remarks. The first one is: what would be some of the internal solutions and initiatives that Natura could adopt or is adopting to reverse this slower sales growth? That's the first question.

And then the second you talked about tax credits, so if you could be more specific, you know, is there an amount or how much could we expect for 4Q forward? That would be helpful. Thank you.

Mr. Carlucci: Hi Daniela, is Alessandro speaking. The main initiatives to improve our sales and especially to improve the productivity of consultants are going to be, first of all, improve the quality of our service. As I mentioned, in this quarter and also in 4Q we… in this one we lost around 400 bps because of stock outs and we are going to solve this problem until the end of the year.

The second is we saw a huge opportunity to improve the promotion managing, balance in a better way the promotions that are done regionally and the promotions that are done centralized and these are going to improve not only the average price but also the efficiency of the promotion, the leverage and the cost of the promotions.

And the third part that probably is the more important one, we are focusing our market mix to increase the frequency of the purchase of the customer through the year, because as I mentioned in the speech we have 60% of penetration, but the frequency of the purchase is only 3 per year and so we have a huge opportunity to focus the market mix to increase the frequency and also occupying some white spaces in categories that we are and launch new products in categories that are not present yet.

So these are the main initiatives that are going to support our recover in sales and I think that these are the main important things.

Ms. Bretthauer: How about, just on that that topic still, if, you know, if you do not see the expected results once you adopt and implement those three initiatives, would you consider something more, you know, profound, such as what you did with the action plan in 2007 or you do not think there is a need to, you know, dig as deep as you had in the past.

Mr. Carlucci: No. I think that we do not need to do a plan like we did in 2007 because at that time we saw that we were far behind the level of investments of our competitors. This is not the case today.

On the other hand, we are talking about something relevant when we say that we are going to focus more in the improvement of the frequency than the penetration because in the last two, three years, the most important driver for growth was the increasing and penetration and now we are going to change from penetration to frequency so, this is an important movement; but this is not, how can I say, a plan, an emergency plan, but is a strategic decision that we need to put focus and discipline to implement.

Ms. Bretthauer: And with regard to the tax credit maybe Roberto could answer that?

Mr. Mr. Pedotti: Hi Daniela. I was mentioned the tax credit in the working capital because we have some timings to compensate some tax credits specially related to ICMS and PIS Cofins, and we believe that we have some good mechanisms to compensate them in the quarter, in this current 4Q that will give us a better position in working capital in the end of the year. But is related to timing to compensate ICMS and PIS Cofins, we call the regulation here in Brazil.

Ms. Bretthauer: And if I may – I am sorry to monopolize this - but can I ask just another question and that is with regard to the R$ 27 million gain on the foreign exchange position you had in the quarter, I mean, I was surprised by the magnitude, I mean, is it something that we should see again in 4Q if the real, you know, continues to stay above, let us say, 1.70? Thank you.

Mr. Pedotti: Daniela, this is a non-cash effect, is related to market to market of some of our long-term debt. If you see in the cumulative number is much lower. It is a non-cash effect and it is not going to affect in the future because we are not going to anticipate the debt that we will have. It is just to follow the rules of market to market, but there is no effect.

Ms. Bretthauer: Right. I understand that, so as long as the dollar amount remains unchanged then, and the currency continues to fluctuate, we should see again this sort of non-cash impact in 4Q - because that is my point.

Mr. Pedotti: Yes, it will depend of what is happening; but it is a non-cash impact and it will be zero in the end because of… but I, if you want I will ask my treasure guy to send you a detailed explanation about it.

Ms. Bretthauer: That would be great. Thank you very much.

Mr. Pedotti: Thank you.

Operator: Excuse me. Our next question comes from Miss Lori Serra from Morgan Stanley.

Ms. Lori Serra: Hi, good morning all. I wanted to start by just asking Alessandro for his perspective on the past year - and I know it has been below expectations - but you started the year thinking that it was a bit slower because of the change of your promotions cycle.

But then it became apparent - maybe the market was falling more than you thought - but then it became apparent that, even though you had an effective innovation, even though… a kind of all to respect… you referred about these white spaces for a while and yet they do not seem to be materializing.

And then the system that should kind of come up, which really was, you know, I know that the systems go bad; but, boy, that is a tough one, right? So, I know you do not believe it is 07, and I guess the way I can see 07 is that your promotion levels do not look so bad, right? You are still growing the channel in a very healthy way, although I am sure you are concerned by the decline in sales productivity.

So just stepping back, what did not management do right to see this? Because it is a little bit of absurd a perfect storm in a year. I know some things you can control and some other things you cannot control; but it seems to me there are some things you could have controlled better so, you know, why did it happen and why will it get better?

Mr. Carlucci: Hi Lori, let me try to summarize the answer because you asked a lot of things. But, first of all, we are facing a period - and this is going to be solved, it is being solved - of operational problems. They were of course not planned and in the opposite, we are implementing very important programs to allow us to keep growing and to reduce costs and also to reduce environmental impact in all the IT, logistics and decentralizing the distribution centers, so a lot of good things, important, and we are sure they are the right things to be done.

Unfortunately the implementation of those things creates an instable environment in our process and systems and we had a huge number of stock outs and this is going to be solved. I do not have any doubt about this, but this impacted our results in this quarter and also is going to impact in the fourth one. It still impacts, decreasingly but it still impacts. We are confident that we are going to solve all this issue until the end of the year and we are going to be ready to have a very clean operation to offer a good service to our people.

The second thing that I mentioned is that we realized, we saw a huge opportunity to increase the efficiency of the promotions, to planning the promotions because, as you know, we started the decentralization process since 2008 with the regional units and the business units.

And this year we implement the promotion decentralizing and we saw that we can manage a better way between the size of promotions plans centralized that are going to happen all the country and the promotions that are going to be only the defined by the regional and we saw that we can have a better balance than what we have today.

And this is a learning process; the only way to do is to is start and learn and to correct and to promote evolutions. And we start, we already did but, as you know, we need to plan in advance so the results we are going to see only from the beginning of next year.

And when we talk about white spaces this is something that is happening and it is going to happen in the next two or three years, so, for example, Vôvó that we launched in this quarter is an example of white space. It is a product line to grandmothers and grandsons and this is a place where we were not before and in 2012 we are going to have other initiatives, in 2013 we are going to have again. So, this is not a marketing program; this is a strategy, a medium and long-term strategy.

And the fourth thing is that we reached a very high level of penetration in Brazil: 60% of households buy our products. That means 100 millions of customers - 100 millions, really, this is a right number, not only an average - we today, we reach more than 100 consumers in Brazil but they buy relatively low, they buy with a low frequency, low.

We believe that we can increase this because they are already in contact with our consultant, they preferred our brand; so why not motivate them to buy another product instead of three times a year, maybe four, maybe five. And we are going to change a little bit our marketing mix to support this, and with this we can leverage the growth of the channel that we reached this year (around 15%) and then recover the growth of our sales.

These are the main initiatives that we are doing. We do not see the need for urgent, emergency plan, even though we are working a lot. We want to see the revenues recovering growth, so we are not satisfied with the actual levels; but we do not see an urgency plan, an emergency plan to be done, different from 2007 again, when at that time we saw that we, talking about marketing investments, we were far behind the other competitors, This is not the situation today. The situation today is to focus on those things that I mentioned to you.
I do not know if I answered your question.

Ms. Serra: Ok.

Mr. Carlucci: Sorry, maybe a long answer but these are the main initiatives that we are really putting in focus to have a 2012 better and also, as you know, we started this year with another expectation and so, we invested some of our time to adapt the company, to adjust the company for a new situation. Next year we are starting the year better prepared, so this is going to be something good for us.

Ms. Serra: I guess I wanted to ask a question specifically about the systems. I do not know if this is better directed to Roberto but, you know, I guess I understand the general issue that happened in the quarter from talking to (inaudible 25:04) yesterday; but I guess you also had the unfortunate coincidence of reporting the same day as your competitor who has had systems issues for a long time, right?

So, I guess I would love to understand two things: one is why you have so much confidence that this is largely going to be…it has been quite impressing that the worst is behind you and you are saying now it is going to be done by 4Q. The systems issue sometimes they are one quarter and end up being six quarters right?

So I would like to understand why you think it is so easily fixable and then, secondarily, I would like to understand did not you get ahead of it and talked about this to the market because it looks like, you know, you were really ahead of this.

So I just want to understand, given that I think that some of these problems happened in July, why is it three months later we are hearing about the issue? So I think the first question is a more important one, but I would love your perspective on both.

Mr. Pedotti: Lori, I think we have been implementing several initiatives since the beginning of the year like the decentralization, the distribution center, the new planning system and the new, and the new billing system.

Independently they are doing quite well and in 3Q, when we really tried to interact all of them with high volumes, because we started to do... when we do - even to do risk mitigation - we started in small parts of Brazil, then we start to increase, then we start to put volume on that. And the volume on this, in this integration, a lot of this started to happen in 3Q and when we put volume on this that we started to face some issues about, even about slow down in the system, and some aspects like this, about the transition of information from one system to another in a large scale and these kind of things that happened in 3Q.

In 2Q we were not safe in this issues. We are quite confident that we will solve this in the short term because I think that, first because we have been doing this implementation step by step and when we start to put everything together that we find some problems in the integration, but by itself all of the initiatives have been quite well managed and controlled.

It is the interaction of all of them, now that we faced some issues that we have already identified what are the issues, and we need to adjust the operational. We know what we need to do but we needed to adjust and we will take some…, we expect like during this quarter is enough time to adjust all of this together. But we are really quite confident and it was not happening in July.

Ms. Serra: Ok and let me just ask you one last question on time. The one thing that has come well this year is you continue to grow your rep pace at a very good pace and yet your rep productivity is declining and now you have got delivery issues.

So can you comment a little bit on how you feel about the connectivity with the reps? I can imagine that they are as happy as they would like to be, right? So help me understand how you are going to manage that given some of the clutches you have had on the system side particularly?

Mr. Carlucci: Thank you for the question, Lori. Very important one. First of all, the relationship that we have with our consultants is a long term one so in everything we do we try to be very transparent, to be warm and to be honest with them not only when we have some problems but during all our relationship.

First of all I think that we have a strong relationship with them based on our history, not only in the short term. But on the other hand you are right. They were, they are disappointed because if we are having stock outs it is because they are having stock outs, so they are selling less than they could have. So, they are probably more upset than we are.

And this is something that hurts us because, you know, not only because we are growing less but because we are generating less profit for them and this is one very important part of our business and we are worried and upset about this. They are also, they were impacted by this problem.

On the other hand, I am sure to say that, because of this strong relationship built on the history under the last years and telling to you that we had a very, in the short term, we had a very good attendance in the showrooms, in the Christmas showrooms and the consultants, even though they were complaining about this service, they were very motivated.

They were enthusiastic about the Christmas gifts, so I do not see any major problems in our relationship - but recognizing that all the problems that we had affected their service and their relationship with the customer. But nothing really relevant that is impacting our business.

They are still very motivated. I can see personally because I saw that, not only me but the team reported that they are motivated, so if I can say – it is a qualitative answer - but we are feeling that they like the company, they really saw that the customer they prefer the brand. So, we do not have a structural damage because of those problems.

Ms. Serra: Thank you very much.

Mr. Carlucci: Thank you.

Operator: Excuse me. Our next question comes from Ms. Margareth Kalvar from Harding Loevner.

Ms. Margareth Kalvar: Yes, hi, good morning. I have two questions. One is a kind of a broader one on how you see the scalability of the direct sales model? I mean, it required a great deal of investment, it seems like you had to make some changes, not only this year but in the past on the way the whole rep structure is delineated.

Where do you think comes the point where you can sort of leave half the system in place and leverage the investments that you made in all the systems and the structural changes?

And the second question has to do with the white space that you still have to fill in. What is your view regarding the competition and where your competitors, who are increasing in both number and intensity, are positioned in those particular white space areas?

Mr. Carlucci: Hi Margareth, let me know if I am not answering your question; but the first thing is that our actual commercial model in Brazil was designed to allow us to almost double the size of consultants. Today we have 1.2 million, around this, and we could reach at least 2 million consultants with the same commercial model, so it is scalable.

So, this is not, definitely, this is not a problem even though, of course, we need to improve everyday, we need to adjust because in a direct selling company you are dealing with people, so we need to understand their behave and, you know, adjust and improve the level of recognition, the indicators that you define that are the right ones to compensate people - but this is a day by day management. So, talking about the structure of the model, it is really scalable.

And regarding the competition, as we mentioned in the last three years it is increasing in Brazil, not only in the number of competitors but in their investments as well, and… I am not sure if I understood your question regarding the white spaces. Could you…

Ms. Kalvar: For example, are the white spaces that you are looking at in terms of entering, are those areas where there is a high degree of competition already, for instance, perhaps less competition in the fragrance area but maybe more in some of the hair care or body care categories? I am just trying to get a feel for how much marketing investment you are going to have to make as you do kind of create more white spaces.

Mr. Carlucci: Ok. Thank you, now I understood better. First of all, there is a diversification depending of the category and the price point of the category. So I would say that there are some white spaces where we are going to face more competition and there are some white spaces that are really white, you know, so we are going to face less competition. So it is a mixed answer.

But what we really believe, Margareth, that we have a huge opportunity because, as I mentioned before, we are already in contact, in touch with the customers, 100 million customers. And because of this our consultant is reaching them, our brand is reaching them, our catalogue is reaching them so we believe that with a lower investment in marketing, increasing one, we can add new categories that we already have or offer new price point or new categories for them.

So we really believe that we, if we can focus our marketing mix to increase the frequency of the customers without a huge additional marketing effort we can leverage our sales.

Ms. Kalvar: Ok thank you very much. That is very helpful.

Mr. Carlucci: Thank you.

Operator: Excuse me. Our next question comes from Mr. Celso Sanchez from Citigroup.

Mr. Celso Sanchez: Hi, good afternoon. I have a couple of questions. One is simply a check of my mathematics here. If I take your restated commitment to the symbol of margins of last year of 24.5 and I apply that I come up with a number for Ebitda growth that is potentially 25% or more for 4Q. Is there anything that suggests that that is not what is implied by your statement?

Mr. Carlucci: Hi Celso. We are confident that we can reach the Ebitda margin of 2011 in the same level that we reached in 2010.

Mr. Pedotti: Celso, last year like we had a strong 3Q and a weak 4Q. This year we are planning the opposite.

Mr. Sanchez: Right. Ok, so the math for those should work. If I… I just had obviously figured out what 4Q needs to be to get the 24,5 and that implies a certain Ebitda. There is nothing unusual that I should think about in terms of the weighing this year in 4Q versus prior years, usually 30%, right? The Ebitda as a percentage for the full year?

Mr. Carlucci: This year, as Roberto said, we are going to see a change between the Ebitda margin in 4Q and 3Q quarter regarding 2010.

Mr. Pedotti: And some of the actions that we have been taking during this year, they will have more effect in 4Q because it takes some time to make some improvements in the efficiency and some adjustments in the company.

Mr. Sanchez: I guess, maybe taking a step back. You talked about in your remarks earlier actually in response to a question, the idea of a better promotional balance between the regions and nationally, and that that should improve the average price.

But then I think about the frequency concept, which makes sense from a commercial standpoint; but I wonder that also suggests to me, at least, that the kind of products you would be using to increase frequency would be… I am not sure if that the right way to say… less unusual, maybe less special is just not the word; but more daily-type products, which I would assume would have lower average prices.

So the net effect, I am wondering, should there be an net effect at improving average prices or without the offset more than offset by the efforts on frequency, because that seems to be a structural issue that you might be focusing on longer term.

Mr. Carlucci: Celso, I am not sure if I understood your question but let me try to answer. The first thing is that to give you an information that the first product that a household buy from Natura is the fragrance that has a high price, it is not the soap as we could imagine. So we start a connection with the household with a very differentiated product. So, in the fact that we are going to motivate people to buy more frequent… I do not see any direct relationship with the average price point.

And the same time, when we talk about to occupy some white spaces we have opportunities in a lower price point - not to the mass, because in the mass we do not feel that this is the place for Natura, because we are not going to be able to offer the quality of our product at the lowest price - but in the masstige we have some opportunities in a lower price, but also we have opportunities in a higher price in a lot of categories, so in the medium term we are going to see a balance in the price point.

Maybe, in the short term we are going to see a smaller or higher price point; but in the medium of long term I do not see a huge change in the average of out price point.

Mr. Sanchez: But sorry, to clarify, because you made a point that I was thinking of having more clearly: so if the first visit of the three-a-year to someone potentially is a fragrance which a very high price, presumably every incremental visit from there is going to be at a lower price or at least bringing down the average price even more.

So, that is my concern; if you are going to continue to… if you are going to visit them even more they have already bought the most expensive thing potentially that they are going to buy - which is the fragrance - and each other thing they buy will presumably be weighing down the average price of what that particular of 100 million customer has bought that year. Is that not the way to think about it?

Mr. Carlucci: Yes, that could be; but you cannot forget that we have other high-price points in Natura. We have skin care that has a very high price, we have some body products with a high price. So they can start buying fragrance but then they can buy skin care; they can buy some body creams; they can buy also soap - so maybe, maybe you could see a decline but I believe that a lower decline.

And remember also, Celso, that in the fragrance area we have fragrances of R$ 130 and we have also fragrances of R$ 30. So, we do not sell only high-price points in the fragrance, we have cheaper ones that, to be honest, one of the most selling products in our company is the Frescor of Ekos, that is a thong that is around R$ 40 or R$ 50.

So theoretically speaking you are right but when we go a little bit deeper, I am not sure to say that structurally speaking you are going to see a decrease in the price point, especially in the medium term. In the short term yes, maybe, but in the medium term, no.

Mr. Sanchez: Ok thanks.

Mr. Carlucci: You are welcome.

Operator: Excuse me. Our next question comes from Mr. Ricardo Boyati from Bradesco.

Mr. Ricardo Boyati: Hi, good morning everyone. Alessandro, could you elaborate a little bit more on the company's strategy regarding the internet and the potential benefits of a social network in this kind of initiative, the timing of this and how this could change, if at all, Natura's business model or even the sales representatives' business model? So anything, any thoughts on that front would be very helpful. Thank you.

Mr. Carlucci: Ricardo, I appreciate very much your question even though we are going to talk more in a medium or long term than a short term; but I appreciate so much because we strongly believe that this is probably the way that we really could improve and change in a better way not only our business model but the customer experience.

And, first of all, we do not see this evolution without the consultant, so they are going to always be part of this business model. The way that we see is when we can connect the 1.5 million, 1.4 million consultants with their customers (100 million people) and we can also see their relationships we can offer a lot of information for the consultant and for the customer to improve that frequency that I mentioned today that is only three times a year.

Today we do not know what is happening in the relationship between the consultant and the customer and connecting all of them we can know and allow them to really improve. This is a huge area of productivity gains and of productivity improvement in the consultant .

Another area is in the catalogue. When people is connected, in mobile also, we do not need to print 3 million catalogues every 21 days - and today it is a very important marketing tool for us bur costs a lot and also with a huge environmental impact. And when people is connected there is no need to develop catalogues every 21 days.

On the other hand I also can develop individual promotions because in the internet I do not have a cost to segments, in modern segments, to individualize each promotion and the relationship with each customer gaining effectiveness and also leverage, because I am focused in the promotion for the right customer and today all the promotion planning is an average of those 100 million customers.

So there are a lot of things to improve and I will be glad to share with you if you have time during our Natura Day, in November 10th, to share our thoughts and to show how can we really improve.

And in a practical way this is going to happen in the medium and long term, even though we are setting a target to start some initiative as a pilot in the second half of the next year because we believe that we need to start and to learn, and because of this we are going to have a first initiative already in the second semester of 2012.

Mr. Boyati: Ok thank you. Thank you very much.

Operator. Excuse me. Our next question comes from Ms. Irma Sgarz from Goldman Sachs.

Ms. Irma Sgarz: Yes, hi. Good afternoon. Just a quick color of the question on the Capex plan where you are increasing that by about 10% this year in terms of the cost compared to what you had originally budget for. Could you just provide some idea of where these increases come from, what exactly caused that? And how do you look at 2012 in terms of Capex? I understand if you may not be giving explicit guidance at this point; but just to help us understand how we should think about that in relationship to the level that we have seen for 2011. Thank you.

Mr. Pedotti: Hi, Irma. This year I think that the fact that we will… ahead of our original guidance in our view here is a good new, because in fact the projects that we put in place, they have been really realized in the timings that we are expected like.

We have a very good success in our project management this year that put in place all the projects that we were planning for this year. It is much more a good new, and normally the guidance when you do it in the beginning of the year there are some premises behind this and this year we were very effective in this. If I understood I think the guidance for next year we are going to give in the next conference when we close the year and I think that we should wait until there.

Ms. Sgarz: Ok Roberto. Just to understand: if I understand you correctly some of the projects, given the fast implementation that you just mentioned, given some projects may have been pulled forward into this year does that imply that potentially the level of Capex could be lower next year?

And is that generally how you look at the next year, that the you have already gone through the hump of the of the investments given the systems changes you are currently undergoing and the distribution centers that you have been opening, or is it more to come from next year to prepare the company for future growth? Thank you.

Mr. Pedotti: Yes, the logistics investments, I think the most part were this year. We still have some parts related to São Paulo next year. Next year also we will have some investments, more investments in plant capacity in our factory in Cajamar and we are now just in the moment to balance how strong it needs to be next year and in our revision and capacities; but what is going to happen next year is less investments in logistics and more investments in factory, in capacity; and we are exactly in the moment now to balance and to review volumes, to review capacities to see how we can balance next year.

Ms. Sgarz: Ok great, thank you.

Mr. Pedotti: Thank you very much.

Operator: Excuse me, this concludes today's Q&A session. I would like to invite Mr. Carlucci to proceed with his closing statements. Please sir, go ahead.

Mr. Carlucci: Thank you everyone for participating in today's conference call. I would like to emphasize that we are highly focused on improving the execution of our operations and we are also very confident in our strength. The preference of the customer from the Natura brand; the strength and expansion of our sales channel and that we are all very excited about the opportunity to boost the productivity of our consultants by increasing purchase frequency through the initiatives that we have presented here today. Thank you and I am looking forward to see you in Natura's Day on November 10th.

Operator: That does conclude the Natura audio conference for today. Thank you very much for your participation and have a good day.