

14th Santander Annual LatAm Conference

Cancun | January, 2010



## Our history





70's

80's

90's

00's

Present Time



5

170

657

3,552

A small laboratory and two passions: cosmetics and human connections (1969)

Direct sales model (1974)

Strong growth driven by regional and product portfolio expansion

Commitment to social and environmental responsibility

Quest for Excellence in Management

Implementation of Corporate Governance Standards and release of Annual Reports (GRI)

Sustainable Development

Ekos Line (2000)

*Espaço Natura*, Cajamar (2001)

Initial Public Offering (Bovespa - 2004)

Further develop leadership position in Brazil

New growth cycle in other Latin American countries

Continuous improvement of Management Model

Sales Volume Evolution (in US\$ million)

## » Revenues

net revenues 9M09: **R\$ 2.9 bi** (19.7% vs.9M08), 2008: **R\$3.6 bi**  
gross revenues 9M09: **R\$ 4.0 bi** (20.4% vs.9M08), 2008: **R\$4.9 bi**

## » EBITDA Margin

9M09: **24.1%** (-0.7 p.p. vs.9M08), 2008: **23.7%**

## » Leadership in Brazil

Market Share in Brazil of **12.9%** according to Euromonitor (2008)

Market Share<sup>1</sup> in Brazil of **22.3%** according to Sipatesp (6M09)

## » Direct selling – *bi level (in Brazil)*

Natura reached **1 million** consultants worldwide in October, 2009

## » International presence

Argentina, Chile, Peru, Mexico, Colombia and France

## » Casas Natura

5 in Brazil and 10 in International Operations

## » R&D investments

**2.9%** of net sales (2008) / innovation index: **68.8%** (2008)

## » Strong brand equity

Natura is the most desired brand in the Brazilian CF&T market with 47% in consumer's preference (2008)



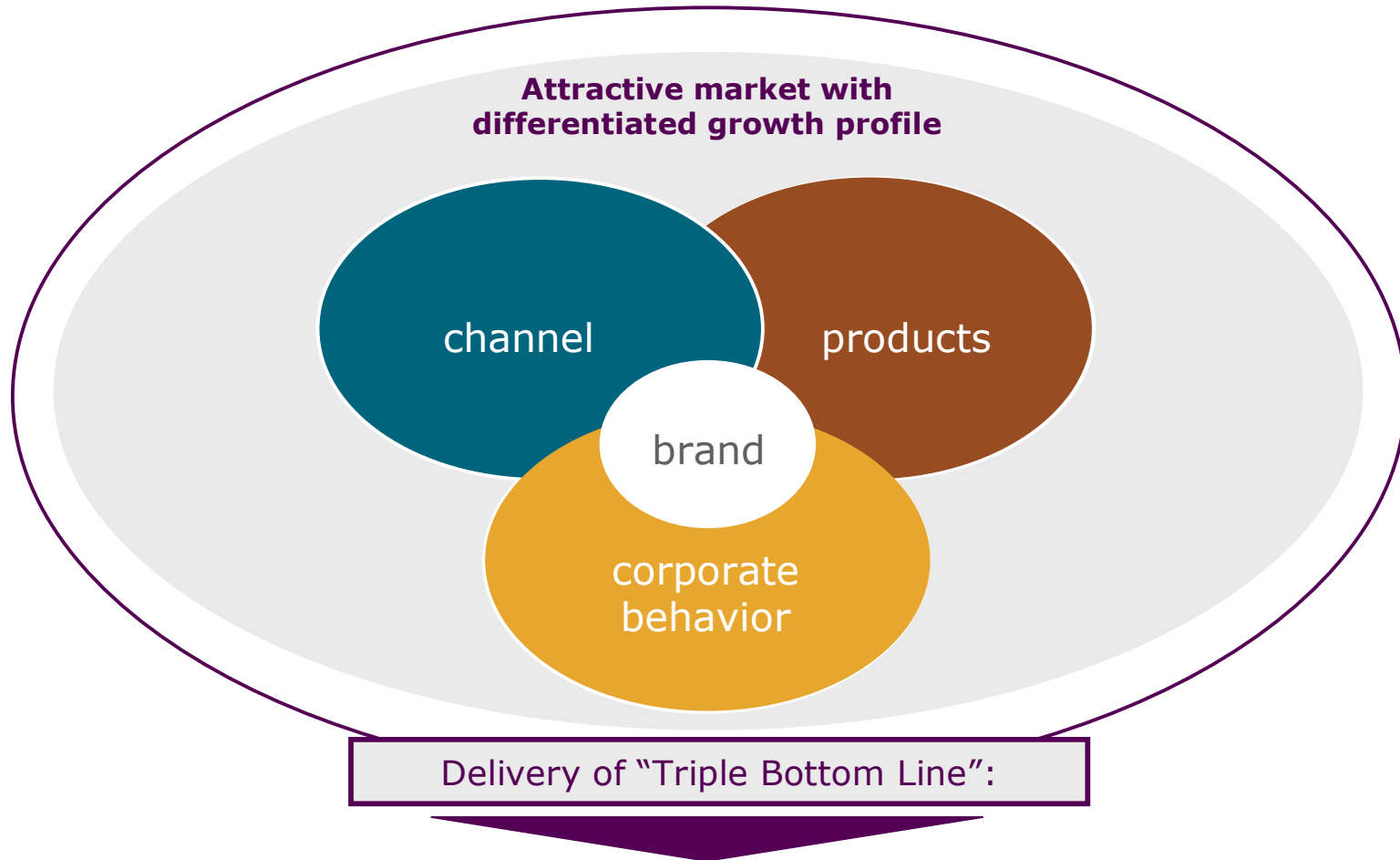
1. Sipatesp / Abihpec Core market: Skin care, sunscreen, makeup, perfumes, fragrances, hair care, shaving products and deodorant - excludes diapers, nail polishes, sanitary pads, hair dyes, oral hygiene and others





Value proposition

# Differentiated value proposition



## Economic:

- › Strong cash flow generation
- › Attractive growth and profitability
- › Consistent dividend payments

## Social:

- › Wealth creation to consultants
- › R\$ 55 million invested in CSR <sup>1</sup> in 2008
- › Benefits extended to extractivist communities

## Environmental:

- › Carbon neutral operations
- › Utilization of refill packages
- › Sustainable extraction
- › Use of recycled and recyclable materials

<sup>1</sup> Corporate and Social Responsibility

# Relevant market with differentiated growth in LatAm...

## Size of CF&T market (in US\$ billion)

Countries	2008	CAGR % '04- '08
United States	\$52	1.8%
Japan	\$34	1.5%
 Brazil	29	12.9%
 Mexico	8	7.2%
 Argentina, Chile, Colombia and Peru	8	11.3%
<b>Countries in which Natura operates</b>	<b>46</b>	<b>11.5%</b>
<b>World</b>	<b>333</b>	<b>5.4%</b>

Source: Euromonitor

**The markets in which Natura operates represent 13.8% of the global CF&T market and have a growth rate of 2.3x that of the total market**

## Direct sales share in the CF&T Market

Region	Direct Sales (%)
<b>Latin America</b>	<b>26.6%</b>
Brazil	24.0%
Argentina	24.0%
Chile	23.1%
Colombia	42.1%
Mexico	30.2%
Peru	24.9%
Asia Pacific	10.3%
North America	9.3%
Western Europe	3.2%
Australasia	3.2%
Africa / Middle East	2.1%

Source: Euromonitor



## ... leveraged in the Brazilian context

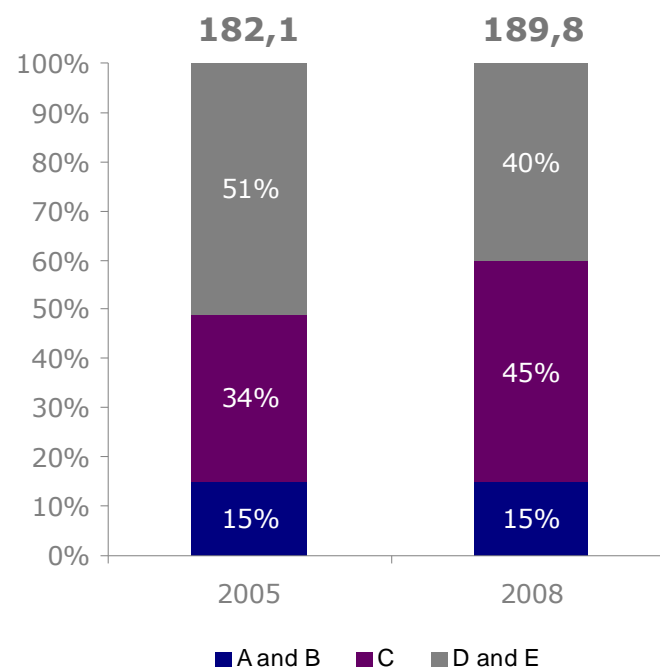
### Core market growth in real terms vs. GDP in Brazil

	GDP growth	Core market growth in real terms
2002	2.7%	2.5%
2003	1.1%	7.0%
2004	5.7%	12.2%
2005	3.2%	9.6%
2006	3.8%	10.1%
2007	5.4%	8.3%
2008	5.1%	10.8%
<b>CAGR '02- '08</b>	<b>3.8%</b>	<b>8.7%</b>
<b>2009E</b>	<b>0.2%</b>	
<b>2010E</b>	<b>5.0%</b>	

**Market grew on average 2.3 times the GDP**

Source: IBGE, Central Bank and Abihpec

### Distribution of Brazilian population (in % by classes) and total Brazilian population (in million)



Source: Cetelem/Ipsos Research 2005/2006/2007/2008

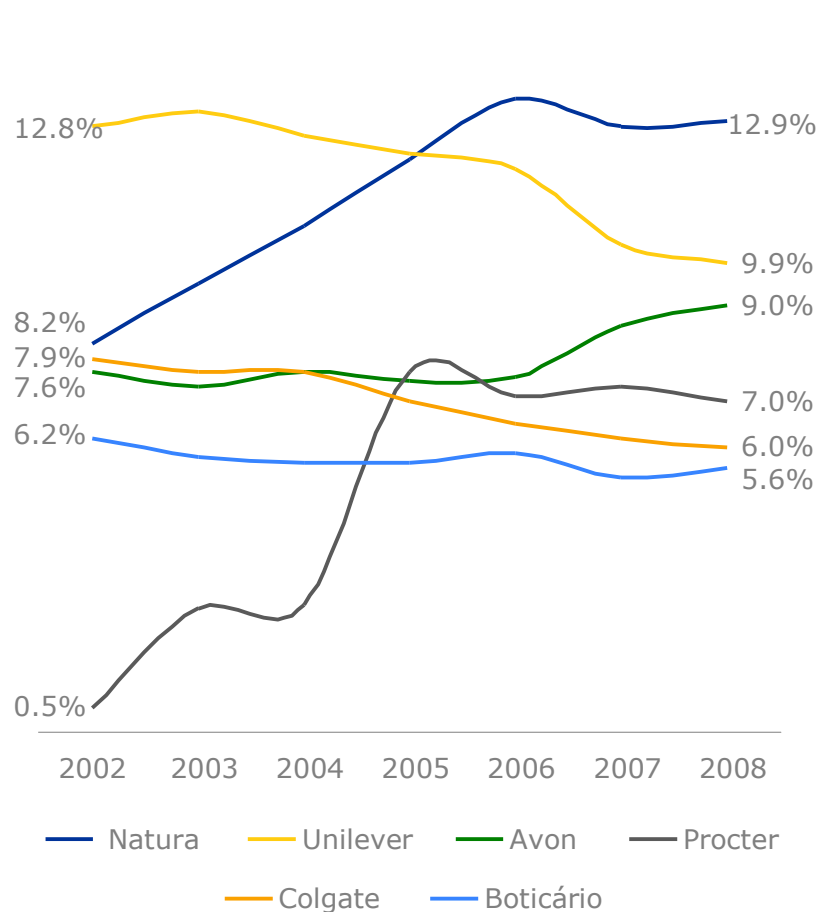
### Demand drivers in Brazil

- › Increasing purchasing power of B and C income classes
- › Greater participation of women in the labor market
- › Cultural emphasis on personal and aesthetic treatments

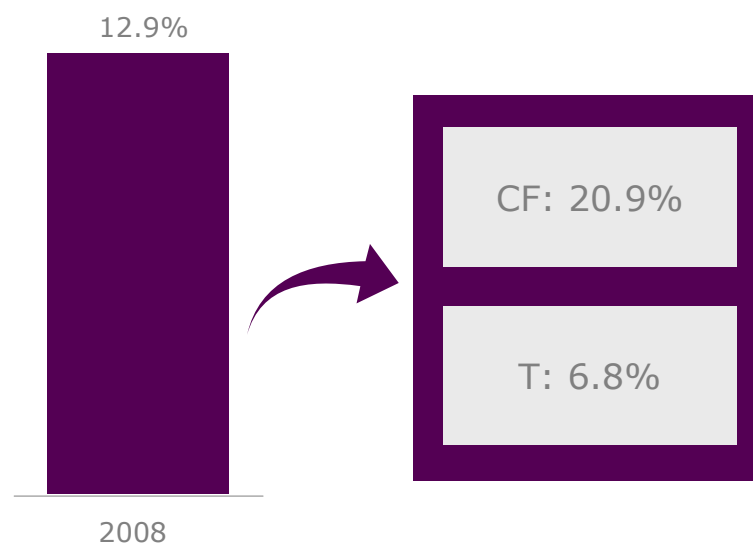


# Leadership in the Brazilian market

Natura's market share in the CF&T market <sup>1</sup>



Natura's market share by segment <sup>1,2</sup>



Source: Companies

<sup>1</sup> According to Euromonitor

<sup>2</sup> CF – Cosmetics and Fragrances; T – Toiletries

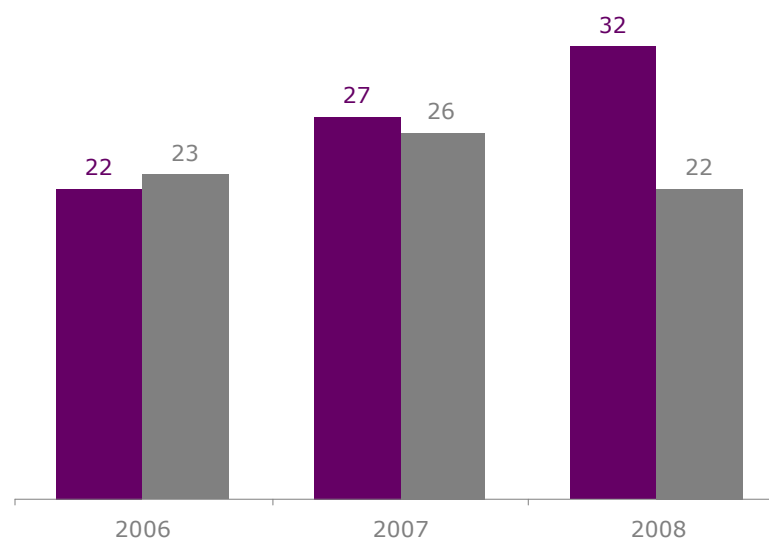
CF&T brands by Prefence (%)



■ Natura ■ 2<sup>nd</sup> Place

Source: Ipsos Brand Essence

Top of mind (%)



■ Natura ■ 2<sup>nd</sup> Place

Source: Ipsos Brand Essence

- › Focus on maintaining strong relationships with all stakeholders
- › Delivers "Triple Bottom Line" results integrating economic, social, and environmental dynamics
  - › One of the first companies listed on Bovespa's Novo Mercado 
  - › First Latin American company to adopt the 2001 Global Reporting Initiative (GRI) 
  - › Part of ISE Index (Corporate Sustainability Index) since its inception 
  - › Natura has received extensive industry and corporate recognition...

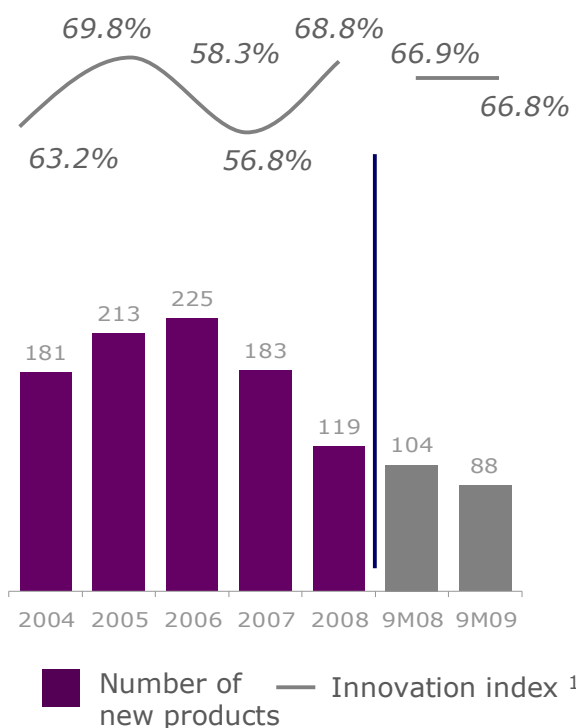


Best Consumer Company <sup>1</sup>	2004, 2006, 2007, 2008 and 2009
Company of the Year (Exame)	1998 and 2009
Most Admired Company in Brazil (Carta Capital)	2009
Most Admired Company in Brazilian CF&T Market (Carta Capital)	2001, 2003, 2004, 2005, 2006, 2007, 2008 and 2009
Best Company in the Brazilian CF&T Market (Valor Econômico – Valor 1000)	2005, 2006 and 2008
“Empresa de Valor” award (Valor Econômico)	2005 and 2009

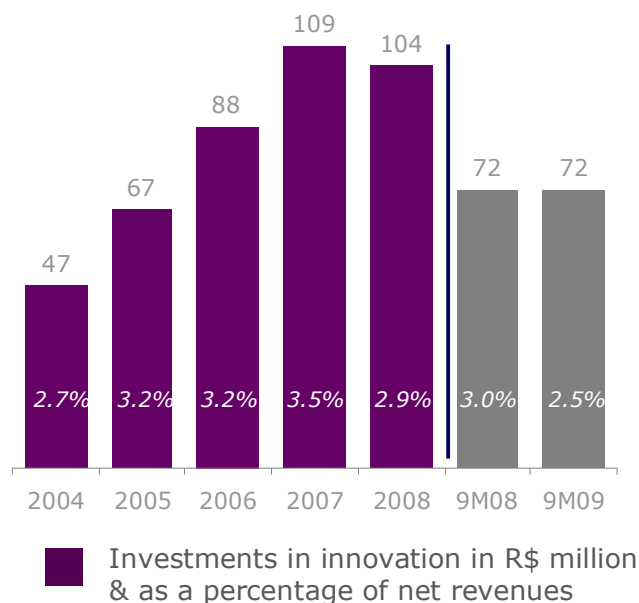
<sup>1</sup> Until 2006 awards were granted by segment (pharmaceutical, toiletry and cosmetic products). After 2007 awards were granted for the entire consumer market sector.



## Number of new products & innovation index



## Investment in innovation



- › Products with functional, emotional and philosophical benefits
- › Sustainable use of Brazilian biodiversity
- › Open Innovation exceeded 50% of the projects

Source: Company

Note:

<sup>1</sup> Percentage of new products in the company's revenues



# Product innovation – new products





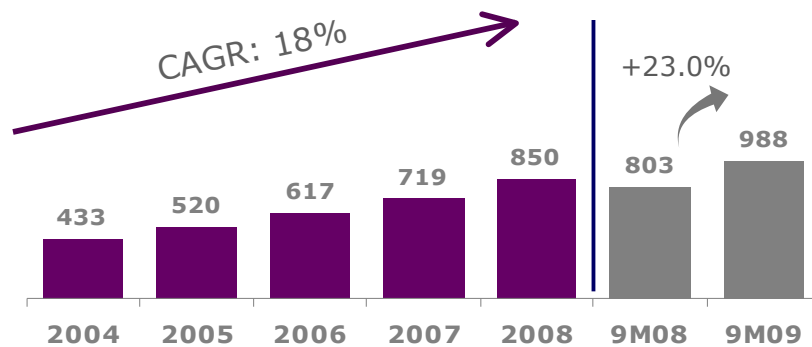


# Product innovation – kits for christmas



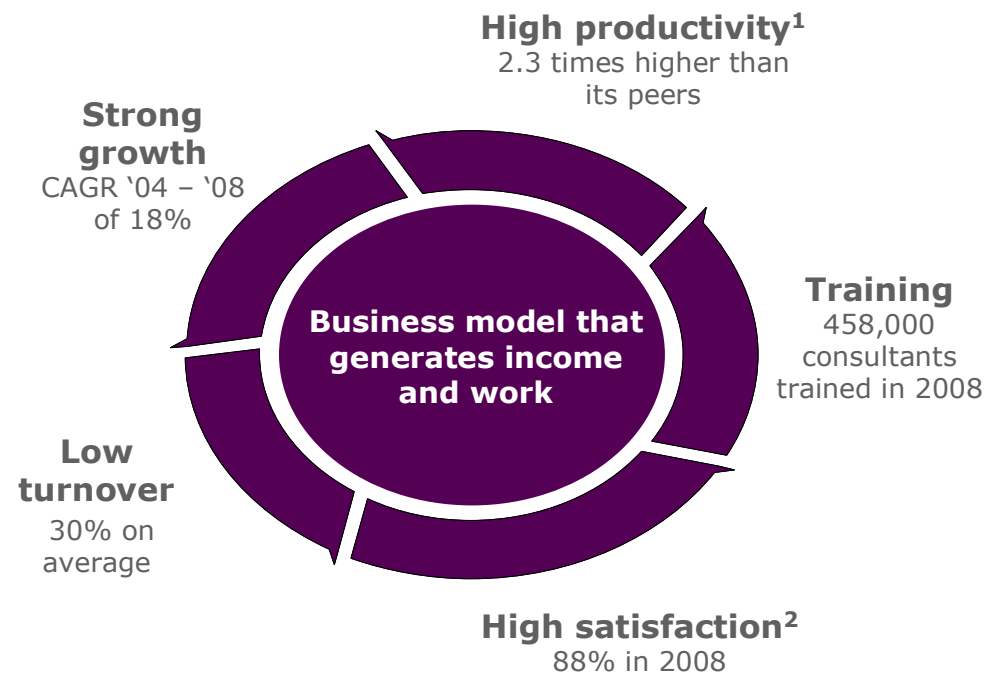


## Available consultants (in thousands)



- › Consultants are Natura's first consumers
- › Drive sales through personal relationships
- › Channels disseminate Natura's values with consultants acting as agents of social transformation
- › **Natura reached 1 million consultants worldwide in October, 2009**

## Channels differentiations



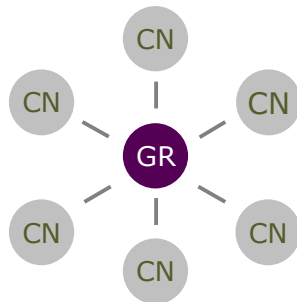
<sup>1</sup> Source: Company, ABEVD (Brazilian Association of Direct Sales Companies)

<sup>2</sup> HAY Consultant annual opinion poll for consultants satisfaction

# Innovation in the commercial model: Consultora Natura Orientadora (CNO)

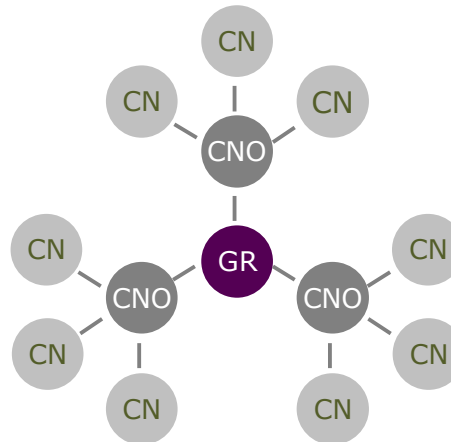
- Platform for channel growth
- Stronger and more productive relationship with our consultants
- Greater emphasis on training

Old Model



**1 GR: 600 CNs**

CNO Model



**1 CNO : up to 150 CNs**

**1 GR: up to 15 CNOs**

**1 GR: up to 2,250 CNs**

## Drivers for CNO commission

- › Number of active CNs
- › Productivity of CNs
- › Number of active CNs on related groups

### Brazil (9M09)

<b>CNO/GR</b>	<b>9</b>
<b>CN/CNO</b>	<b>96</b>
<b>CN/GR</b>	<b>873</b>

By the end of the 13<sup>th</sup> cycle.

## Triple bottom line results





## 2008 Highlights

- › **20%** sales through **refills**
- › **R\$ 55 million** invested in Corporate and Social Responsibility (CSR) in 2008
- › **587 thousand** students of public schools benefited from the “Crer pra Ver” Program
- › Relationship with wealth creation to **1,895** extractivist families
- › **R\$ 2 billion** of wealth generated to consultants<sup>1</sup>
- › **Carbon free** since 2007, we are committed to reducing relative emissions by 33% between 2007 and 2011 in relation to total emissions in 2006.

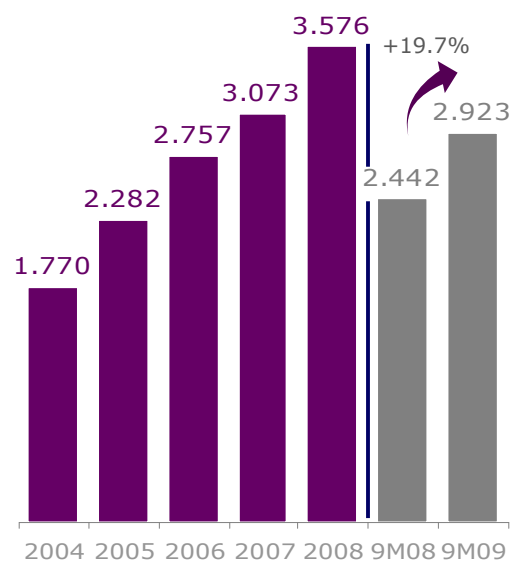


<sup>1</sup> Evaluated according to ABEVD estimates on business volume

# Solid historical growth

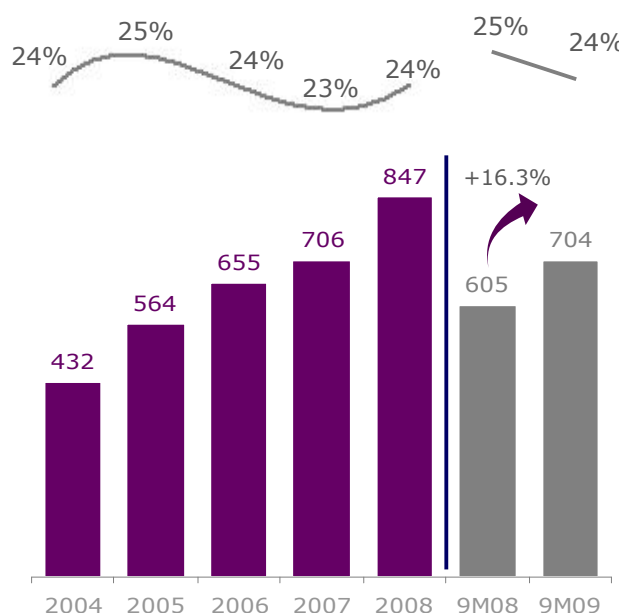
Net Revenues  
(in R\$ million)

CAGR '04-'08 = 19.2%



EBITDA and EBITDA Margin  
(in R\$ million)

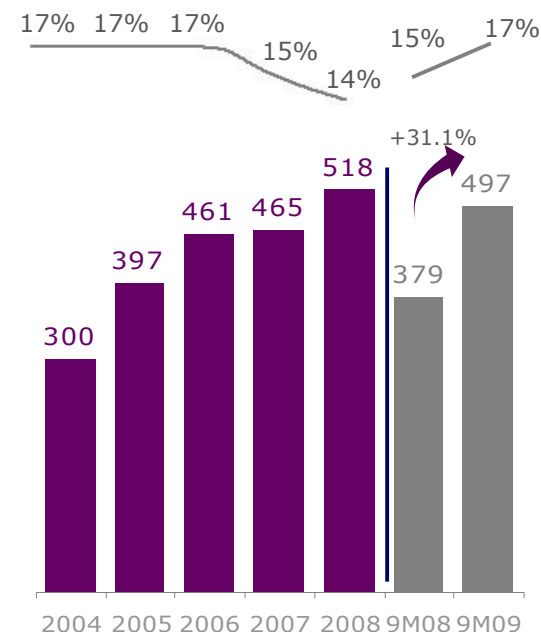
CAGR '04-'08 = 18.3%



■ EBITDA ■ EBITDA Margin (%)

Net Income and net Income Margin (in R\$ million)

CAGR '04-'08 = 14.6%

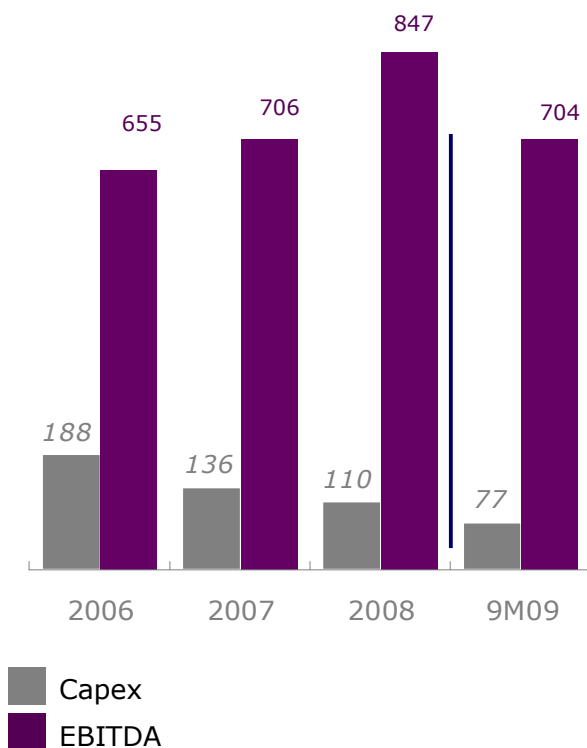


■ Net income ■ Net income margin (%)

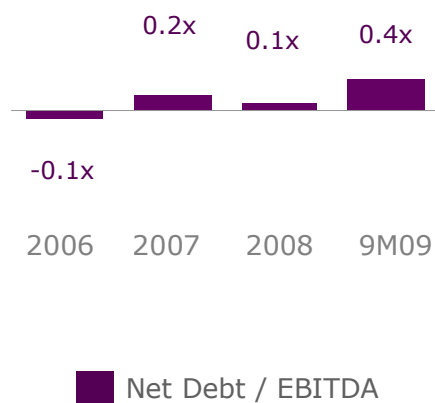
Source: Company

# ... combined with strong cash flow generation

Capex and EBITDA  
(in R\$ million)

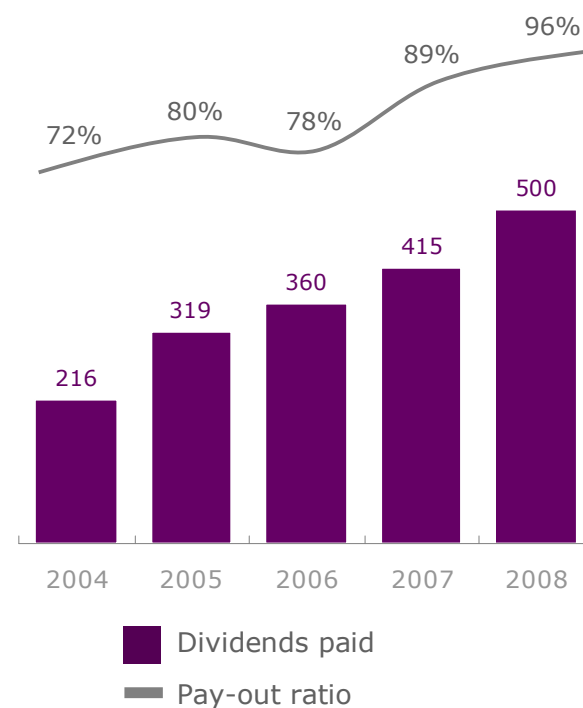


Leverage



Dividends paid and pay-out ratio  
(in R\$ million)

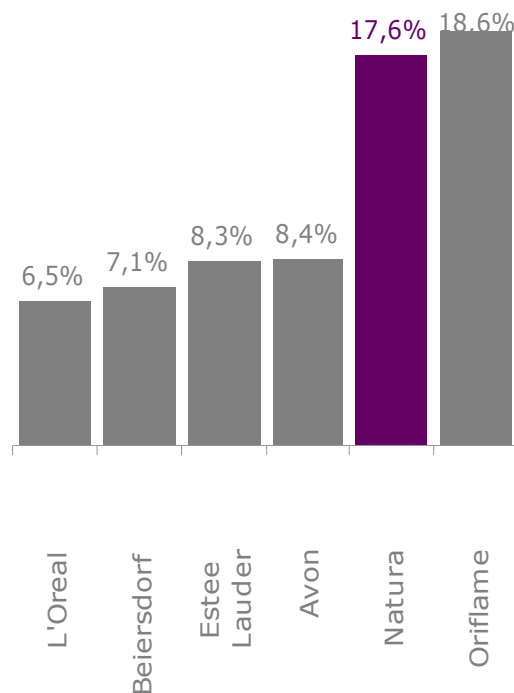
CAGR '04-'08 = 23.3%



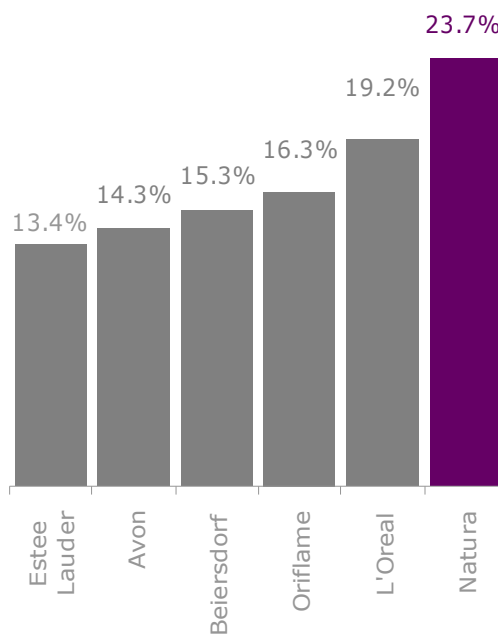


## ... position Natura as the benchmark within the CF&T market

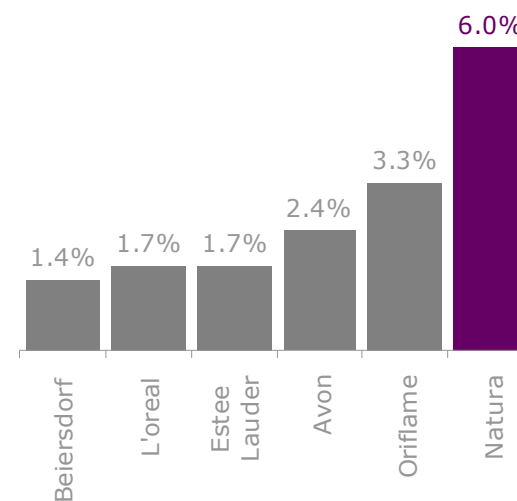
Gross revenues growth  
(CAGR '04-'08)<sup>1</sup>



EBITDA Margin (2008)<sup>1</sup>



Dividend yield <sup>2</sup>



Source: Companies

<sup>1</sup> Calculated based on the respective local currency

<sup>2</sup> Dividends paid in 2008 divided by share price on the date of each respective release

# ... Performing above IBOVESPA and other consumer companies

Apreciação Natu3 x Ibovespa  
Base 100 in 05/26/2004 - IPO







Looking ahead



1

## › BRAZIL

- Continue enhancing leadership via brand and channel strength
- Opportunity to gain its market share in sub-categories

2

## › LATIN AMERICA

- New growth cycle with relevant market share
- Business model focused on increased customization
- Widely-recognized model due to corporate behavior

3

## › MANAGEMENT

- Business units and regional units
- Leadership developments
- Further strengthen relationship with consumer



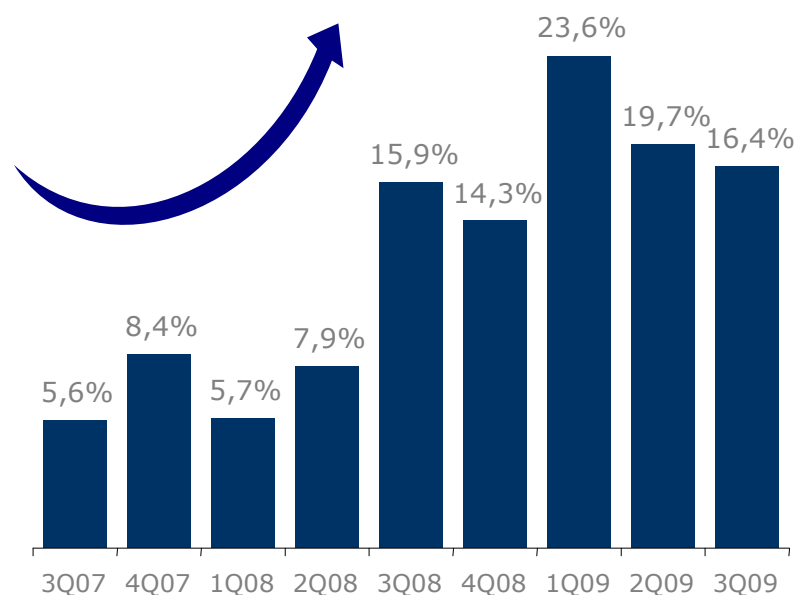


# Brazil: increase leadership by leveraging the strength of the Natura brand, network, and market growth

## › Action plan: 2008-2010

- Focus on product innovation
- Commercial model enhancement
- Effective investments in communications and marketing, funded by productivity gains and operational efficiency (R\$400 million)
  - Savings R\$ 203MM (Since 2007)
  - Investments R\$ 183MM (Since 2007)
- Implementation of regional and business units
- Continue emphasis on organizational culture and relationships with all stakeholders

Quarterly gross revenues growth rate (YoY)\*



## › Growth in sub-categories

## › Differentiated Value Proposition

\* Results for 2008 and 2009 adjusted for Law 11,638/07.

\* The quarters of 2008 and 2009 have a reclassification of raw material sales for processing by third parties, previously considered revenue. We emphasize that this adjustment does not affect the absolute value of the consolidated gross margin.



## Current status

- › Well recognized value proposition
- › Financial break-even in Argentina, Chile and Peru
- › Base of 119 thousand consultants in 2008 vs. 20 thousand in 2004

## Future strategy

- › Develop a "local" marketing approach
  - Products
  - Channel
  - Communication
- › Utilize positive recognition based on corporate behavior to further develop relationships
- › Improvements in operational efficiency

"Export" Model

**New Growth Cycle**

"Local" Model

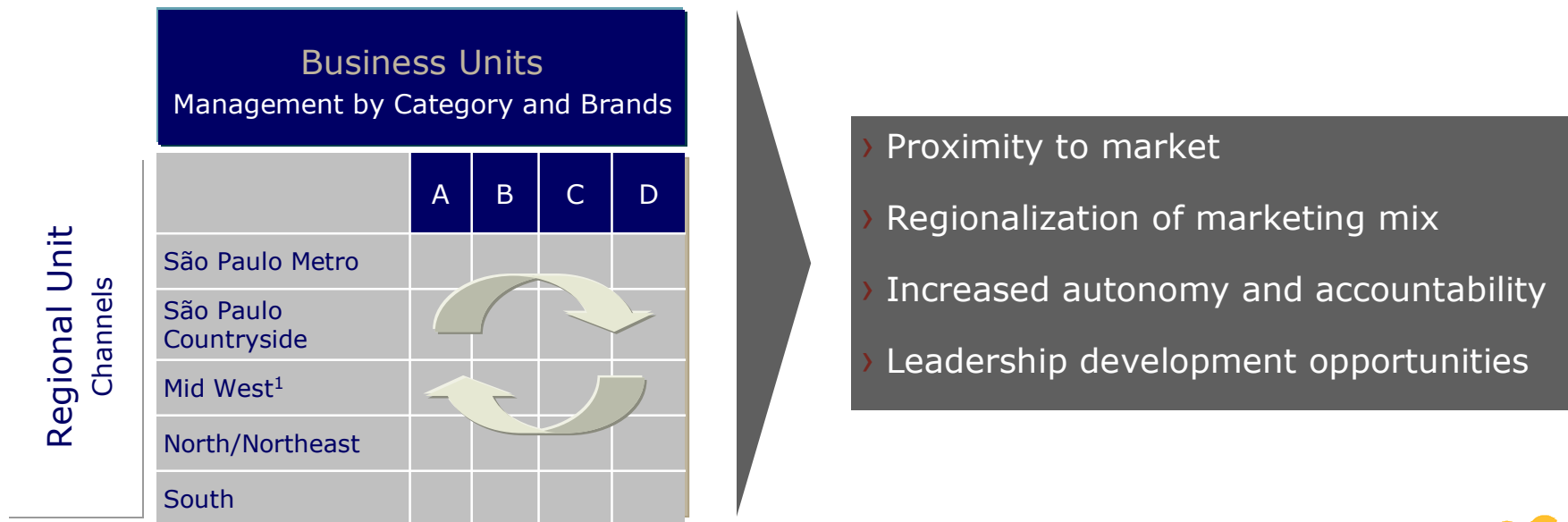
Note:

<sup>1</sup> Argentina, Chile and Peru



# Improvement of management model

- › Development of leaderships
- › Strengthening of corporate culture based on Natura's core values
- › Implementation of regional and business units



Note:

<sup>1</sup> Includes the Mid West region and the following states: Minas Gerais, Rio de Janeiro and Espírito Santo

- › Focus on **attractive and resilient markets** with differentiated growth potential within the direct sales model in **Brazil** and in **other Latin American countries**, with the ambition and potential to expand in to other regions/countries
- › **Industry-leading position and a benchmark in corporate behavior**
- › **Differentiated value proposition**
  - › Preferred brand among consumers
  - › Consistent **innovation** focused on biodiversity and sustainability
  - › Efficient and **growing sales channel** with income generation for consultants
  - › Corporate behavior focused on the **"Triple Bottom Line"** and relationship with all stakeholders
- › Unique combination of **growth, profitability, low capital** needs and consistent distribution of **dividends**



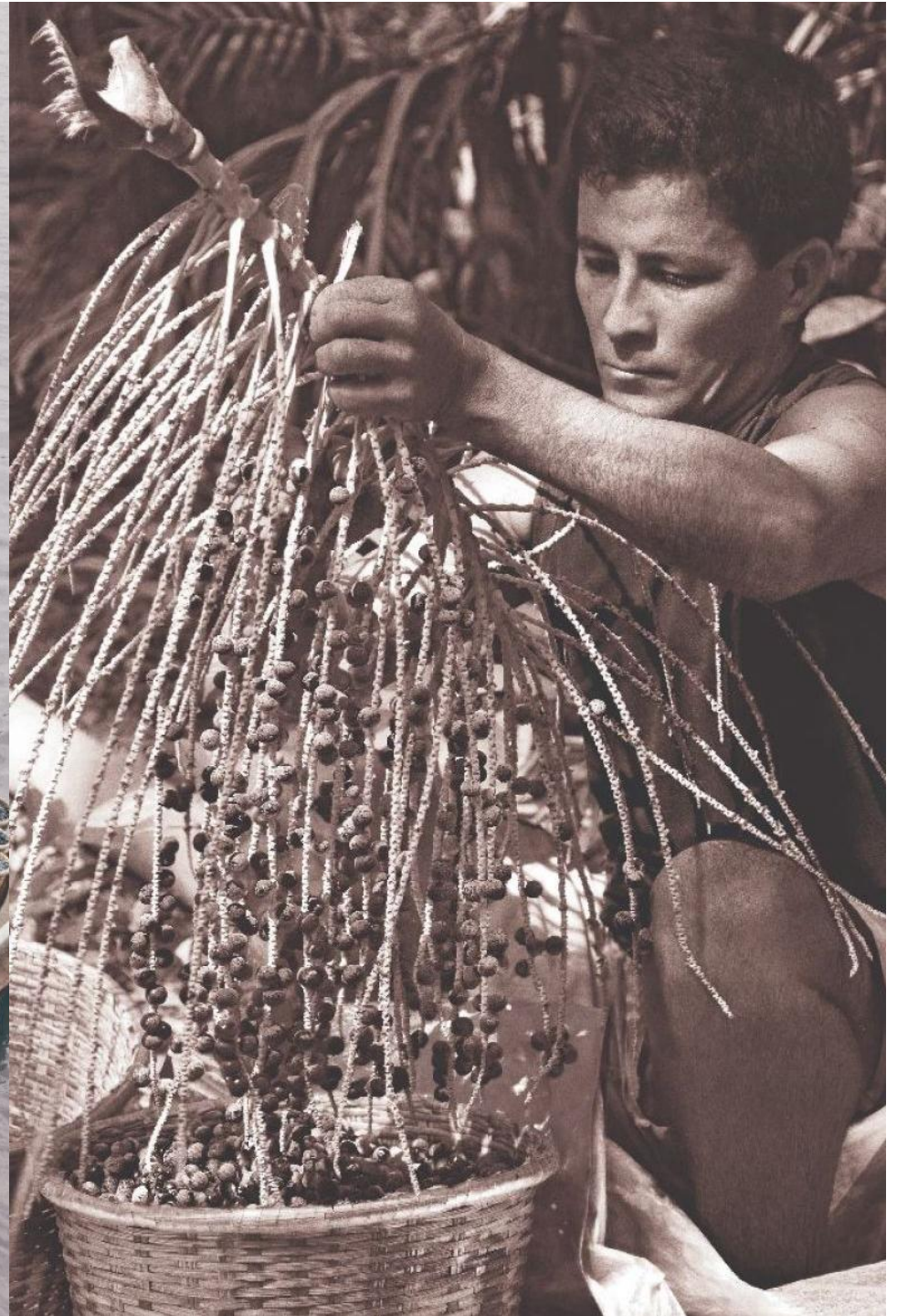
## Vision

Because of its corporate behavior, the quality of the relationships it establishes and the quality of its products and services, Natura will be an **international brand**, identified with the community of people who are committed to **building a better world**, based on better relationships among themselves, with others, with nature of which they are part, with the whole.





Back-up



**Life is a chain of relationships.  
Nothing in the universe exists  
alone. Everything is  
interdependent.**

We believe that valuing relationships is the foundation of an enormous human revolution in the search for peace, solidarity, and life in all of its manifestations.

**Continuously striving for  
improvement  
develops individuals,  
organizations,  
and society.**

**Commitment to the truth**  
is the route to perfecting the quality  
of relationships.

**The greater the diversity,**  
the greater the wealth and vitality of the  
whole system.

**The search for beauty,**  
which is the genuine aspiration of  
every human being, must be free of  
preconceived ideas and manipulation.

**The company, a living organism, is a  
dynamic set of relationships**  
Its value and longevity are connected to  
its ability to contribute to the evolution  
of society.





## Reason for being

Our reason for being is to create and sell products and services that promote well-being/being well.

## Well-being

is the harmonious, pleasant relationship of a person with oneself, with one's body.

## Being well

is the empathetic, successful, and gratifying relationship of a person with others, with nature and with the whole.







*Casas Natura*





R\$ 27.50 each  
Natura Diversa



R\$ 8.90 each  
Natura Faces Zip

R\$ 12.80 each  
Natura Aquarela



