naturaannualreport2007

natura
bem estar bem

Reason for Being

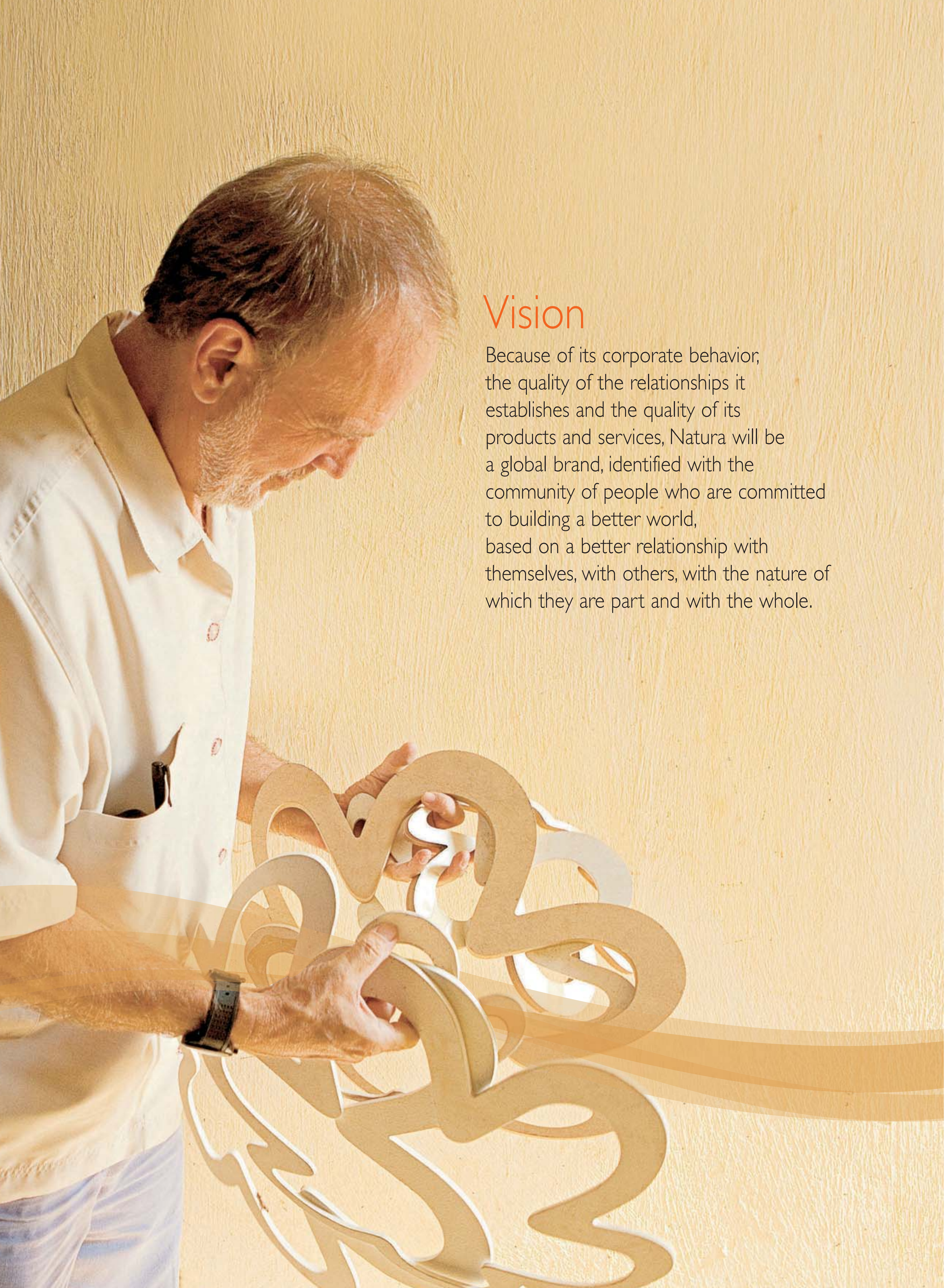
Our Reason for Being is to create
and sell products
and services that promote
well-being/being well.

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.



Vision

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

Beliefs

Life is a chain of relationships.

Nothing in the universe exists alone. Everything is interdependent.

It is our belief that the appreciation of the importance of relationships is the foundation of an enormous human revolution in the search for peace, solidarity and life in all of its manifestations.

The continuous search for improvement promotes the development of 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 and sustainable development.

"The things I do for Natura are things that I like and would do for myself because they are valuable and genuine."

Beto Von Poser, engineer by trade, scenographer by choice and Natura supplier for the last 13 years

Message from the President

NATURA ENJOYED YET ANOTHER YEAR OF GROWTH IN 2007. THE COMPANY'S GROSS REVENUES GREW 10.6% COMPARED TO 2006, FOR A TOTAL OF R$ 4.3 BILLION. THE EBITDA WAS R$ 702 MILLION, 7.3% HIGHER THAN THE PREVIOUS YEAR, WITH A MARGIN OF 22.8%. NET INCOME TOTALED R$ 462.3 MILLION, GENERATING AN INITIAL RETURN ON NET EQUITY OF 72.1%, ONE OF THE HIGHEST PROFITABILITY LEVELS ON THE BRAZILIAN MARKET. THE NUMBER OF CONSULTANTS WHO MAKE UP OUR DIRECT SALES FORCE) GREW SIGNIFICANTLY (16.4%) IN THE COUNTRIES IN WHICH WE OPERATE.

NATURA HAS DOUBLED IN SIZE OVER THE PAST FOUR YEARS. WE ASSUMED THE LEADERSHIP OF THE COSMETIC AND DIRECT SALES SECTORS, BECAME ONE OF THE MOST ADMIRED BRANDS IN BRAZIL, ENTERED IMPORTANT LATIN AMERICAN MARKETS, INVESTED IN INFRASTRUCTURE AND RESEARCH AND DEVELOPMENT AND WENT PUBLIC. WE CURRENTLY HAVE 5,900 EMPLOYEES AND MORE THAN 718,000 CONSULTANTS IN THE MARKETS IN WHICH WE OPERATE.

From left to right: Guilherme Leal, Luiz Seabra, Pedro Passos and Alessandro Carlucci.

The growth reflected our financial performance, leadership, brand recognition and scale, and we are grateful to all those who contributed to these results. With this growth have come challenges. We have reached a level at which our expansion requires enhanced operational efficiency. Natura has become a larger, more complex organization, and this complexity affects our operations in different ways. In Brazil, our revenues increased 9.5%, nearly double the GDP growth, although still below the growth of the market in which we operate (13.4%). International revenues, driven by our advance into new Latin American markets, grew 41.4%. We reached a virtual break-even point in the consolidated result in Argentina, Chile and Peru, countries where we have operated for a longer time. We began operating in Colombia and Venezuela and expanded into Mexico, where we surpassed our growth goals. We currently have 86,000 active consultants in the Latin American markets outside of Brazil.

The acceptance of our brand and direct sales channel indicates that the region as a whole will be an important generator of cash for the company by 2010, with earnings of US$ 500 million in 2012. The figures show that our expansion in Latin America has been successful and that these markets constitute a concrete platform for future business.

Our operations in France help us build the brand in a sophisticated market, generating the experience required to implement a business model in developed markets. The next step in our international expansion is the United States, and we have chosen a group of senior executives to improve our entry plan in this market, the world's largest for cosmetics and direct sales.

In the Brazilian market, we see vast opportunities to accelerate our growth and improve efficiency and profitability.
Therefore we developed an operating plan with the following focus points: 1) innovate the business model to strengthen the relationship with our consultants; 2) reduce the number of products and concentrate on the most important product launches; 3) increase and improve investments to make communications and marketing more effective; 4) implement a management culture focused on processes to obtain productivity gains; 5) reinvigorate our organizational culture by investing in the development of leaders who share our values.

We understand the challenges and we are enthusiastic about the new cycle that is beginning. Natura will grow while reinforcing its commitments to sustainable development and to a business model that not only generates but also shares economic, social and environmental benefits with all of society. For us, global citizenship means operating as a leading organization in the search for sustainability and a better future for all.

With this in mind we launched an ambitious and innovative Carbon Neutral Program in 2007, designed to reduce and off-set our emissions of greenhouse gases (GHG). In addition to controlling the emissions from our factories and processes, we will involve our suppliers in efforts to reduce emissions along the entire value chain, including the final disposal of our products.

At a time when so many companies are working to protect the planet, we would like to pay a heartfelt tribute to Anita Roddick, the founder of Body Shop, in hopes that the seed she planted will continue to bear fruit. Our two companies, both founded in the 1970s with separate identities and in different places, remained united in the search for a better world, long before this effort became a marketing tatic for many companies. Anita, who left us with fond memories of her visit to our Cajamar factory in 2002, never deviated from her activism and ethics. For us, as for her, social and corporate responsibility is not a box to tick off but a transforming passion.

Our progress results from the quality of our relationships, products and services. We will continuously improve our focus and efficiency. Therefore, we invite all who share Natura's vision to participate with enthusiasm and joy in the new cycle now beginning.

Antonio Luiz da Cunha Seabra
Co-Chair of the
Board of Directors

Guilherme Peirão Leal
Co-Chair of the
Board of Directors

Pedro Luiz Barreiros Passos
Co-Chair of the
Board of Directors

Alessandro Giuseppe Carlucci
CEO

Mexico
Commercial Operation
México City Natura House

Profile

The Natura brand originated in Brazil, born from a passion for cosmetics and relationships. The company operates in seven Latin American countries and in France. We are the leading Brazilian company in the cosmetics, fragrances and personal hygiene market as well as in the direct sales sector. A public company since 2004, our shares are listed on the New Market, the highest level of corporate governance of the São Paulo Stock Exchange (Bovespa).

Through our business conduct, we seek to create value for society as a whole, generating integrated results in the economic, social and environmental sectors. We believe that sustainable results are those achieved through high quality relationships, and we therefore seek to maintain open channels of communication with all of our stakeholders in a continuous exercise of transparency.

Our products are the greatest expression of our essence. To develop them, we mobilize expansive social networks capable of integrating scientific knowledge with the wisdom of traditional communities, while also promoting the sustainable use of Brazil's rich biodiversity. We do not use animal testing and we strictly observe the most rigorous international safety norms. These approaches produce high-quality cosmetic creations that promote pleasure and well-being, with designs inspired by the different forms of nature.

Our consultants are our first 'consumers.' They put Natura products in the hands of our customers, and we encourage them to establish quality relationships with customers based on the understanding and fulfillment of their needs. To that end, our consultants first learn about, use and experience the benefits of Natura products before offering them to relatives, friends and acquaintances.

We support the personal, material and professional development of our consultants and encourage them to become agents of change, helping to spread the *Well-Being-Well* concept and to build a more prosperous, just and united society.

France
Natura Paris Maison
Research and Technology Laboratory
Commercial Operation
Venezuela
Commercial Operation
Colombia
Commercial Operation
Bogotá
Natura House
Peru
Commercial Operation
Chile
Commercial Operation
Argentina
Commercial Operation
Buenos Aires Natura House
Brazil
Benevides (Pará)
Factory
Research and Technology Laboratory
Cajamar (São Paulo)
Factory
Research Center
Campinas (São Paulo)
Natura House
Itapecerica da Serra (São Paulo)
Distribution Center
Jaboatão dos Guararapes (Pernambuco)
Distribution Center
Matias Barbosa (Minas Gerais)
Distribution Center

Key Sustainability Topics

Greenhouse gas emissions – We take global warming seriously and thus have launched an ambitious program to become carbon neutral. Read more about the Carbon Neutral Program in the *Environmental Performance* chapter.

Biodiversity – The sustainable use of biodiversity is one of our main innovation platforms. Learn more about our 2007 actions and Natura's strategy for managing biodiversity in the *Environmental Performance* chapter.

Social and environmental impacts of our products – We want our products to be a vehicle for sustainability; so we study and minimize their negative environmental impacts while maximizing the social benefits they bring to the communities involved. Read more in the *Environmental Impact of Products and Supplier Communities* chapters.

Quality of Relationships – We seek lasting, high quality relationships with all of our stakeholders. We base our relationships on ethics, open dialogue and transparency. Learn more about our advances in 2007 and the next steps for developing our relationships in the chapters on *Strategy and Management and Quality of Relationships*.

Education – Education in its broadest sense is crucial for human development. We create educational projects for employees, mobilize our consultants through the Natura Movement and we invest in school education through the Believing is Seeing Project. For further information, please see the *Employees, Consultants and Social Performance* chapters.

Main Events during the Year

Economic

- Start of operations in Colombia and Venezuela.
- 41.4% growth in international operation revenues.
- 10.6% growth in consolidated gross revenues.

Social

- Expansion of employment opportunities in direct sales, with an increase in the direct sales force from 617,000 in 2006 to 718,000 in 2007 in all the markets in which we operate.
- Inauguration of the soap noodle factory in Benevides (Pará).

Environmental

- Launch of the Natura Carbon Neutral project, which will reduce and offset greenhouse gas emissions along Natura's entire value chain, from the extraction of raw material to the final disposal of our products.
- Replacement of conventional alcohol with organic alcohol in perfume products.
- Inclusion of an environmental table on the labels and packaging of our new products.

Main Indicators

Economic and Financial Performance	2005	2006	2007
Evolution of the Consolidated Net Revenues (R$ millions)	3,243.6	3,890.0	4,301.6
Evolution of EBITDA (R$ millions)	564.4	654.5	702.0
Evolution of EBITDA Margin (%)	24.7	23.7	22.8
Net Income (R$ millions)	396.9	460.8	462.3
Distribution of Wealth to Shareholders (R$ millions)[6]	319.4	359.4	415.1
Shareholders			
Number of Shareholders	2,706	9,705	20,798
Employees and Third Parties			
Distribution of Wealth to Employees (R$ millions)	306.4	379.7	390.3
Number of Employees (un)	4,128	5,085	5,919
Percentage of Employees with Disabilities (%)[1]	3.6	4.2	5.2
Climate Survey – Favorability (%)[1]	70	69	71
Consultants			
Distribution of Wealth to Consultants (R$ millions)[1] [5]	1,311.7	1,583.9	1,722.1
Number of Natura Consultants (thousands)[2]	520.5	617.4	718.6
Satisfaction – Favorability (%)[1]	90	90	90
Quality of the Relationship[1] (%)	90	89	90
Consumers			
Number of Products Launched[1]	213	225	183
Investments in Innovation (R$ millions)	67.1	87.8	108.4
Satisfaction – Favorability (%)[1]	98	97	97
Suppliers and Supplier Communities			
Distribution of Wealth to Suppliers (R$ millions)	1,731.7	2,132.3	2,329.7
Satisfaction – Favorability (%)[1]	83	87	83

Government and Society			
Taxes Paid to the Government (R$ millions)	727.2	817.14	948.3
Investment in Corporate Responsibility (R$ thousands)[1]	23,379.7	38,174.0	53,007.2
Environment			
Water Consumption per Invoiced Unit (L / un)[3]	0.58	0.53	0.42
Total Energy Consumption per Invoiced Unit (kjoules / un)[3]	503.8	469.5	510.2
Total waste weight by Invoiced Unit (grams/unit)	25.3	25.7	24.1
Percentage of Waste Recycled (%)	81.1	84.1	88.0
Total CO_2e emissions (tons)[4]	N/A	179,589	183,619
Average Environmental Impact of Packaging - ACV (mPt/kg)	89.3	83.2	73.4
Percentage of Refills per Invoiced Unit (%)[1]	17.4	19.8	21.3

1 *Indicators associated with the Brazilian operation.*

2 *Refers to the number of consultants available at the end of the year.*

3 *During previous years, this indicator was reported per sold units. This is why the historical was altered.*

4 *Due to the improvements implemented in the 2007 inventory, we recalculated the 2006 figure, thus providing a basis for comparison of our emissions over two years. The 2005 inventory was not revised. CO_2e (or CO_2 equivalent): measurement used to compare greenhouse gas emissions based on each one's potential to add to global warming.*

5 *Estimate considering a presumed income margin of 30%.*

Awards and Recognition

Natura's business activities and its ethical and transparent relationships with stakeholders brought it various awards in 2007, including:

Brand

Most Admired Company in Brazil and Top Company in the Key Areas: Ethics, Commitment to Human Resources, Management Quality, Social Responsibility and Innovation

The Most Admired Companies in Brazil, *Carta Capital* and InterScience Magazine

Brazil's Most Valuable Brand in the Consumer Goods Sector

Brazil's Most Valuable Brands, Interbrand and *Isto É Dinheiro* Magazine

Highest Brand Recognition in the Environmental Preservation Category

Top of Mind, Datafolha and *Folha de São Paulo* Newspaper

Highest Brand Recognition by Women

Top of Mind Internet, UOL

Highest Brand Recognition in the Beauty Product Category

Top of Mind Internet, UOL

Sustainability

Top 20 Sustainability Model Companies

Exame Magazine Sustainability Guide, *Exame* Magazine and Center for Sustainability Studies of the Getúlio Vargas Foundation of São Paulo

Human Resources

Best Company for Leaders in Latin America

Fortune Magazine, Hewitt Associates and the RBL Group

150 Great Places to Work in Brazil

Great Places to Work, *Você S/A - Exame* Magazine

100 Great Places to Work in Argentina

Great Place to Work – Argentina, Great Place To Work Institute and Economic Insert of *Clarín* Newspaper

25 Great Places to Work in Peru

Great Place to Work – Peru, Great Place To Work Institute and *El Comércio* Newspaper

60 Great Places to Work in Mexico

The Super Companies: The 60 Top Companies in Mexico, Editorial Expansión Group

Financial

Top Company from the Pharmaceutical, Personal Hygiene and Cleaning sector
"Best Off Financially,"
Isto É Dinheiro Magazine

Top Company from the Pharmaceutical, Personal Hygiene and Cleaning sector
Companies of the Year,
DCI Newspaper

Company of the Year in the Perfume Sector
FGV of Business Excellence,
Getúlio Vargas Foundation

Top Company in the Consumer Goods Sector
Biggest and Best,
Exame Magazine

Top Company in the Pharmaceutical and Cosmetics Industry
Valor 1000, Valor Econômico Newspaper

Marketing and Product

Company of the Year
Design and Packaging –
Brazilian Packaging Association

Ecodesign
Design and Packaging –
Brazilian Packaging Association

"We will reduce our portfolio to make our value proposal and our market position clearer for the consumer."

Eduardo Luppi, Natura's Vice President of Innovation

From left to right: Tatiana Pignatari, Erik Galardi, Eduardo Luppi, Mônica Gregori, Denise Alves, Fernanda Hoefel and Fernando Del Mar

Strategy and Management

The 2007 results reaffirm the soundness of our business strategy. The Brazilian operation recorded an EBITDA margin of 26.0% in 2007, practically the same as in 2006 (26.3%). We maintained the 90% satisfaction rate in the survey conducted among our consultants, while Natura achieved its highest ever global brand recognition rate among consumers, according to a survey by Ipsos Insight Brazil. Natura also continues to be the most preferred brand in its sector, with a 42% preference rate, compared to the 18% rate of our closest competitor.

Our international operations grew 58.2% in weighted local currency, spurred on by our advance throughout Latin America. We began operations in Colombia and Venezuela and expanded our operations in Mexico, with a total of 86,000 consultants in the region. This performance assures us that consumers enthusiastically approve both our brand and our sales model.

In Brazil we maintained our leadership position in the cosmetics, fragrances and personal hygiene sector, which continued to grow steadily at a nominal rate of 13.4% in the accumulated results for the first 10 months of 2007, compared to the same period in 2006, according to the Brazilian Personal Hygiene Industry Association (ABHIPEC). In real terms, discounting the National Consumer Price Index for the period, the growth was 9.8%. The direct sales segment also enjoyed accelerated growth, and Brazil moved into fifth place in the global ranking for the sector, falling behind only Germany, Korea, Japan and the United States, according to the World Federation of Direct Selling Associations (WFDSA), which is affiliated with the Brazilian Association of Direct Selling Associations (ABEVD). From January to June 2007, the segment moved R$ 7.2 billion in Brazil, representing a 12.5% increase compared to the R$ 6.4 billion recorded for the same period in 2006, according to the ABEVD.

These are good results, but we still see opportunities to accelerate our growth and increase our share in the Brazilian market. Thus we plan to invest R$ 400 million in this acceleration from 2008 to 2010, an investment primarily directed at improving and increasing our main marketing tools and improving our business model. This investment will be financed entirely by the enhanced efficiency of our manufacturing and distribution processes, as well as by improved portfolio management, with fewer products. We will obtain additional gains by reducing fixed costs and expect a two percent gain in net revenues in 2010.

Natura will continue its international expansion, especially in Latin America, where our performance demonstrates that our brand, products and sales model have been widely accepted. We want to grow at an accelerated pace in the Latin American countries and generate revenues of US$ 500 million in the region by 2012, or about a 4.5% growth in our market share.

Therefore, we reformulated our corporate architecture and created three autonomous management groups with their own teams that will conduct business operations in Brazil, Latin America and the new markets. These operations are in different stages of maturity and present in markets of different sizes and levels of development. Across all operations we need to maintain closer relationships with our stakeholders. We have assembled a team of senior executives who will be dedicated full-time to preparing our entry into the United States market in 2009.

Together, these initiatives will be the pillars of corporate growth, our goal being to maintain profitability at a minimum level of 23% the EBITDA margin during the period.

To reach the goals of our 2008-2010 strategy we are developing an action plan focused on the following initiatives:

1. **Improve the business model to strengthen our relationship with our sales force and boost their productivity** – The first major change will be the expansion of the Natura Consultant Adviser (NCA) project throughout Brazil over the next two years. This project was successfully piloted program in Brazil's Central-Western. Under this new model, the Sales Promoter will be responsible for a group of NCAs, who in turn will help manage the relationships with their consultants, serving to strengthen the relationships.

   New Natura Houses will be built all over Brazil. These provide spaces where consultants can get to know our products, receive training and improve their relationships with the company. To further improve the support and services that we provide, we will shorten order delivery times by decentralizing our distribution system.

   Finally, we will increase training, which has always been one of our differentials. We will help our consultants to become continually better qualified agents to serve customers and spread the "Well Being Well" concept, which is our Reason for Being. We will promote consultants engagement and efforts as agents of social change, conscious of their global citizenship.

2. **Reduce the number of products and focus our efforts on the more important launches** – The development of our products will be oriented by the idea that "less is more." Over the next three years, we will reduce the number of available products from 930 to 780, concentrating on those truly innovative products that add value to our brand. Through such measures, we hope to recover our innovation rate (gross revenues originating from the products that were launched or improved over the past 24 months versus the total gross revenues for the year), which fell from 58.3% in 2006 to 56.8% in 2007.

   We have already begun to reduce the number of product launches (183 launches in 2007 compared to 225 in 2006). This does not mean reduced investment in innovation, but rather more focus, precision and impact. We invest more in R&D than any other Latin American company in our sector: in 2007 alone, we invested R$ 108.9 million in R&D, 3.4% of net revenues.

3. **Invest to enhance the efficiency of communications and marketing** – We will increase and improve investment in our marketing tools to mobilize our consultants, encourage them to boost their productivity and increase sales. We will communicate more effectively to build the Natura brand, which in 2007 was once again judged the most valuable among Brazilian consumer goods companies and the sixth most valuable company in Brazil, according to a survey by Interbrand and *Isto É Dinheiro* Magazine.

4. **Implement a management culture focused on processes to achieve productivity gains** – We will develop the company's organizational model and design by adopting a management model focused on processes.

5. **Energize our organizational culture by developing leaders with our values** – We will invest more in managing the organizational culture and the development of employees and leaders to guarantee the perpetuation of crucial company values.
6. **Ensure the company's dedication to managing and constantly improving the quality of the relationships we build** – Managing the quality of relationships is so important for Natura that during the first half of 2008 our governance model will begin to monitor indicators in this area. We created a Relationship Quality Committee, led by our CEO, which will help the Board of Directors monitor the evolving relationship with each of our stakeholders.

Corporate Governance

During the mid-1990s the company created its Board of Directors and auxiliary committees. This helped put in place the structure we needed for our initial public offer (IPO) in 2004, crowned with the trading of company shares at the highest level of corporate governance on the São Paulo Stock Exchange: the New Market. The separation of the company's administration and ownership was completed in 2005 with the nomination of the first executive president who did not belong to the group of controlling shareholders.

The Board of Directors, the highest administrative authority at Natura, consists of three founding partners and four external independent board members, none of whom has an executive position. To support them, there are six auxiliary committees: Strategic; Corporate Governance; Audit, Risk Management and Financial; People; Management Systems; and International, this last committee was created in 2007.

The year 2007 also saw an increase in the transparency and independence of the board with the appointment of two new members: Julio Moura Neto and Luiz Ernesto Gemignani.

Julio Moura Neto is the former chairman of GrupoNueva, a holding company that owns companies operating in 15 countries in the Americas, as well as former vice president of the Executive Committee of the World Business Council for Sustainable Development (WBCSD), headquartered in Geneva, Switzerland.

Luiz Ernesto Gemignani has been CEO of Promon for the past six years, chairman of the Deliberative Council of the Promon Social Security Foundation, vice president of the Trustee Board of the National Quality Foundation and vice president of the Brazilian Association of Infrastructure and Base Industries.

As professionals with outstanding reputations, their qualifications complement the skills of the other members of the board. They bring experience in international business and management excellence, both of which are perfectly-suited to our future plans.

Board Evaluation

The performance of board members is evaluated each year. Part of their remuneration is fixed and paid monthly, and part is variable, paid annually and associated with economic, social and environmental goals *(See Note 18 of the Financial Statements).*

The Executive Board is composed of market professionals:

Alessandro Carlucci
CEO

David Uba
Vice President of Finance and Information

Eduardo Luppi
Vice President of Innovation

José Vicente Marino
Vice President of Marketing and Sales in Brazil

Maurício Bellora
Vice President of Internationalization

Paulo Lalli
Vice President of Operations & Logistics

Andréa Sanchez
Latin American Marketing Director

Angel Medeiros
Logistics Director

Antônio Siqueira
Legal Director

Arno Araújo
Sales Director

Claudia Falcão
Human Resources and Organization Director

Daniel Gonzaga
Research and Technology Director

Denise Alves
Business Unit Director

Risk Management

Risk management is a key part of our governance structure. The Audit, Risk Management and Financial Committees assist the Board of Directors in analyzing accounting, fiscal, tax, corporate and new investment matters, among others.

Over recent years, we have improved our controls and created a "panel" that we use to identify risks in two areas: strategic and operational. The analysis of the strategic topics allows us to interpret possible scenarios that may affect the company and develop alternative paths to take.

We created a self-evaluation tool within the operational sphere that provides a methodology to help each manager work with his or her team, evaluate the risks of the process and issue an official report. In 2007 we conducted two pilot self-evaluations: one in Chile, on compliance with local law, and another in Brazil, focused on asset management. Please see the Explanatory Notes on page 16 of the Financial Statements for more details.

Audits

At Natura, the internal audits include procedures and tests to evaluate the internal control environment, including possibilities of fraud. In 2007, 13 processes were audited, including in our international operations.

In 2007, employees in Brazil and in the international operations, as well as suppliers from the Brazilian operation, contacted the Ombudsman, providing yet another source of information on cases of corruption. We investigated eight possible cases in 2007, two of which required action. During the year we did not receive any fines or sanctions related to non-compliance with the laws and regulations associated with our activities.

Eduardo Costa
Brand and Communication Director
Eduardo Zornoff
Financial Director
Erasmo Toledo
Relationship Marketing Director
Fernando Mesquita
Corporate Governance Secretary
Fernando Pantaleão
New International Business Director
Flávio Pesiguelo
Organizational Development Director
Ítalo Flammia
Information Technology Director
Joel Ponte
Marketing and Innovation Director
Jorge Casmerides
International Finance Director
Marcello Rodrigues
Supply Director
Marcos Vaz
Technical Services Director
Moacir Salzstein
Strategic Planning Director
Mônica Gregori
Business Unit Director
Pedro Villares
Latin America Operations Director

Renata Ribeiro
Business Innovation and Strategic Planning Director
Renato Abramovich
Sales Director
Roberto Zardo
Client Services Director
Rodolfo Guttilla
Corporate Affairs and
Government Relations Director
Valeria Grossmann
Olfactive Center Director
Victor Fernandes
Development Director

Anderson Ferracini
General Director of the Venezuelan Operation
Denise Figueiredo
General Director of the French Operation
Guto Pedreira
General Director of the Chilean Operation
Heriovaldo Silva
General Director of the Argentinean Operation
José Paez
General Director of the Mexican Operation
José Ramón
General Director of the Peruvian Operation
Maurício Restrepo
General Director of the Colombian Operation

"The greatest thing is that we learn with each interaction. The stakeholders testimonials are always surprising and show the extent to which we are achieving that which we believe in."

Estelita Thiele,
Natura Ombudsman

Quality of Relationships

Throughout our history, we have searched for lasting, high quality relationships with all those who interact with our business: shareholders, consumers, consultants, employees, suppliers, communities and other stakeholders in Brazil and throughout our international operations. We promote high quality relationships through open dialogue, ethics and transparency.

The Natura Relationship Principles define the ways in which we want to interact with each stakeholder and should guide us in our attitudes and daily actions. In October 2006, we launched the Relationship Principles for our employees, and in April 2007 for our suppliers. The principles designed for consultants, shareholders, government officials, supplier communities, surrounding communities and consumers will be disclosed in 2008.

Learn more about the Relationship Principles by visiting www.natura.net/relatorio

We created an Executive Committee, including Natura's CEO, to manage the quality of the relationships, effective as of the first half of 2008. The committee is responsible for closely monitoring the evolution of the quality of the relationships with the stakeholders, implementing a management system and incorporating it into the strategic planning.

Ombudsman

After starting its activities in 2006 to serve employees in Brazil, the Ombudsman extended activities to employees who work in the other Latin American countries as well as to suppliers. Associated directly with our CEO, the service is designed to ensure the effective implementation of the Relationship Principles and to discover opportunities for improvement. With this new channel of communication, we seek to create a structure to identify opportunities for improvement in our processes, policies and relationships.

At the end of each contact with the Ombudsman, a satisfaction survey is sent to the individual who contacted the service. In 2007, the survey revealed a satisfaction rate of 97% among the employees who evaluated the channel in Brazil. We did not report the survey results for the other stakeholders since the service has been operating for too short a time to produce significant data.

Total Number of Contacts Received through the Ombudsman Channel

	2005	2006	2007
Internal Public - Brazil	N/A	100[1]	649
Internal Public - Latin America	N/A	N/A	29[2]
Suppliers - Brazil	N/A	N/A	12[3]

1 *Data associated with the period from October to December 2006 (launch of the Ombudsman: October 2006).*

2 *Data associated with the period from October to December 2007 (launch of the Ombudsman: October 2007).*

3 *Data associated with the period from May to December 2007 (launch of the Ombudsman: May 2007).*

There is also an Ethics Committee associated with Natura's Executive Board that receives and analyzes the most important cases involving misconduct, to ensure that employee concerns reach the highest levels of governance.

2007 COMMITMENT

EXTEND THE RELATIONSHIP PRINCIPLES AND IMPLEMENT THE OMBUDSMAN SERVICE FOR ALL STAKEHOLDERS WITH WHOM NATURA RELATES IN BRAZIL AND IN THE INTERNATIONAL OPERATIONS.

GOAL PARTIALLY ACHIEVED

IN 2007, WE EXTENDED THE OMBUDSMAN SERVICE TO SUPPLIERS AND EMPLOYEES IN THE OTHER LATIN AMERICAN COUNTRIES. WE DECIDED NOT TO EXTEND THE RELATIONSHIP PRINCIPLES AND IMPLEMENT AN OMBUDSMAN SERVICE FOR ALL THE OTHER STAKEHOLDERS, SINCE WE KNOW THAT IT IS ONLY THROUGH INCREASED LEARNING THAT WE CAN SERVE THESE STAKEHOLDERS WITH QUALITY, RESPECT AND EFFICIENCY.

2008 COMMITMENT

EXTEND THE OMBUDSMAN SERVICE TO THE CONSULTANTS.

Shareholders

We aim to keep our shareholders and potential investors well informed about our activities and results by ensuring transparency and equal access to information. In 2007, we held a series of events and meetings in Brazil and abroad, reaching a total of 399 institutions, more than 500 market analysts and over 300 individual investors.

Our main channels of communication with these stakeholders include the "Contact IR" service on the Investor Relations website, the quarterly results teleconferences, the Association of Capital Market Investment Analysts and Professionals (APIMEC), and the national and international financial institution conferences and the meetings that occur frequently at our offices. At the Ordinary Shareholder Meetings, Natura gathers the members of the Board of Directors and professionals from the Accounting, Financial, Legal and Investor Relations areas to create an opportunity for dialogue among all those present.

The number of Natura investors has grown significantly since the IPO and, in 2007, the number of shareholders grew 114% for a total of 20,798. We offer each of them the same conditions obtained by the controllers in terms of company sale and control (Tag Along).

Approximately 95% of our shareholders are individuals, while only 5% are companies. Of the latter, 64% are in Brazil, and 36% are abroad. However, if we consider only the outstanding Natura shares, the stake of companies outside Brazil increases to 67.6%.

Shareholder Profile

	2005	2006	2007
Individuals	2,206	8,614	19,813
Companies in Brazil[1]	165	616	633
Companies Abroad	335	475	352
Total	2,706	9,705	20,798

1 *Excluding Controllers and Treasury*

Currently, 25.46% of the company's shares are outstanding. This meets the requirements of the New Market, the highest level of corporate governance of the São Paulo Stock Exchange (BOVESPA), on which our shares are listed.

Shareholder Structure - 12/28/07 Base

Shareholders	Number of Shares	Percentage
Controllers	314,993,430	73.44%
Shares in Treasury	161,303	0.04%
Administrator Shares	4,538,428	1.06%
Outstanding Shares	109,235,890	25.46%
Total Shares	**428,929,051**	**100%**

Natura shares are present on the most important BOVESPA indexes: Ibovespa; IBrX-50 and IBrX-100 (which list the 50 and 100 most profitable shares on the BOVESPA); Differentiated Tag Along Share Index (ITAG) and the Corporate Governance Index (IGC). Since 2005, we have also been included on the BOVESPA Corporate Sustainability Index (ISE), which includes a series of sustainability criteria that the listed companies must fulfill, as well as the Morgan Stanley Composite Index (MSCI), a reference index for foreign investors.

Distribution of Dividends

Even though the dividend policy included in the company bylaws establishes the distribution of a required minimum dividend of 30% of the annual net income, the Natura Board of Directors recommends that this percentage be no lower than 45% of annual net income. In practice, however, we have surpassed these guidelines and paid out 100% the free cash generated during the year.

In 2007, we made a total payment of R$ 171,497,983.20 in dividends and interest on own capital, net of income tax withheld at the source. In addition to R$ 237,751,716.27 distributed in the form of dividends, paid on April 8, 2008, this amount represented 89% of net income.

Learn more about the performance of Natura shares and our communication channels with shareholders at the Investor Relations website: www.natura.net/investidor

Employees

Natura's relationship with employees is guided by ongoing dialogue, recognition of diversity and encouragement of professional development. Our main "thermometer" for measuring progress is the Organizational Climate Survey, which revealed an unfortunate decline since 2004 in the Natura Brazil results. The good news is that we were able to reverse this trend in 2007 and improve the favorability rating by 2 percentage points.

Despite this improvement, primarily among employees in the Sales and Operational areas, the decline of satisfaction remains an issue for the administrative staff.

The organizational climate also improved in the international operations in 2007, with the exception of Chile.

Climate Survey

	2005	2006	2007
Brazil	70%	69%	71%
Argentina	60%	64%	69%
Peru	59%	68%	80%
Chile	58%	73%	72%
Mexico	76%	77%	83%
France	68%	47%	56%
Colombia[1]	N/A	N/A	86%
Venezuela[1]	N/A	N/A	52%

1 *In the operations in Colombia and Venezuela, 2007 was the first year in which Natura conducted the survey.*

2007 COMMITMENT

ACHIEVE A 72% SATISFACTION RATE IN THE CLIMATE SURVEY INVOLVING EMPLOYEES.

GOAL PARTIALLY ACHIEVED

DESPITE NOT REACHING THE GOAL OF 72%, WE IMPROVED BY TWO PERCENTAGE POINTS, FROM 69% TO 71% SATISFACTION IN THE BRAZILIAN OPERATION. CONSIDERING THE INTERNATIONAL OPERATIONS AS WELL, WE ACHIEVED THE GOAL OF 72%.

In addition to the climate surveys, we offer our employees channels of open dialogue to inform them of all important corporate actions and receive their comments and suggestions. Among these channels are the internal monthly newspaper *Being a Natura Employee* (5,500 copies in Brazil), the Intranet Portal and the Ombudsman.

In 2007, the Ombudsman received some 650 comments from our employees and contracted workers. Most of these (64%) were directed at the Human Resources Board and addressed technical issues such as benefits, policies, processes and infrastructure. The channel was accessed by people from all levels and areas of the organization.

Dialogue, transparency and collaboration also serve as a basis for our relationship with labor unions. As in previous years, Natura reported progress on negotiations through internal bulletins. The collective bargaining agreements established with the labor unions apply to all of our employees, in compliance with Brazilian law.

We also inform employees of all operational changes, such as the implementation of a semi-autonomous cell approach to manufacturing, which we began three years ago and completed in 2007. This was implemented with the consent of employees, but the United Chemists Union, to which some 500 Natura Brazil employees belong, threatened a walkout. We managed to resolve the dispute in a way that guaranteed the rights of all those involved, without any type of action that would violate our employees' rights of association, organization and expression – pursuant to our usual practice.

The move to semi-autonomous cells eliminated a hierarchical level and created a structure in which all employees report directly to the factory manager, which helped achieve a qualitative and quantitative leap in employee productivity. In the place of the former "leaders," we now have "manufacturing analysts" responsible for the continuous improvement of their cells and individually responsible for aspects such as productivity, planning, environment, safety and human resources. Implemented gradually, such modifications were accompanied by the publication of policies and rules, as well as a series of training sessions.

Diversity

Our payroll has grown significantly over recent years in line with the expansion of our business.

Number of Natura Employees

	2005	2006	2007
Brazil	3,575	4,361	4,798
Argentina	237	262	276
Chile	93	122	179
Mexico	70	141	259
Peru	133	179	229
Venezuela[1]	N/A	35	63
Colombia[1]	N/A	N/A	79
France	20	30	36
Total	**4,128**	**5,130**	**5,919**

1 *The Venezuela operation began in 2006 and the Colombia operation in 2007.*

Other Employment Contracts[1]

	2005	2006	2007
Interns	41	60	73
Temporary Workers[2]	679	321	151
Third Party Workers[3]	1,209	1,797	1,170

1 *Includes the Argentina, Brazil, Chile, France, Mexico, Peru and Venezuela operations.*
2 *Those workers contracted for a pre-determined period.*
3 *Third-party workers are those allocated at the company units for continuous services.*

Even with the rapid growth in employees, we have been able to continue promoting diversity. We are an organization that employs mostly women and that has made advances in the inclusion of professionals with disabilities -from 185 to 251 employees, surpassing the goal of 5%. In 2007, we focused on contracting professionals with disabilities in the commercial area as sales promoters. Called the Apprentice Program, it resulted in contracting seven sales promoters.

Composition of Employees in the Brazilian Operation[1]

	2005	2006	2007
Total Employees	**3,575**	**4,361**	**4,798**
Individuals with Disabilities	128	185	251
Percentage Compared to Total Number of Employees	3.6%	4.2%	5.2%
Women	63.1%	63.7%	63.9%
Black and Mixed-Race Women	24.0%	21.9%	22.4%
Black and Mixed-Race Men	29.4%	21.8%	24.9%
Over Age 45	11.0%	10.3%	9.1%

1 *Employees provided their own racial classification based on Brazilian Institute of Geography and Statistics (IBGE) criteria, the only official criteria available in Brazil: "race: white, Asian, indigenous, black or mixed-race." The expression "neither black nor mixed-race" indicates the total number of employees who chose white, Asian or indigenous. The company recognizes that this classification does not meet the claims of several social movements in the country.*

In 2007, we distributed R$ 390.3 million to our employees. We seek to compensate our employees on just and equal terms, in accordance with the priciples of diversity and multiculturalism. In all of our operations, we pay higher than the minimum monthly salary for these markets.

Proportion of the Lowest Salary Compared to the Minimum Monthly Salary (in %)

	2005[2]	2006[2]	2007[1]
Brazil	2.1	1.9	1.9
Argentina	N/A	N/A	1.1
Chile	N/A	N/A	1.5
Peru	N/A	N/A	1.6
Mexico	N/A	N/A	2.8
Colombia	N/A	N/A	1.5
Venezuela	N/A	N/A	1.9
France	N/A	N/A	1.3

1 *The indicator was first measured in 2007 in the international operations.*

Despite our efforts to promote equal opportunities, the average salary of black and mixed-race women is lower than the overall average salary because fewer black and mixed-race women are senior managers. In the same way, the average salary for director positions is higher for men, since there are no women serving as vice presidents. Among administrative positions, the average salary for women is lower because many of the women in the sales force are just starting their careers and thus have a lower salary base.

Salary Profile[1]

Average Monthly Salary for the Brazilian Operation in R$

	2005	2006	2007
Women	5,511.51	5,179.61	5,450.72
Men	6,030.85	5,060.58	6,075.77
Black and Mixed-Race Women	4,485.52	3,604.90	3,606.47
Other Women (not black or mixed-race)	5,322.03	5,236.48	5,555.55
Black and Mixed-Race Men	3,227.23	2,922.06	3,833.49
Other Men (not black or mixed-race)	5,949.80	5,110.73	6,262.53
Over Age 45	7,978.61	7,699.67	8,064.09
Age 45 and Under	5,187.87	4,866.75	5,101.37

1 *In order to calculate this indicator, we considered the bonuses given to sales managers and sales promoters. When distributed in the categories, the sales force employees reinforce the female salary averages through the bonus, excluding the production positions. The data consolidation methodology was improved, which can generate a small difference in relation to the previous years.*

In international operations, we do not have a formal recruiting policy for top management positions. However, in all the countries in which we operate, a high proportion of such positions are occupied by native professionals, which helps us better adapt to the characteristics of each market.

Learn more about the proportion of native professionals in the international operations by visiting: www.natura.net/relatorio

The current management system of the Chilean operation, designed to reverse the trend of high sales team turnover, has begun to produce results. In Mexico, the turnover rate increased significantly due to the high number of Sales Promoter resignations, leading the company to adopt an action plan to reduce this figure by improving Sales Promoter recruitment and training processes and developing the sales manager position. In Venezuela, we are focusing on improving recruitment and staff selection to reduce the turnover rate among employees in the business area.

Employee Turnover Rate

Operation	2005	2006	2007
Brazil	7.6%	6.7%	9.0%
Argentina	11.9%	19.7%	16.1%
Chile	25.4%	31.6%	20.4%
Mexico	7.1%	36.3%	56.5%
Peru	21.7%	15.0%	17.2%
France[1]	N.A.	6.6%	4.0%
Venezuela[2]	N.A.	N.A.	43.5%
Colombia[1]	N.A.	N.A.	4.6%

1 *The operation in France began in 2005 and in Colombia in 2007.*

2 *In 2006, the operation in Venezuela was undergoing structuring for the start of operations and the turnover indicator was not measured.*

Leaders of the Future

In 2007, we launched a pilot version of the Leader Training Program, designed to retain and develop employees with high potential and performance. We seek to assist these employees to occupy important positions in the company. More than anything, we want to develop enough high-quality leaders, making management through people one of the key pillars for Natura's sustainability over the medium and long term.

The program, started in 2007 with the Dom Cabral Foundation and expected to last two years, is both conceptual and practical, involving participants in three projects in the social, individual and business sectors.

Fortune Magazine, in partnership with Hewitt Associates and the RBL Group, recognized Natura as the top-ranked among Latin American companies in terms of innovative leadership development programs. We currently hold 16th place in the global ranking.

Professional Development

We provide all the required technical training for our employees to perform their duties and to support their personal and professional development. Corporate education has four pillars: lessons about competitive differentials, training for the job, general education and Natura leadership.

In 2007, we consolidated the training programs implemented over the previous years. We also tested the viability of the new corporate education models, which meet our future challenges both in international operations as well as at the Benevides factory unit (in the state of Pará in the Amazonian region of Brazil). We surpassed our goal of offering 101 average hours of training per employee, achieving an average of 105 hours.

Investments in Employee Education and Training (R$ thousands)[1]

Operation	2005	2006	2007
Brazil	12,674	16,286	15,951

1 *The data incorporates Sales Force training (Managers and Promoters).*

Learn more about investments in education and training for international operations by visiting: www.natura.net/relatorio

Average Training Hours per Year, per Employee and per Functional Category in the Brazilian Operation

Group	2005	2006	2007
Production	122	164	120
Administrative	86	82	92
Management	77	61	90
Board	22	38	55
Total	101	111	105

This indicator includes the training of the Sales Promoter public and Natura Education Program.

In 2007, we developed a new Employee Integration Program module for the managers of international operations, designed to present the company's values, beliefs and relationship principles. Through the program, all new employees and contract workers – including security personnel – receive training in topics associated with the Natura essence, which covers human rights. We do not have a specific training program that covers practices to fight corruption, a topic that is included in the Relationship Principles Letter that Natura sent to all of its employees in 2006.

For women, who make up 64% of our employees, we offer the "Caring for Those Who Care for Themselves" program, which includes different initiatives designed to support these employees in making good choices and help them balance their different roles as professionals and mothers. Especially important is the individual mentoring program designed for senior management employees, which provides these women an opportunity to reflect and assume responsibilities in their professional and personal lives.

Health and Safety

We consider the physical safety, health and well-being of all those at Natura to be a top priority. Every one of our employees is represented by formal health and safety committees, which analyze accidents, identify situations of risk, plan health and safety audits and debate possible solutions for any problems. Results are documented in the meeting minutes and communicated to the company so that preventive measures may be taken. Between 2006 and 2007, the number of accidents among our employees in Brazil dropped 40%. There was a 50% reduction among contractors and service providers. This result was due to awareness raising activities, the laying down of fundamental safety rules, increased efforts to publicize prevention concepts, a more detailed monitoring of service provider activities and the implementation of actions to eliminate risks.

Typical Injuries and Work Days Lost and Absenteeism Rate (including workers and contractors) in the Brazilian Operation

Employees	2005	2006	2007
Accidents with Work Leave	6	12	10
Accidents without Work Leave	6	10	3
Accidents per Employee	0.004	0.005	0.003
Contractors			
Accidents with Work Leave	21	16	8
Accidents without Work Leave	11	18	9
Work Days Lost	69	108	115

During the same period, the incidence of occupational diseases fell considerably, from 14 to seven cases, due primarily to improvements in ergonomics. In addition to routine evaluations in the workplaces and whenever there is a change in shift, we train safety monitors from the factory production cells about ergonomics.

Natura offers a wide array of benefits for its employees, which constitutes an important differential when it comes to attracting talent. Of special importance is the Quality of Life Program, which covers four areas: health; social and family; environment; and culture and leisure. The initiatives involve everything from the creation of spaces for exercise, relaxation and even professional orientation for the adolescent children of our Employees. There is also an incentive savings account, in which the employee applies 5% of his or her salary per month and Natura contributes 60% of this value. This pension plan covers all employees; in 2007, 82% participated in the program. Natura's contribution during the year totaled R$ 3.8 million.

Learn more about the benefits that Natura offers its employees by visiting:
www.natura.net/relatorio

A great friendship: this is how they like to describe the way they feel about one another.

Vildete (*first to the left*) is a Natura Consultant and is on the team of Maria Amélia (*far right*), who is a Natura Consultant Adviser and is on the team of Cátia Oshiro (*middle*), who is Relationship Manager just like Nádia (*standing up*), who is the daughter of Maria Amélia.

Consultants

Our business model is based on direct sales. Our consultants (independent dealers who purchase and resell Natura products) are our main connection with final consumers. This work provides our consultants with income and personal and professional development and has attracted a growing number of people.

At the end of 2007 Natura had more than 718,000 consultants, representing a 16.4% increase over 2006. This expansion took place both in Brazil, where we expanded our sales force by 12.7%, as well as abroad, with a growth of 53.1%.

Number of consultants available in Brazil in December (in thousands)

	2005	2006	2007
Brazil	483	561	632
Abroad	37	56	86

We have different channels of communication and dialogue with our consultants, such as a special website, magazine, meetings and training programs, among others. In 2007, we launched a pilot Ombudsman program on a regional level, which will be extended throughout all of Brazil in 2008.

We conduct an annual survey to see how satisfied our consultants are with their relationship with Natura, and satisfaction rates have remained stable at around 90%. Despite these good results, there is room for improvement, primarily in terms of the services provided to consultants. During 2008 we will spare no effort to improve product manufacturing and distribution processes, guaranteeing on-time deliveries and enhancing the communication and service of our various channels.

Consultant Satisfaction[1]

	Jan/06	Jan/07	Jan/08
Satisfaction - Favorability (%)	90%	90%	90%
Quality of the Relationship (%)	90%	89%	90%

1 *Percentage of "Satisfied" and "Fully Satisfied" Consultants (top 2 boxes).*

We have increasingly encouraged the use of the Internet to close orders.

Thus, we have achieved a gradual, planned reduction in the number of calls to the Natura Service Center (CAN). Orders closed via CAN dropped from 60.7% in 2006 to 56.1% in 2007 without affecting the total volume, which continued to grow during the year.

CAN - Natura Service Center

	2005	2006	2007
Daily volume of answered calls	34,191	41,571	37,889

To make the support and services that we provide our consultants even better, in 2008 we plan to improve our regional business management processes, invest in increased training – which has always differentiated us from the competition – and decentralize the distribution centers to shorten order delivery deadlines.

Having signed the Direct Sales Code of Conduct for Direct Sellers and between Companies, created by the Brazilian Association of Direct Selling Companies, Natura trains its consultants for direct sales as well compliance with our ethical standards. Consultants sign a contractual commitment to resell the products by their own means. We are unaware of any incidents of child or slave labor.

To learn more about Natura's relationship with its consultants, please visit:
www.natura.net/relatorio

Natura Consultant Adviser

Starting in 2008, we will revolutionize our relationship with our consultants by innovating the commercial model The first major change will be the expansion of the Natura Consultant Adviser (NCA) project throughout Brazil over the next two years. The program's success was proven through the pilot program implemented in Brazil's central-western region. According to the new model, the Sales Promoter will assume the role of Relationship Manager and support a group of NCAs. These NCAs will then support a group of consultants. In this way we hope to more directly and personally meet the needs of our sales force.

This work will be strengthened by the opening of 30 Natura Houses over the next two years, serving as sites for meetings between promoters, consultants and consumers. The company's Reason for Being – "Well Being Well" – served as inspiration when developing the Natura House concept, spaces designed in perfect harmony with the brand's forms of expression: from the decoration of the grounds to the warm reception. The houses serve as spaces for our consultants to meet, talk, exchange knowledge, develop activities such as sales technique courses, discuss digital inclusion, learn about product launches and test the products, among other activities.

In 2007, we inaugurated the first Natura Houses in the Argentine and Colombian operations as well as a new unit in Mexico.

2007 COMMITMENT

MAINTAIN THE 89% SATISFACTION RATE IN THE SURVEY MEASURING THE QUALITY OF OUR RELATIONSHIPS WITH CONSULTANTS.

GOAL ACHIEVED

WE RECORDED A 90% SATISFACTION RATE IN THE SURVEY MEASURING THE QUALITY OF OUR RELATIONSHIPS WITH CONSULTANTS.

2008 COMMITMENT

MAINTAIN THE 90% SATISFACTION RATE IN THE SURVEY MEASURING THE QUALITY OF OUR RELATIONSHIPS WITH CONSULTANTS.

Suppliers and Supplier Communities

Natura purchases production inputs (raw materials, biological ingredients and packaging materials), indirect materials, ingredients and services from its suppliers. Guaranteeing quality and on-time delivery with cost and productivity gains is a fundamental task for ensuring the longevity of our company's business activities. Over recent years, the number of suppliers has increased with the expansion of our operations.

Today, Natura has nearly 4,800 active suppliers, with about 15% of whom providing production inputs, and 85% providing direct or indirect services. Of which, we identified some 100 companies that are essential to our business strategy. We need to strengthen our relationships with these suppliers and improve in the areas of quality, logistics, innovation, costs, customer service, traceability and risk management. A challenge that involves all suppliers is correcting the structural process problems that remain to improve the quality of the relationships.

We work intensely on these two fronts, establishing constructive channels of dialogue with all suppliers. We restructured the satisfaction survey in 2007 to better diagnose our relationships with the suppliers. We reduced the number of questions and increased the sample; in 2006, we interviewed 106 people at 63 companies, and in 2007 we interviewed 306 people at 152 companies, including the service centers and contract labor allocated at the company units. The margin of error of the results dropped from 7% in 2006 to 3.5% in 2007.

Supplier Satisfaction[1] (%)

	Jun/05	Aug/06	Sep/07
General Satisfaction – Favorability – per respondent	83	87	83
General Satisfaction – Favorability – per supplier company[2]	N/A	88	84

1 *Percentage of suppliers who are satisfied and completely satisfied (top two boxes).*
2 *For methodological purposes, we started to monitor satisfaction per supplier company.*

We experienced a drop in the supplier satisfaction rate, not one that is statistically significant but an indication that we can do better in terms of dialogue with managers, communications and project planning. The survey also revealed that the majority of suppliers perceived significant changes in their relationship with Natura over the previous 12 months.

2007 COMMITMENT

ACHIEVE 87% SATISFACTION RATING IN THE SUPPLIER SATISFACTION SURVEY.[1]

GOAL NOT ACHIEVED

THE RATE FELL TO 83%, ALTHOUGH THE INCREASED SAMPLE SIZE MAKES IT DIFFICULT TO COMPARE RESULTS.

2008 COMMITMENT [2 3]

ACHIEVE 85% SATISFACTION RATING IN THE SUPPLIER SATISFACTION SURVEY.

1 *The goal was revised after the final layout of the 2006 Annual Report, which had a goal of 89% satisfaction.*
2 *For methodological purposes, as of 2008 we will track the rates only by supplier company and no longer by respondent.*
3 *The goal of 85% is challenging, granted that we will increase the supplier sample.*

To improve our communications with these stakeholders, we prepared the Letter to the Supplier, a mandatory attachment to all the contracts that conveys Natura's Relationship Principles and Values using simple and clear language. We also created an online contact tool that has a link to the Ombudsman service, in addition to other features. The Ombudsman received 12 supplier criticisms and complaints during the year, mainly in relation to technical questions regarding contract management.

Contract Preparation Efficiency

Projeto Mercúrio (Project Mercury), developed in 2007 for implementation at the start of 2008, represents an important evolution in supplier relationships. It aims to improve the purchasing process flow, reduce the time necessary to prepare contracts and assure enhanced efficiency and timeliness. This is a response to a request suppliers made in our satisfaction survey. With this new management tool, the period for contract preparation drops from 37 days (average in 2006) to an average of seven working days, and the reduction of invoices with overdue payments may be as high as 95%.

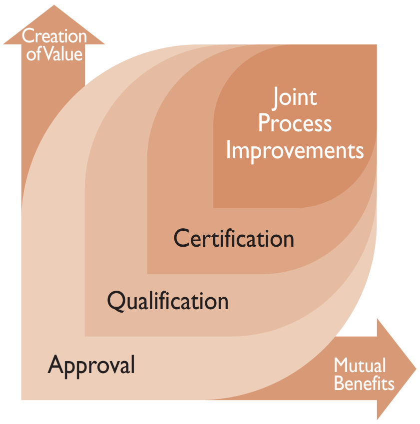
We also committed ourselves to virtually eliminate failures in transactions with our suppliers in 2008.

Evaluation and Certification

We seek out supplier companies with high standards of excellence, not only in terms of quality and cost, but also in their social and environmental performance. We adopted the Quality, Logistics, Innovation, Cost/Contract, Service and Traceability (QLICAR) program as our main evaluation tool. This is a highly structured assessment and monitoring tool with social and environmental requirements that suppliers must fulfill in order to become certified.

We chose 60 strategic partners for this evaluation and certification process. These companies conduct a self-evaluation of quality, environment and social responsibility and undergo quality audits.

Evolution of Relationships with Suppliers



Both the self-evaluation and audit include requirements related to human rights, which means that all of the suppliers who obtained the QLICAR certification were evaluated in this area. All contracts prohibit companies from using child, forced or slave labor.

Among the sectors that supply products to Natura, alcohol factories have a history of using this type of labor. The factories that supply organic alcohol to Natura were audited in 2007, and no evidence of child or slave labor was found. We chose to use organic alcohol because its producers have no illegal contracting practices, manage soil effectively and do not use pesticides or controversial products.

New suppliers, participants or non-participants in the QLICAR program, may be audited starting in 2008 by an external company or organization.

Percentage of suppliers who underwent self-evaluation and auditing in quality, environment and social responsibility

	2005	2006	2007
Self-evaluated QLICAR suppliers[1]	30%	93%	100%
Audited Qlicar suppliers[1]	15%	24%	36%

1 *The human rights aspects considered are child and forced or slave labor.*

2007 COMMITMENT

GUARANTEE THAT 100% OF QLICAR SUPPLIERS UNDERGO A SELF-EVALUATION IN QUALITY, THE ENVIRONMENT AND SOCIAL RESPONSIBILITY. AUDIT 35% OF QLICAR SUPPLIERS, ESPECIALLY IN CASES OF POTENTIAL SOCIAL AND ENVIRONMENTAL RISK.

GOAL ACHIEVED

ALL OUR QLICAR SUPPLIERS PERFORMED A SELF-EVALUATION, AND 36% WERE AUDITED.

Supplier Communities

Natura's main technological platform is based on the sustainable use of raw materials from Brazilian biodiversity. Access to these raw materials – Brazil's genetic patrimony – occurs through supply contracts with communities that extract the ingredients, groups of agricultural families and rural business owners.

The work we undertake with all of them is focused on sustainable production, including plans to manage and certify certain ingredients (*read more about this work in the "Environmental Performance" chapter*). In general, their products are sent to processing companies that then provide the industrialized raw materials to Natura – these then become the direct raw materials used in our products.

Natura recognizes the importance of these partners. Thus, we work to improve our relationships with them. When we need new raw materials, we first try to purchase them from our current partners instead of starting new business relationships. We seek to provide the best conditions for these producers and work to reduce the impacts of discontinued products, especially when it comes to communities.

We have a team responsible for relationships with supplier communities. We study concepts and ways to better share benefits of the access to genetic patrimony and the associated traditional knowledge based on principles of the Convention for Biological Diversity, signed at the 1992 Earth Summit in Rio de Janeiro.

Natura currently works with 19 supplier communities with a total of 1,684 families located in biomes such as the Amazon and the Atlantic Rain Forest. All of Natura's innovative projects were registered to obtain authorization from the Genetic Patrimony Management Board (CGEN), a part of the Brazilian Ministry of the Environment (MMA), for access to genetic patrimony and/or associated traditional knowledge. In 2007 alone, we received seven authorizations.

We comply with Brazilian law in all of our relations with these communities. All of the contracts that Natura signs with suppliers contain clauses prohibiting child or forced labor. Suppliers presenting a risk for child labor were audited and none was found.

In communities that supply raw materials from nature, the work organization is culturally based on the family structure and may or may not include the participation of children. Many times including children is a way to support traditional cultural practices. In 2007, Natura ordered an anthropological study in one of the communities to better understand this issue. The findings of this study will be implemented in 2008.

In 2007, these supplier communities received resources in four ways: they were paid for supplying raw materials, for sharing the benefits of their genetic patrimony or associated traditional knowledge and for the use of their image in photos and videos. They also received funds to promote the sustainable development of their communities.

Resources Directed at Supplier Communities (R$)

	2005	2006	2007
Sharing of benefits through access to genetic patrimony or associated traditional knowledge	-	300,000	324,716
Supply	1,309,671	741,165	909,368
Use of Image	54,205	36,410	38,409
Funds and Sponsorships	123,000	204,478	755,126

Other Natura Investments that Benefit Communities (R$)

Studies and Advisories	815,023	504,661	396,137
Training	15,000	20,000	49,907

Monitoring and Development

To monitor the entire supply chain of raw materials from nature and to help us turn suppliers into partners in sustainable business practices, Natura launched the BioQlicar program in 2007. This is an extension of the QLICAR program for communities that supply ingredients from Brazilian biodiversity. It helps us assess the supplier communities, establish indicators for monitoring and identify opportunities for improving the supply chain, carefully taking account of sustainability.

"We are working to create a differentiated communication style. This includes an analysis of our advertising, website and the *Natura Magazine*."

Marcelo Soderi,
Natura's Communication Manager

From left to right: Clara Belluzzo, Ângela Fujita and Marcelo Soderi, employees, and Veridiana Pomarico, from *Trip Editora*

Consumers

There are an estimated 41.5 million Natura product consumers in Brazil. Our relationship with our consumers is based on a wide range of product choices, a commitment to safety and quality, effective consumer services and open dialogue.

We began including an "Environmental Table" on our packaging in 2007 to enhance transparency and help educate our consumers. Inspired by the nutritional table required for food products, it has six indicators covering the materials used in our products: three related to ingredients and three related to the packaging.

The quality and safety of our products are not merely objectives to be achieved, but the results of who we are and the way we do things.

We maintain a Product Safety Committee that is responsible for defining strategies and guidelines. All of Natura's new ingredients and formulas are analyzed by product safety specialists and submitted for tests by dermatologists or, in certain cases, by multidisciplinary teams. We employ the Precautionary Principle; in other words, we avoid any ingredient or product for which there is no consensus among the medical and scientific communities as to its safety for human use.

The Natura Consumer Service Center (SNAC), which answered 1.8 million calls last year, helps us relate directly to this large universe of customers. In addition to providing information, SNAC receives compliments, suggestions and complaints.

These services play a crucial role in helping us provide consumer satisfaction. We perform an average of 49,000 product transactions every month. This demand generates knowledge and learning for us. In 2007, for example, consumer suggestions led us to replace aerosol deodorant valves.

In 2007, after stabilizing the costumer service supplier migration process completed during the second half of 2006, the number of non-answered call returned to normal.

SNAC – Natura Consumer Service Center (calls in thousands)

	2005	2006	2007
Total	1,885	2,204	1,984
Answered	1,791	1,664	1,854
Not answered	94	540	130

We conduct satisfaction surveys with consumers to learn about various aspects associated with products, prices, delivery time, relationships, post-sales services, customer service, communication channels and materials. The survey covers the five regions of Brazil, including state capitals and rural areas. The results are excellent, with a satisfaction rate near 100%.

Consumer Satisfaction

	Jan-05	Jun-06	Jun-07
Favorability (%)[1]	98	97	97

1 In the studies conducted up to January 2005, the figure refers to the percentage of "satisfied" and "fully satisfied" consumers. As of 2006, the figure refers to the percentage of 8, 9 and 10 scores.

For 2008, we have made a commitment to formalizing our way of interacting with consumers by publicizing our Relationship Principles for these stakeholders, as we have already done for employees and suppliers.

Learn more about our Product Safety Policy at:
http://www2.natura.net/Web/Br/Inst/politicas/politicas_seguranca.asp

No Animal Testing

In line with our beliefs, we eliminated animal testing completely in 2006 without sacrificing the rigorous safety criteria applied to Natura products. This commitment extends to all the suppliers of our development process. We do not accept animal testing during the phases of research and development of new products designed exclusively for Natura, nor do we purchase main active ingredients that have been tested on animals. In an attempt to discourage animal testing everywhere, we encourage our raw material suppliers to extend this condition to all of their production, even products meant for other companies.

Surrounding Communities

Natura's commitment to sustainability goes beyond the value chain and extends into the communities in which we are located. We contribute to local development by generating income for suppliers and training leaders from civil society and government. In 2007, we invested R$ 391,000 in projects in the municipalities of Cajamar and Itapecerica da Serra (both in the metropolitan region of São Paulo), which are the communities most influenced by our operations.

Investments (R$ thousands)

	2005	2006	2007
Investments in the communities near Cajamar and Itapecerica da Serra	427.5	433.9	391.5

We also strive to strengthen our relationship with our employees from the surrounding communities, and our volunteer program focuses on this effort. In 2007, 77 volunteer employees helped out at schools and other educational institutions in Itapecerica da Serra and Cajamar. As of December, nearly 17% of our employees from the Cajamar factory were residents of the municipality itself.

Our supplier development program trains local companies so they can offer us better goods and services, an activity that benefits both us and them and makes us a more potent social force in these municipalities.

Purchases from Suppliers of the Communities Near the Factory Units[1] (R$ millions)

	2005	2006	2007
Cajamar[2]	30.61	32.52	45.99
Itapecerica da Serra[2]	0.23	0.41	0.82
Benevides[3]	N/A	0.48	6.45

1 *The consolidated method for this indicator was changed, and therefore the historical data was updated. The values consider taxes.*

2 *Calculation assumption: purchases from suppliers located in the municipalities of Cajamar and Itapecerica da Serra, in the metropolitan region of São Paulo, Brazil.*

3 *New calculation assumption: purchases from suppliers in the State of Pará, exclusively for soap making at the factory located in Benevides, in Northern Brazil. Operations began in 2006.*

2007 COMMITMENT

INCREASED PURCHASING FROM LOCAL SUPPLIERS: 25% IN CAJAMAR; 100% IN ITAPECERICA DA SERRA AND 60% IN BENEVIDES.

GOAL ACHIEVED

WE ACHIEVED OUR GOAL FOR PURCHASES FROM LOCAL SUPPLIERS IN THE THREE SURROUNDING COMMUNITIES: CAJAMAR, BENEVIDES AND ITAPECERICA DA SERRA.

2008 COMMITMENT

ADOPT AN INDICATOR TO EVALUATE OUR IMPACT ON THE DEVELOPMENT OF THE SURROUNDING COMMUNITIES.

Benevides: Strengthening Relationships

Our work in Benevides involves the organization and training of complex networks of people that extract raw materials from natural settings and require time to build up a structure. In a context characterized by social disintegration, one of our challenges is to strengthen the quality of local relationships and create a supply-chain that helps us all contribute toward a sustainable business model.

Our goal is to obtain plant-based oils through a business model that prioritizes gatherers and family farmers as well as relationships with the communities and cooperatives that produce the ingredients, benefiting small local producers. These local producers are not only in the municipal area but spread throughout the state of Pará.

Cajamar: Agenda 21

In Cajamar (São Paulo), we created a tripartite group of representatives from business, civil society and local government responsible for the implementation of Agenda 21. After a community awareness-raising effort in partnership with the NGO "Native Forest" to emphasize the importance of community involvement, in 2006 and 2007 we encouraged discussions on the formulation of the municipality's Master Plan.

Working together to create the Master Plan, as called for by law, helps create local sustainable development by presenting a panorama of what the city wants in the coming decade and developing programs, projects and monitoring mechanisms to make the effort viable. In December 2007, the Master Plan was approved in a public meeting held in the Natura auditorium in the presence of the mayor of Cajamar, local city council members, municipal secretaries and members of civil society.

The development of local suppliers also accelerated. In 2006, we found three new potential suppliers: a taxi cooperative (Coopercaj), a motorcycle delivery company (Ninja Express) and the bakery of the NGO "Agar Cabin," which cares for HIV-positive children. After some due diligence, we began working with them in 2007. We provided training in defensive driving for the taxi cooperative and trained Agar Cabin in best management and hygiene practices, offering a permanent advisory service in the management area. In 2008, we plan to expand and further develop actions geared toward supplier development.

Itapecerica da Serra: Strengthening Leadership

Natura's activities in Itapecerica da Serra are mainly in the urban neighborhood of Potuverá, home to our facilities and nearly 9,000 people. We invest in strengthening local leadership and community associations in an effort to prepare them for the implementation of the Potuverá Agenda 21.

To disseminate this concept, we focused in 2007 on building Agenda 21 Schools. In partnership with the Municipal Secretary of Education, Secretary of Planning and the Environment and the Educational Director of Itapecerica da Serra, we involved approximately 65 schools in the municipal public network of Itapecerica and 60 state schools from the municipalities of Itapecerica da Serra, Embu-Guaçu, São Lourenço da Serra and Juquitiba.

Itapecerica da Serra, a municipality that is part of the Guarapiranga Basin, is working to preserve its water sources. Natura sponsored training in environmental education and Agenda 21 for community leaders (teachers, council members and members of civil society) of the seven municipalities of the Basin. In 2007, we also sought to identify local suppliers who could be developed and contracted in 2008.

Government

Natura's relationships with the various political institutions are guided by ethics, transparency and dialogue. It is legitimate for business to exercise influence on the government and civil society, preferably through means of trade associations. That is why Natura supports the legalization of lobbying, with clear and transparent rules, and encourages national discussion of this topic.

Although we consider financial contributions to political parties and candidates legitimate in a democratic system, our Corporate Policy on Financial Contributions to Political Parties and Candidates, published in 2006, prohibits earmarking any financial resources or similar items for this purpose, both inside and outside election periods.

In 2007, we developed Relationship Principles with the government that guide our conduct with this stakeholder and which will be launched in 2008 along with our policies on anti-corruption practices, bribes and lobbying. This effort involved employees from various different areas of the company working with the Ombudsman. The Anti-Corruption Pact of the Ethos Institute – Business and Social Responsibility and the voluntary international rules of the Organization for Economic Cooperation and Development (OECD) inspired the development of our policies.

Our platform for discussions with the government includes matters of direct interest to us as well as broader issues. In 2007, our relationship with the government was based on two main agendas: tax issues, primarily at the state level, in an ongoing debate regarding the increased tax burden; and the legal framework related to access to genetic patrimony and the sharing of benefits with communities for access to traditional knowledge, whether or not it is associated with genetic patrimony.

Despite an unclear legal framework, we continued investing in the sustainable use of Brazilian biodiversity as the main base of our products because we believe that this model can bring great competitive advantages to Brazil and promote a sustainable business model with benefits for all those involved. Much of our communications with the government and society on this matter are conducted through the Brazilian Personal Hygiene, Perfumery and Cosmetics Industry Association. We also participate actively in the Brazilian Association of Direct Selling Companies and the Perfumery and Hair Care Product Industry Trade Union in the State of São Paulo. We exchange experiences with our competitors in these forums, seeking a consensus on matters of interest to the sector. Natura faces no lawsuits involving matters of competition, including anti-trust and monopoly practices.

2008 COMMITMENT

PUBLISH A POLICY REGARDING LOBBYING AND RELATIONSHIP PRINCIPLES WITH THE GOVERNMENT.

"The progress we are making in the industrial area is the result of participative management and the belief that a 'limit' is something that exists only in our heads."

Ângela Pinhati, Natura's Industrial and Infrastructure Manager

From left to right: Nilda da Silva, Simone Nascimento, Maria Soares, Ângela Pinhati, Igor Ferreira and Patrícia Lopes, employees from the perfume factory

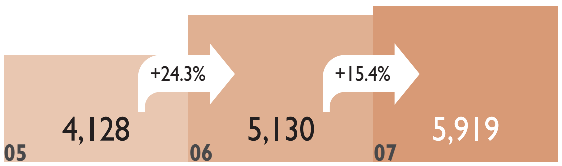
Performance

Social

The quality of our relationships with our stakeholders, described in the previous chapter, is key to Natura's social performance. The understanding of our business activity as part of an articulated and connected whole within a social network inspires us to make efforts to accelerate society's development.

We are proud of helping to create value for society, both through the generation of jobs and the distribution of wealth to our main stakeholders, a distribution that increased again in 2007.

Generation of Direct Jobs



Distribution of Wealth (R$ millions)

	2005	2006	2007
Shareholders	319.4	359.4	415.1
Consultants [1]	1,311.7	1,583.9	1,722.1
Employees	306.4	379.7	390.3
Suppliers	1,731.7	2,132.3	2,329.7
Government	727.2	817.1	948.3

1 *Estimate considering a presumed income margin of 30%.*

The number of our consultants continued to grow significantly to reach more than 718,000 at the end of 2007, representing a 16.4% increase over 2006. This expansion occurred both in Brazil, where we increased our sales force by 12.7%, as well as abroad, with a growth of 53.3%.

Generation of Job Opportunities

Number of available consultants (in thousands)

	2005	2006	2007
Brazil	482.8	561.1	632.4
Abroad	36.2	56.2	86.2

We want to increase our capacity to mobilize society, primarily through our consultants. This objective of involving our consultants in the social and environmental transformation process led us to create the Natura Movement.

Natura Movement

The Natura Movement includes the three parts of the sustainability tripod: Our Business, Our Planet and Our People. On the economic level, which corresponds to Our Business, Natura promotes a series of initiatives to recognize and increase the value of the consulting activity. For example, every year we award the consultants with the best overall sales results as a way of encouraging productivity and entrepreneurship.

At the Our Planet level, which expresses care for the environment, the main focus is on incentives to purchase products with refills, which achieved a sales record in 2007. (*See the results in the "Environmental Performance" chapter.*) Another highlight of the wyear was the launch of the Natura Product Recycling Project, started in February in Recife and in August in São Paulo. Through the program, our consultants collected 90.8 metric tons of post-consumer packaging from Natura products purchased by their clients and sent it to local garbage collector cooperatives via partner transport companies.

On the social level, entitled Our People, we created a campaign to mobilize consultants to encourage individuals who never completed basic education to return to school by enrolling in the Youth and Adult Education (EJA) program developed by the Brazilian Ministry of Education. Since we joined this cause in 2005, our consultants have prompted more than 162,000 people to go back to school. In 2007 alone, we achieved a total of 38,929 enrollments, 15,675 of which were re-enrollments, surpassing the goal of 24,000.

Enrollments in EJAs by Consultants

2005	2006[1]	2007
66,660	57,090	38,929

1 *The data released in 2006 was incorrect and has been corrected.*

"Believing is Seeing"

Also in the social area, we encourage our consultants to collect resources for the "Believing is Seeing" program, which contributes to high quality public education in Brazil. The program is financed with resources from sales of a special line of products, without any income for Natura or remuneration for the consultants.

Collections for Investments in Projects Focused on Education for Public Benefit (R$ thousands)

	2005	2006	2007
Net revenues from "Believe to See"	3,041.70	5,382.40	2,487.80

Fundraising dropped to R$ 3.2 million in 2007, R$ 700,000 below what was planned. This was due primarily to a delay in the launch of the new line of products. With money collected in previous years, we invested R$ 4.3 million during 2007 in the EJA program and in five reading promotion projects for children, youth and adults in Brazil:

1. Learning in a Network - developed in partnership with the Avisa Lá Institute and Razão Social Institute for the education of children ages zero to six.
2. Reading Promotion Project - undertaken in partnership with the NGOs Education Action, Solidary Literacy and the Center for Studies and Research in Education, Culture and Community Action (CENPEC), the project distributed an archive of 50 books and reading support materials to each of the 1,500 public EJA schools throughout Brazil.
3. Reading Meetings - in partnership with the Education and Documentation Center for Community Action (CEDAC), the meetings are focused on the training of professionals who assist with the education of public school students aged four to six from 10 municipalities, including the distribution of 18,352 quality literature books to the 248 participating schools.

4. Chapada Project - developed by the Chapada Education and Research Institute, the project focuses on the continuous training of coordinators, educational directors and other teaching professionals in the 26 municipalities of the Chapada Diamantina region in the Brazilian state of Bahia.

5. "In Every Understanding a Way of Being" - developed by the Regional Small Appropriated Agricultural Institute (IRPAA), this project trains professors who work with the Youth and Adult Education (EJA) in the cities of Sento Sé, Senhor do Bonfim and Filadélfia.

Support and Sponsorship

In 2007, we sponsored projects in three areas: sustainable development, focused on the generation of work, income and the protection of threatened areas and species; the strengthening of governmental and non-governmental organizations; and Brazilian music.

Investments per Theme (R$ thousands)

	2005	2006	2007
Sustainable Development	1,322	3,237	3,589
Female Entrepreneurialism[1]	178	165	-
Strengthening of Civil Society Organizations	1,138	1,442	1,817
Brazilian Music	3,165	3,942	5,239

1 *Investments interrupted because we are reviewing the guidelines and focus of the operations.*

Our activities to support Brazilian music are financed through public tax revenues with additional financing from Natura. In the areas of strengthening civil society organizations and sustainable development, we use only our own resources. We established a partnership in Latin America with Ashoka – a global non-profit organization – to support an innovative project for social ventures in each country in which we operate.

Over recent years, Natura has joined several different organizations and made commitments to important international initiatives such as the United Nations Global Compact, which seeks to promote corporate citizenship and sustainable development.

Learn more about Natura's international commitments by visiting:
www.natura.net/relatorio

Investment Matrix

To help our managers be more socially responsible, we offer them a support tool for monitoring and viewing the results of our relationships with each group of stakeholders: the Corporate Responsibility Investment Matrix. We use the matrix to consolidate investments in projects or actions that are not intrinsic to Natura's business and which go beyond legal requirements.

Corporate Responsibility Investment Matrix[1] (R$ thousands)

	2005	2006	2007
Employees, Families and Third Parties	8,231.7	11,637.5	19,084.0
Consultants	214.0	1,387.6	1,801.4
Consumers	194.1	380.0	468.3
Suppliers	158.7	130.0	232.3
Supplier Communities	896.3	1,141.7	3,299.9
Surrounding Communities	427.5	433.9	391.5
Government and Society	3,820.5	7,453.9	7,058.7
Environment	1,111.7	442.7	1,849.1
TOTAL Invested in different publics	**15,054.5**	**23,007.3**	**34,185.1**
Management expenses	2,559.6	5,799.7	9,591.9
TOTAL Natura Resources	**17,614.1**	**28,807.0**	**43,777.0**
Percentage of net revenues	0.8%	1.0%	1.4%
Net resources collected by Consultants in the "Believe to See" program [2]	3,041.7	5,382.4	2,484.8
Fiscal incentives invested			
Rouanet Law	1,726.9	1,936.3	2,059.5
Audiovisual Law	-	-	1,098.0
Value-Added Tax (ICMS) in Minas Gerais	996.9	1,500.0	2,101.6
Value-Added Tax (ICMS) in São Paulo	-	-	814.3
1% Income Tax on CMDCA[3]	-	160.2	227.0
1% Income Tax on CONDECA[4]	-	388.0	445.0
GENERAL TOTAL	**23,379.7**	**38,174.0**	**53,007.2**

1 *The amounts invested in Support and Sponsorship are also considered in this matrix, although they are divided among the assisted publics.*

2 *For more information, please see the chapters entitled "Consultants" and "Social Performance."*

3 *CMDCA – Municipal Boards for the Rights of Children and Adolescents.*

4 *CONDECA – State Board for the Rights of Children and Adolescents.*

Environmental

Our business model is based on the generation of positive economic results in harmony with society's needs and the environment. We made important advances in 2007 in our environmental performance, primarily in terms of measuring our greenhouse gas (GHG) emissions for offset starting in 2008; the reduction in the environmental impacts of our packaging beyond the established goal; the increased sale of refills; and the incorporation of the environmental table on packaging.

Carbon Neutral

We are aware of the phenomenon of global warming and its correlation with greenhouse gas (GHG) emissions and we intend to do our part to mitigate climate change. Thus, we launched an ambitious Carbon Neutral Program in 2007 designed to reduce and offset GHG emissions all along our value chain from the extraction of raw materials to the final disposal of products. We can then offer our clients carbon neutral products.

To calculate the emissions at all stages along the value chain, we adopted the product lifecycle approach and performed an inventory of GHG emissions based on the standards of the Greenhouse Gas Protocol Initiative and ISO Norm 14064-1. During this process, we saw the possibility of reducing 33% of the GHG emissions over the next five years in relation to 2006 levels, which became a corporate goal.

That which we cannot reduce we will offset in 2008 through five projects involving reforestation and the use of renewable energy sources. The work will be monitored by outside evaluators, and the results will be published periodically.

Total Emissions

	2005	2006	2007
Total Emissions of CO_2 equivalent (tons)[1]	N/A	179,589	183,619
Relative emissions (Kg of CO_2e / Kg of product)	N/A	4.39	4.09

1 *CO_2e (or CO_2 equivalent): measurement used to compare greenhouse gas emissions based on each one's potential to add to global warming.*

The increase in absolute emissions in 2007 was due mainly to the increased consumption of raw materials during the year. However, CO2 emissions of byproduct mass fell 7% in comparison to 2006, in line with our five–year objective. The 2007 GHG inventory was audited by Det Norske Veritas (DNV).

CO_2e Emissions by Activity (tons)

	2005[2]	2006	2007
Extraction of Raw Materials and Packaging Materials	N/A	64,619	68,869
Direct Suppliers	N/A	22,453	24,078
Energy Acquired	N/A	3,288	2,032
Mobile Sources	N/A	3,594	3,340
Product Transportation (to the final consumer)	N/A	25,417	25,630
Final Disposal of Product and Packaging	N/A	45,768	40,744
Others[1]	N/A	14,449	18,926
TOTAL	**N/A**	**179,589**	**183,619**

1 *Fixed sources, exports, business trips, effluent treatment, international operations and other types of transportation.*

2 *Due to the improvements implemented in the 2007 Inventory, we recalculated the 2006 value, thus providing a basis for comparison of our emissions over a two-year period. The 2005 inventory was not revised.*

For more details on the offset projects that we will support, please visit:
www.natura.net/carbononeutro

2007 COMMITMENT

FINALIZE THE EMISSIONS INVENTORY FOR ALL PROCESSES AND IMPLEMENT A PLAN TO BECOME CARBON NEUTRAL BY 2008.

GOAL ACHIEVED

THE INVENTORY WAS CONCLUDED AND OUR PRODUCTS WILL BE CARBON NEUTRAL STARTING WITH THE OFFSET OF EMISSIONS, SET TO BEGIN IN 2008.

Biodiversity

One of the main focuses of Natura's innovation process – the sustainable use of Brazilian biodiversity in the creation of our products – assumes a balance between the use of natural resources and their capacity for regeneration. We support organic production models, agroforestry systems and sustainable agriculture guided by the ecological handling of pests and diseases, crop rotation, maintenance of water resources, the use of "green" fertilizer and species consortiums, among others.

To assure an adequate supply of biodiversity resources in our production chain and ensure the traceability of raw materials, we use the Plant-Based Raw Material Certification Program, in which we invested R$ 111,800.00 in 2007.

The program uses four different certification models based on the region's characteristics. For forest management (non-wood forest resources), we follow the principles and criteria of the Forest Stewardship Council (FSC). For agricultural cultivations, we use the certifications of the Sustainable Agriculture Network (SAN), the Biodynamic Institute (IBD) and Ecocert.

Certifications

	2005	2006	2007
Total certified assets (un)[1]	16	22	24
Percentage of total certified species[2]	46%	63%	51%

1 *Exclusion of a plant-based raw material due to the discontinuation of a product.*
2 *The data are not comparable due to expansion of the Certification Program for Latin American ingredients. Starting in 2007, all the raw materials obtained in the region (not just in Brazil) were recorded.*

2007 COMMITMENT

INCLUDE FOUR MORE INGREDIENTS IN PHASE III OF THE CERTIFICATION PROCESS.

GOAL NOT ACHIEVED

WE CERTIFIED THREE INGREDIENTS. THE NON-FULFILLMENT OF THE GOAL WAS DUE TO A CHANGE IN THE NATURA PRODUCT LAUNCH STRATEGY. HOWEVER, CERTIFICATION PROGRAM EFFORTS WERE REDIRECTED TO THE FRUTÍFERA PROJECT – THE LAUNCH OF A LINE OF NUTRITIONAL AND BALANCED FOODS IN A TEST MARKET. TWENTY FOUR CERTIFIED ORGANIC RAW MATERIALS WERE INCORPORATED INTO THIS PROJECT.

2008 COMMITMENT

INCLUDE FOUR MORE INGREDIENTS IN PHASE III OF THE CERTIFICATION PROCESS.

Environmental Impact of Our Products

In 2007, we replaced part of the alcohol used in our perfume products with organic alcohol, since we consider the organic certification to be the best path for acquiring alcohol produced through environmentally sound practices.

The increased use of plant-based ingredients is another important trend in the manufacturing of our products, given that – if they comply with sustainable extraction models – they have a low environmental impact and are renewable. In 2007, all of our body oils were entirely plant-based, and 78.8% of the raw materials used in our products were of a renewable plant-based origin.

To reduce post-consumer environmental impacts, we are focusing on selling refills, using recycled polyethylene terephthalate (PET) in packaging and running a pilot project to collect and dispose of our post-consumer packaging (see *"Social Performance" chapter*).

2007 COMMITMENT

AS OF THE SECOND HALF OF 2007, PLACE A TABLE WITH ENVIRONMENTAL INFORMATION ON ALL NEW PRODUCTS AND NEW PACKAGING.

20% INCREASE IN THE PERCENTAGE OF REFILLS PER INVOICED ITEM IN THE BRAZILIAN MARKET.

GOAL ACHIEVED

THE ENVIRONMENTAL TABLE WAS INCLUDED ON ALL NEW PACKAGING AND PRODUCTS LAUNCHED IN 2007.

WE EXCEEDED THE PLANNED GOAL OF INCREASING THE PERCENTAGE OF REFILLS PER INVOICED ITEM BY 1.27%.

2008 COMMITMENT

INCREASE TO 79% THE TOTAL RAW MATERIAL OF A RENEWABLE PLANT-BASED ORIGIN IN OUR PRODUCTS.

USE 100% ORGANIC ALCOHOL IN OUR PRODUCTS.

REDUCE THE AVERAGE ENVIRONMENTAL IMPACT OF OUR PACKAGING TO 72 MPT/KG.

INCREASE THE TOTAL AMOUNT OF POST-CONSUMER RECYCLED PACKAGING TO 13%.

ATTAIN A MINIMUM OF 18.5% REFILLS PER INVOICED ITEM IN THE BRAZILIAN MARKET.*

** In 2007, we made an exaggerated promotional effort to stimulate refill sales. The goal for 2008 balances the promotional refill effort with that used for regular products. We will continue with our education and awareness efforts for refill sales; however we will reduce the promotions.*

Materials[1] [2]

	2005	2006	2007
Percentage of materials used from recycling (%)	N/A	7.8	10.7

1 *The indicator considers packaging and distribution materials (magazines, distribution boxes and bags) recycled after consumption.*

2 *The criteria for calculating this indicator were revised, thus the historical number was changed.*

Percentage of Refills per Invoiced Item (%)

	2005	2006	2007
Brazil	17.4	19.8	21.3

See the percentage of refills per invoiced item in the International Operations by visiting: www.natura.net/relatorio

To reduce our environmental impact, in 2001 we incorporated the packaging Lifecycle Evaluation into the product development process, an approach that considers the impacts caused during material extraction, production, transportation and final disposal.

In 2007, we reduced the environmental impacts caused by our packaging by 12% compared to the previous year. This drop occurred due to changes in the packaging design and the proportion of sold products, as guided partly by our promotion policies.

Impact of Packaging

	2005	2006	2007
Environmental Impact of Packaging per Product Quantity (mpt/kg)*	89.3	83.2	73.4

** Natura's average is obtained by weighing the values of mPt (0.001 of Pt) per kg of each product, per the quantity invoiced during that year (according to Eco-Indicator 99 methodology).*

Water and Effluents

In 2007, our total water consumption dropped 17.2% in relation to 2006, from 141,883 m^3 to 117,451 m^3. This resulted from the introduction of new equipment and processes and the efforts of employees from the administrative areas, restaurant and factories.

Water Consumption

	2005	2006	2007
Water Consumption at the Cajamar and Itapecerica da Serra sites (m^3)	136,677	141,883	114,694
Water Consumption at the Other Natura Spaces in Brazil (m^3)[1]	N/A	N/A	2,757
Total Water Consumption (m^3)	136,677	141,883	117,451
Water Consumption per Invoiced Unit (L /unit)[2]	0.58	0.53	0.42

1 *Refers to advanced posts, the office in Alphaville and the Natura Brasil House. We started collecting information in 2007.*

2 *During previous years, this indicator was reported in liters per unit sold, thus the historical number was changed.*

2007 COMMITMENT

CONSUME A MAXIMUM VOLUME OF 150,042 M³ OF WATER IN CAJAMAR AND ITAPECERICA.

GOAL ACHIEVED

WE CONSUMED 114,694 M³ OF WATER IN CAJAMAR AND ITAPECERICA.

2008 COMMITMENT

CONSUME A MAXIMUM VOLUME OF 148,700 M³ OF WATER IN CAJAMAR AND ITAPECERICA.

Energy

In 2007, we used 9.4% more total energy and 8.7% more energy per invoiced unit; our consumption increased particularly during the start of operations and the testing of certain new machines.

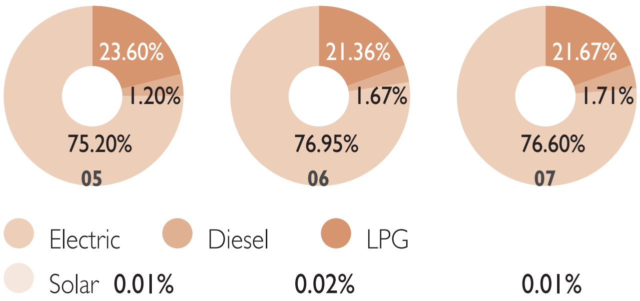
Total Energy Consumption (joules)

	2005	2006	2007
Energy Consumption at the Cajamar and Itapecerica da Serra sites (joules)	119.2×10^{12}	131.7×10^{12}	135.9×10^{12}
Other Natura Spaces in Brazil[1]	N/A	N/A	8.2×10^{12}
Total Energy Matrix (joules)	119.2×10^{12}	131.7×10^{12}	144.1×10^{12}
Energy Consumption – Energy Matrix per Invoiced Unit (kjoules / Unit)[2]	503,8	469,5	510,2

1 *Refers to advanced posts, the factory in Benevides, office in Alphaville and Natura Brasil House. We started collecting information in 2007.*

2 *During previous years, this indicator was reported in kjoules per unit sold, thus the historical number was changed.*

Energy Matrix - Brazil[1]



1 Data calculated considering the Cajamar and Itapecerica da Serra sites.

Due to uncertainties about national energy supplies, in 2007 we purchased energy from a small hydroelectric power plant for the 2010-2017 period, which has reduced environmental and social impacts compared to a common hydroelectric power plant.

2007 COMMITMENT

ACHIEVE A TOTAL ENERGY CONSUMPTION OF LESS THAN 129.3 X 10^{12} JOULES IN CAJAMAR AND ITAPECERICA DA SERRA.

GOAL NOT ACHIEVED

WE CONSUMED 135.9 10^{12} JOULES IN CAJAMAR AND ITAPECERICA DA SERRA. THE STATED GOAL WAS NOT ACHIEVED, BUT AFTER PUBLISHING THE 2006 ANNUAL REPORT, WE REVISED THE GOAL TO 137.2 X 10^{12} JOULES.

2008 COMMITMENT

CONSUME A MAXIMUM OF 151.4 X 10^{12} JOULES IN CAJAMAR AND ITAPECERICA DA SERRA.

Waste

Natura aims to improve its waste management by recycling and choosing the destinations of waste carefully. In December 2007, 88.03% of our waste was recycled; 9.15% went to landfills and 2.82% was incinerated at the units in Cajamar and Itapecerica da Serra.

In 2007, we generated a total of 6,799.9 tons of waste, representing a 0.5% reduction compared to 2006, even with the incorporation of the waste from the new Benevides factory. There was also a drop in the weight of waste per invoiced unit, which fell from 25.7 grams in 2006 to 24.1 in 2007.

2007 COMMITMENT

INCREASE THE PERCENTAGE OF RECYCLED WASTE TO 87% IN CAJAMAR AND ITAPECERICA DA SERRA.

GOAL ACHIEVED

WE RECYCLED 88% OF OUR WASTE.

2008 COMMITMENT

RECYCLE A MINIMUM OF 89% OF THE WASTE GENERATED IN CAJAMAR AND ITAPECERICA DA SERRA.

Economic

The year 2007 was another year of growth for Natura. The consolidated gross revenues totaled R$ 4.3 billion, with a growth of 10.6% over 2006. The consolidated EBITDA was R$ 702.0 million, with a 7.3% growth over the previous year and a margin of 22.8%. The consolidated net income was R$ 462.3 million, generating an initial return on net equity of 72.1%. The number of our consultants (direct sales force) increased by 16.4% in 2007 to more than 718,000.

Consolidated Gross Revenues

The company's consolidated gross revenues totaled R$ 1,312.5 million in 4Q07, representing a 9.3% growth compared to the revenues in 4Q06. In Brazil, the company's gross revenues grew 8.4% and in the international market, 30.2% in reais (52.0% in weighted local currency). The percentage of international sales in the total revenues increased from 3.6% in 4Q06 to 4.2% in 4Q07.

Consolidated gross revenues in 2007 totaled R$ 4,301.6 million for a growth of 10.6% compared to 2006. In the domestic market, the gross revenues grew 9.5%, and in the external market, 41.4% in reais (58.2% in local weighted currency). The percentage of international market revenues compared to the total revenues increased from 3.4% in 2006 to 4.3% in 2007.

There were over 718,000 consultants at the end of December 2007, representing a significant 16.4% growth over the same period the previous year.

Costs and Expenses

The cost of products sold (COPS) decreased from 35.7% of net revenues in 4Q06 to 32.6% in 4Q07. This reduction is primarily due to: (i) the enhanced efficiency of raw material price management; (ii) enhanced efficiency of the Holiday Gift Box strategy; and (iii) readjustment in the price of our products in March 2007. Some of these effects were offset by increased losses from discontinued products. During the entire year of 2007, the COPS remained stable at 32.3% when compared to the fiscal year of 2006.

The following table shows the cost broken down into main components:

COPS Composition (% of net revenues)

Item	2005	2006	2007
MP/ME[1]	25.9	25.4	25.4
Labor	2.5	2.8	2.8
Depreciation	1.0	1.1	1.2
Others	2.6	3.0	2.9
Total	**32.0**	**32.3**	**32.3**

1 *Raw Material and Packaging Material.*

Sales expenses as a percentage of net revenues increased 150 base points, from 32.3% in 4Q06 to 33.8% in 4Q07. This increase primarily reflects increased marketing expenses, as planned and announced by the company in October 2007.

The accumulated result for the year shows that sales expenses as a percentage of net revenues also increased 150 base points, from 32.1% in 2006 to 33.6% in 2007, mainly reflecting expansion and opening of new operations in Venezuela and Colombia, in addition to the items mentioned for 4Q07.

Administrative expenses as a percentage of net revenues increased from 12.7% in 4Q06 to 13.7% in 4Q07, the rise caused by extraordinary effects, primarily the increased provision set aside for civil actions.

There was a slight decrease in administrative expenses as a percentage of net revenues in 2007, from 13.4% in 2006 to 13.2% in 2007. The increased IT expenses during the year were more than offset by a lower provision for profit sharing and the recognition of gains (revenues) resulting from a tax-related case decided in Natura's favor in August 2007 and recorded in 3Q07.

EBITDA and Net Income

The consolidated EBITDA was R$ 199.4 million in 4Q07 versus R$ 177.5 million in 4Q06, a growth of 12.3%. The EBITDA margin increased from 20.8% in 4Q06 to 21.3% in 4Q07. The improved gross margin during this period more than offset increased operating expenses, resulting in an EBITDA margin increase of 50 base points.

In 2007, the consolidated EBITDA was R$ 702.0 million versus R$ 654.5 million in 2006, a growth of 7.3%. The EBITDA margin was 22.8% in 2007, in line with our estimate announced in October 2007.

EBITDA (R$ millions)

	2005	2006	2007
Net Revenues	2,282.2	2,757.0	3,072.7
(-) Costs and Expenses	1,760.6	2,158.0	2,446.1
EBIT	521.6	599.0	626.6
(+) Non-Operating Result	-1.2	0.9	0.5
(+) Depreciation/Amortization	44.0	54.6	74.9
EBITDA	564.5	654.5	702.0

The net income totaled R$ 135.6 million in 4Q07 versus R$ 116.7 million in 4Q06, a growth of 16.2%. The accumulated net income for the year was R$ 462.3 million compared to R$ 460.8 million during the previous year (+0.3%).

The deviation between the net income and EBITDA growth rates during the year was due to: (i) increased depreciation of R$ 54.6 million in 2006 to R$ 74.9 million in 2007 (37.2%); (ii) net financial expenses of R$ 9.4 million in 2007 compared to the net financial revenues of R$ 9.9 million in 2006; and (iii) a higher income tax rate in 2007 than in 2006.

Investments (Fixed Assets)

Investments made in 2007 totaled R$ 120.9 million and were mainly concentrated on: (i) expansion of production and logistics capacity and (ii) information technology.

The planned investments for 2008 total R$ 135 million, to be allocated to: (i) manufacturing and logistics; (ii) a new research and development center in Campinas; and (iii) information technology.

Pro Forma Results by Operating Block

Since 2Q07, we have presented the pro forma results (in reais) for the Brazilian blocks – the operations under consolidation and implementation. The income margin recorded for exports from Brazil for the international operations was subtracted from the COPS of the respective operations to demonstrate the real impact that these subsidiaries have on the company's consolidated result. Thus, the pro forma Income Statement for Brazil shows only the result of the sales closed in the domestic market.

Pro Forma EBITDA per Operation Block (R$ millions)

	2006	2007
Brazil	697.6	759.7
Argentina, Chile and Peru	(8.5)	(3.9)
Mexico, Venezuela, Colombia[1] and France	(33.3)	(41.5)
Exchange Rate Effect on Conversion of Investments Abroad	(1.3)	(12.3)
Total	**654.5**	**702.0**

1 *The Colombia operation began during the first half of 2007.*

For 2008, the expenses related to the international expansion in Latin America, France and the United States are estimated at R$ 97 million.

Brazil – Pro Forma DRE

Financial Highlights (R$ millions)

	2005	2006	2007
Total Number of Consultants – End of Period[1] (in thousands)	482.8	561.1	632.4
Resale Product Units (in millions)	216.0	241.0	265.9
Gross Revenues	3,154.0	3,759.5	4,115.8
Net Revenues	2,212.8	2,656.0	2,926.8
SEC	-	851.4	939.0
Gross Income	-	1,804.6	1,987.8
Gross Margin	-	67.9%	67.9%
Sales Expenses	-	812.1	922.6
Administrative Expenses	-	336.4	371.5
Other Net Revenues (expenses)	-	1.1	3.5
Net Financial Result	-	9.9	(9.6)
Operating Income	-	654.7	678.1
Net Income	-	509.0	527.9
EBITDA	597.2	697.6	759.7
EBITDA Margin	27.0%	26.3%	26.0%

1 *Number of consultants at the end of Sales Cycle 17.*

In Brazil, the gross revenues totaled R$ 1,256.3 million in 4Q07 versus R$ 1,158.6 million in 4Q06, a growth of 8.4%. Average productivity per active consultant during the quarter remained stable at R$ 3,500.

Gross revenues from the Brazilian operation totaled R$ 4,115.8 million in 2007 versus R$ 3,759.5 million in 2006, a growth of 9.5%. The EBITDA margin continues to be robust at 26.0%, stable in comparison with the previous year.

In Brazil, the number of consultants reached 632,400 at the end of 2007, representing a growth of 12.7% in comparison with 2006. The average productivity per active consultant was R$ 12,200 during the year, 2.6% lower than that recorded the previous year (R$ 12,500).

Operations Under Consolidation – Argentina, Chile and Peru – Pro Forma DRE

Financial Highlights (R$ millions)

	2006	2007
Total Number of Consultants – Final for the Period[1] (in thousands)	51.2	69.4
Resale Product Units (in millions)	11.6	16.2
Gross Revenues	119.3	157.5
Net Revenues	91.3	121.2
SEC	35.3	44.9
Gross Income	56.0	76.3
Gross Margin	61.3%	63.0%
Sales Expenses	50.7	65.6
Administrative Expenses	14.2	17.0
Other Net Revenues (expenses)	(0.6)	1.1
Net Financial Result	(0.1)	0.1
Operating Result	(9.6)	(5.1)
Result for the Period	(11.7)	(8.6)
EBITDA	(8.5)	(3.9)
EBITDA Margin	(9.3%)	(3.2%)

1 *Number of consultants at the end of Sales Cycle 17.*

For the operations under consolidation, the gross revenues presented an impressive growth of 42.4% in weighted local currency (21.3% in reais) in 4Q07 compared to 4Q06. The EBITDA margin was negative at 6.7%, compared to the 22.0% margin, also negative, during the same period in 2006.

In the accumulated result for the year, the net revenues grew 46.5% in local weighted currency (32.0% in reais) compared to 2006. The operating loss represented by EBITDA fell from R$ 8.5 million in 4Q06 to R$ 3.9 million in 4Q07, with an EBITDA margin of 9.3% and –3.2%, respectively, even with continued investments in new sectors.

There were a total of 69,400 consultants at the end of the year, a significant growth of 35.5% compared to 2006. The average productivity per active consultant was US$ 2,900, compared to US$ 2,800 in 2006, a growth of 5.2%.

Operations Under Implementation – Mexico, Venezuela, Colombia and France – Pro Forma Result

Financial Highlights (R$ millions)

	2005	2006	2007
Total Number of Consultants – Final for the Period[1] (in thousands)	1.4	5.1	16.8
Resale Product Units (in millions)	0.06	0.6	2.8
Gross Revenues	1.2	11.1	28.4
Net Revenues	1.1	9.6	24.6
Losses for the Period	-	(35.4)	(44.6)
EBITDA	-10.0	(33.3)	(41.5)

1 *Number of consultants at the end of Sales Cycle 17.*

For those operations under implementation, the gross revenues totaled R$ 10 million in 4Q07, compared to the R$ 4.4 million recorded for the same period during the previous year. The operating loss represented by EBITDA was R$ 12.6 million in 4Q07, compared to R$ 10.9 million in 4Q06.

The accumulated gross revenues for the year was R$ 28.4 million versus R$ 11.1 million in 2006, with a negative EBITDA of R$ 41.5 million versus R$ 33.3 million in 2006, due mainly to higher sales expenses in the growing sectors in these countries under implementation. The number of consultants in this operating block reached 16,800 at the end of 2007, showing impressive growth in relation to the previous year.

The main highlight in 2007 for this block was the opening of operations in Venezuela and Colombia, in February and June, respectively, and the expansion of the Mexican operation to the city of Monterrey. It is also important to point out the start of market research and design activities for the North American operation set to begin in the first half of 2009.

Cash Flows

The company's internal cash flows in 2007 were R$ 537.2 million, 4.2% higher than in 2006. Of this, R$ 209.1 million were consumed in operating working capital and R$ 46.6 million in other current and non-current assets and liabilities.

Pro Forma Consolidated Cash Flows – (R$ millions)

	2005	2006	2007
Net Income for the Period	**396.9**	**460.8**	**462.3**
(+) Depreciations and Amortizations	44.0	54.6	74.9
Internal Cash Flow[1]	**440.9**	**515.4**	**537.2**
Operating Working Capital[2]	-3.6	(73.1)	(209.1)
Other Assets and Liabilities[3]	1.5	(46.7)	(46.6)
Operating Cash Flows	**438.7**	**395.6**	**281.4**
Fixed Asset Acquisitions	-111.6	(193.6)	(120.9)
Generation of Free Cash[4]	**327.1**	**202.0**	**160.5**

1 *(Net income for the period) + (depreciation and amortization).*

2 *Assets – Accounts receivable, stocks and taxes recoverable over the short term. Liabilities – suppliers, salaries, profit sharing and social charges, tax obligations, provisions and freight payable.*

3 *Assets – Advance payments to employees and suppliers, income tax and short-term deferred social contributions, other credits and long-term realizable assets. Liabilities – other short-term and long-term accounts payable and provisions for tax, civil and labor risks.*

4 *(Internal cash generation) +/- (variations in working capital and realizable and payable over the long term). (Acquisitions of fixed assets).*

Of the R$ 209.1 million growth in operating working capital, approximately R$ 147 million was associated with temporary situations, notably: (i) the extraordinary increase in the accounts receivable balance of R$ 122 million due to the more flexible credit policy adopted for sales during the 2007 Christmas period; (ii) R$ 25 million increase in the stock balance due to lower revenues than estimated by the company.

There was a R$ 39 million reduction in the supplier balance due to the higher concentration of expenses at the end of 2006. Of this reduction, approximately R$ 35.0 million may be considered atypical.

Free cash flows in 2007 totaled R$ 160.5 million, a 20.5% reduction compared to the previous year (2006: R$ 202.0 million). By reincorporating the extraordinary investments into the accounts receivable, the adjusted free cash generation would be R$ 288 million.

Dividends and Interest on Own Capital

In February 2008, the Board of Directors approved a proposal to be submitted to the General Ordinary Shareholders Meeting scheduled for March 31, 2008, for the payment of dividends and interest on own capital in relation to the results reported for the year 2007, in the amounts of R$ 375,890,168.61 and R$ 39,246,506.88 (R$ 33,359,530.85 net of income tax), respectively.

Of the aforementioned amount, on August 10, 2007, the company paid dividends and interest on own capital[1] associated with the results recorded during the first half of 2007 in the sum of R$ 138,138,452.35 and R$ 39,246,506.88 (R$ 33,359,530.85 net of income tax withheld at the source), respectively. The remaining amount to be paid on April 8, 2008, after ratification by the General Ordinary Shareholders Meeting, will be R$ 237,751,716.27 in the form of dividends.

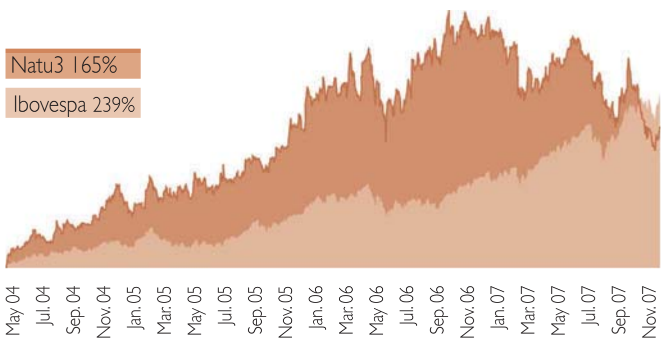
These dividends added to the interest on own capital associated with the results for 2007 will represent a net remuneration of R$ 0.95 per share (R$ 0.83 per share in 2006).

1 *Also refers to the months of August to December 2006.*

Liquidity and Financial Volume

In December 2007, Natura's capital consisted of 428.9 million ordinary shares. Despite the negative movement of Natura's share value seen in 2007, the growth in the financial volume of the shares traded – from R$ 3,592.4 million in 2006 to R$ 6,894. million in 2007 – shows that they have good market liquidity. The average daily trading volume went from R$ 14.7 million in 2006, to R$ 28.1 million in 2007 – a 93% increase.

Natura (Natu3) X IBOVESPA Appreciation Base 100 (5/25/04)



Financial Statements

Natura Cosméticos S.A.

Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

In compliance with legal and statutory rules, we are submitting the balance sheets and financial statements for the years ended December 31, 2006 and December 31, 2007 for your review. In addition to the information contained in the explanatory notes, the company management is available to provide any further clarifications.

Balance Sheets

as of December 31, 2007 and 2006

(In thousands of Brazilian reais - R$)

ASSETS	Company		Consolidated	
	2007	2006	2007	2006
CURRENT ASSETS				
Cash and banks	15,347	43,176	49,398	65,293
Cash investments (Note 5)	90,224	90,186	355,994	209,863
Trade accounts receivable (Note 6)	512,094	356,181	535,528	374,168
Inventories (Note 7)	29,246	28,659	251,079	237,091
Recoverable taxes (Note 8)	2,022	1,517	49,368	38,687
Advances to employees and suppliers	2,305	9,939	3,569	12,705
Related parties (Note 10)	12,456	7,140	-	-
Deferred income and social contribution taxes (Note 9.a)	26,451	17,860	52,799	32,236
Other receivables	11,606	8,462	25,513	20,535
Total current assets	**701,751**	**563,120**	**1,323,248**	**990,578**
NONCURRENT ASSETS				
Long-term assets:				
Receivables from shareholders (Notes 10 and 19.b)	-	20	-	20
Advance for future capital increase (Notes 10.d and 10.e)	25	590	-	-
Recoverable taxes (Note 8)	2,370	1,990	22,284	20,981
Deferred income and social contribution taxes (Note 9.a)	16,647	20,692	34,318	35,809
Escrow deposits (Note 16)	35,119	10,512	38,603	13,367
Advances to suppliers	783	1,639	3,935	2,715
Other receivables	-	-	595	557
Cash investments (Notes 5 and 16.g)	-	-	4,848	4,336
Permanent assets:				
Investments (Note 11)	766,764	707,422	-	630
Property, plant and equipment (Note 12)	27,866	26,190	470,963	445,546
Intangible assets (Note 12)	6,548	3,550	63,817	51,389
Total noncurrent assets	**856,122**	**772,605**	**639,363**	**575,350**
TOTAL ASSETS	1,557,873	1,335,725	1,962,611	1,565,928

LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	2007	2006	2007	2006
CURRENT LIABILITIES				
Loans and financing (Note 14)	120,785	45,052	284,707	75,888
Domestic suppliers	43,092	48,679	173,574	208,739
Foreign suppliers	148	-	2,076	5,518
Suppliers - related parties (Note 10)	145,037	168,927	-	-
Salaries, profit sharing and related charges	33,776	34,229	87,068	88,718
Taxes payable (Note 15)	85,141	80,490	118,511	95,672
Dividends (Notes 10 and 19.d)	237,898	213,813	237,898	213,813
Accrued freight	17,231	18,805	18,044	18,944
Other payables	19,456	17,130	21,436	18,522
Reserve for tax, civil and labor contingencies (Note 16)	-	-	13,420	
Allowance for losses on swap and forward transactions (Notes 22.b and 22.d)	5,695	1,993	8,514	2,185
Sundry accruals	835	2,726	888	3,739
Total current liabilities	709,094	631,844	966,136	731,738
NONCURRENT LIABILITIES				
Loans and financing (Note 14)	116,847	28	259,992	127,077
Allowance for losses on subsidiaries (Note 11)	10,060	4,565	-	-
Reserve for tax, civil and labor contingencies (Note 16)	33,270	45,094	51,021	62,210
Other payables	5,400	3,219	7,342	4,348
Total noncurrent liabilities	165,577	52,906	318,355	193,635
MINORITY INTEREST	-	-	1	4
SHAREHOLDERS' EQUITY (NOTE 19)				
Capital (Note 19.a)	390,618	233,862	390,618	233,862
Capital reserves (Notes 19.b and 19.e)	124,471	134,867	124,471	134,867
Profit reserves (Notes 19.g and 19.h)	170,318	282,480	165,235	272,056
Treasury shares (Note 19.e)	(2,205)	(234)	(2,205)	(234)
Total shareholders' equity	683,202	650,975	678,119	640,551
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,557,873	1,335,725	1,962,611	1,565,928

The accompanying notes and Attachment are an integral part of these financial statements.

Statements of changes in Shareholders' Equity (Company)

For the Years Ended December 31, 2007 and 2006

(In thousands of Brazilian reais - R$, except for dividends per share)

		Capital reserves			Profit reserves			
	Capital	Treasury shares	Share premium	Investment grants	Legal	Retention	Retained earnings	TOTAL
BALANCES AS OF DECEMBER 31,2005	**230,762**	**(1,265)**	**110,459**	**10,715**	**18,650**	**153,939**	**-**	**523,260**
Sale of treasury shares by exercise of stock options	-	541	8,039	-	-	-	-	8,580
Payment of receivables from shareholders (Note 19.b)	-	-	2,272	-	-	-	-	2,272
Capital increase through subscription of shares	3,100	-	-	-	-	-	-	3,100
Tax incentives	-	-	-	3,872	-	-		3,872
Net income	-	-	-	-	-	-	469,326	469,326
Allocation of net income:								
Dividends - R$ 0.7630 per outstanding share (Note 19.d)	-	-	-	-	-	-	(325,866)	(325,866)
Interest on capital - R$ 0.0787 per outstanding share (Notes 19.c and 19.d)	-	-	-	-	-	-	(33,569)	(33,569)
Profit retention reserve (Note 19.h)	-	-	-	-	-	109,891	(109,891)	-
BALANCES AS OF DECEMBER 31,2006	**233,862**	**(724)**	**120,770**	**14,587**	**18,650**	**263,830**	**-**	**650,975**
Sale of treasury shares by exercise of stock options (Note 19.e)	-	20,724	(13,273)	-	-	-	-	7,451
Payment of receivables from shareholders (Note 19.b)	-	-	92	-	-	-	-	92
Capital increase through subscription of shares (Note 19.a)	2,817	-	-	-	-	-	-	2,817
Acquisition of treasure shares (Note 19.e)	-	(22,701)	-	-	-		-	(22,701)
The increase in capital by capitalization of profit reserve (Note 19.h)	153,939	-	-	-	-	(153,939)	-	-
Tax incentives		-	-	2,791	-		-	2,791
Net income	-	-	-	-	-	-	456,914	456,914
Allocation of net income: Dividends - R$ 0.8767 per outstanding share (Note 19.d)	-	-	-	-	-	-	(375,890)	(375,890)
Interest on capital - R$ 0.0915 per outstanding share (Notes 19.c and 19.d)	-	-	-	-	-	-	(39,247)	(39,247)
Profit retention reserve (Note 19.h)	-	-	-	-	-	41,777	(41,777)	-
BALANCES AS OF DECEMBER 31,2007	**390,618**	**(2,701)**	**107,589**	**17,378**	**18,650**	**151,668**	**-**	**683,202**

The accompanying notes and Attachment are an integral part of these financial statements.

Statements of Changes in Financial Position
For the Years Ended December 31, 2007 and 2006
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2007	2006	2007	2006
SOURCES OF FUNDS				
From operations:				
Net income	456,914	469,326	462,255	460,773
Items not affecting working capital:				
Depreciation and amortization (Note 12)	8,523	6,966	74,916	54,601
Monetary and exchange variations, net, except those referring to tax, civil and labor contingencies	3,153	(506)	(5,435)	(73)
Reserve for tax, civil and labor contingencies, including monetary variation on those reserves (Note 16)	(12,223)	8,547	(8,043)	12,998
Deferred income and social contribution taxes (Note 9.a.)	4,045	(3,012)	1,491	(6,485)
Equity in subsidiaries (Note 11)	317	(28,229)	-	-
Proceeds from sale and disposal of property, plant and equipment and intangible assets	3,205	2,141	5 ,683	3,881
Minority interest	-	-	(3)	(4)
From shareholders:	**463,934**	**455,233**	**530,864**	**525,691**
Capital increase through subscription of shares (Note 19.a.)	2,817	3,100	2,817	3,100
Acquisition of treasure shares	(22,701)	-	(22,701)	-
Sale of treasury shares by exercise of stock options (Note 19.e.)	7,451	8,581	7,451	8,581
Payment of receivables from shareholders (Note 19.b.)	92	2,272	92	2,272
From third parties:				
Reclassification of recoverable taxes from property, plant and equipment to current and noncurrent assets	-	-	-	10,536
Decrease in noncurrent assets (long-term assets)	1,059	-	-	-
Increase in noncurrent liabilities	122,340	830	280,987	31,570
Tax incentives	2,791	3,872	2,791	3,872
Total sources	577,783	473,888	802,301	585,622
USES OF FUNDS				
Acquisition of property, plant and equipment and intangible assets (Note 12)	16,402	21,165	120,856	193,596
Increase in investments (Note 11)	62,527	163,423	-	-
Increase in noncurrent assets (long-term assets)	67,790	1,925	70,687	14,232
Decrease in noncurrent liabilities	-	1,274	-	29,119
Transfer from noncurrent to current liabilities	1,576	44,348	144,379	20,740
Dividends proposed and paid (Note 19.d.)	375,890	325,866	375,890	325,866
Interest on capital proposed and paid (Notes 19.c. and 19.d.)	39,247	33,569	39,247	33,569
Total uses	**563,432**	**591,570**	**751,059**	**617,122**
(DECREASE) INCREASE IN WORKING CAPITAL	**14,351**	**(117,682)**	**51,242**	**(31,500)**
REPRESENTED BY				
(Decrease) increase in current assets	138,631	(49,602)	332,669	65,714
Increase in current liabilities	124,280	68,080	281,427	97,214
(DECREASE) INCREASE IN WORKING CAPITAL	**14,351**	**(117,682)**	**51,242**	**(31,500)**

The accompanying notes and Attachments are an integral part of these financial statements.

Statements of Income

For the Years Ended December 31, 2007 and 2006

(In thousands of Brazilian reais - R$, except for earnings per share)

	Company		Consolidated	
	2007	2006	2007	2006
GROSS SALES				
Gross sales to domestic market	4,083,301	3,731,862	4,111,505	3,754,968
Gross sales to foreign market	-	-	188,884	133,604
Other sales	56	1	1,225	1,388
GROSS OPERATING REVENUES	**4,083,357**	**3,731,863**	**4,301,614**	**3,889,960**
Taxes on sales, returns and rebates	(914,743)	(837,107)	(1,228,913)	(1,132,973)
NET OPERATING REVENUES	**3,168,614**	**2,894,756**	**3,072,701**	**2,756,987**
Cost of sales	(1,232,280)	(1,161,087)	(992,253)	(891,317)
GROSS PROFIT	**1,936,334**	**1,733,669**	**2,080,448**	**1,865,670**
OPERATING (EXPENSES) INCOME				
Selling	(847,329)	(730,986)	(1,033,195)	(885,749)
General and administrative	(474,631)	(442,924)	(377,505)	(330,845)
Employee profit sharing (Note 17)	(10,541)	(11,866)	(28,664)	(37,353)
Management compensation	(6,414)	(8,569)	(9,539)	(12,385)
Equity in subsidiaries (Note 11)	(317)	28,229	-	-
Other operating expenses, net	(13,128)	(1,514)	(4,942)	(388)
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	**583,974**	**566,039**	**626,603**	**598,950**
Financial expenses (Note 23)	25,695	26,707	51,039	43,391
Financial income (Note 23)	(31,876)	(13,239)	(60,380)	(33,453)
INCOME FROM OPERATIONS	**577,793**	**579,507**	**617,262**	**608,888**
Nonoperating income, net	685	688	512	909
INCOME BEFORE TAXES ON INCOME	**578,478**	**580,195**	**617,774**	**609,797**
Income and social contribution taxes (Note 9.b)	(121,564)	(110,869)	(155,519)	(149,023)
NET INCOME BEFORE MINORITY INTEREST	**456,914**	**469,326**	**462,255**	**460,774**
Minority interest	-	-	-	(1)
NET INCOME	**456,914**	**469,326**	**462,255**	**460,773**
EARNINGS PER SHARE - R$	**1.0656**	**1.0978**	**1.0781**	**1.0796**

The accompanying notes and Attachment are an integral part of these financial statements.

Statements of Cash Flows

ATTACHMENT I

For the Years Ended December 31, 2007 and 2006

(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	456,914	469,326	462,255	460,773
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortizations (Note 12)	8,523	6,966	74,916	54,601
Monetary and exchange variations, net, except those referring to tax, civil and labor contingencies	(1,370)	7,339	4,748	14,529
Reserve for losses on swap and forward contracts (Notes 22.b and 22.d)	24,835	1,585	28,119	4,022
Reserve for tax, civil and labor contingencies, including monetary variation on those reserves (Note 16)	(12,223)	8,547	5,377	12,998
Income tax, social contribution and other deferred taxes (Note 9.a)	(4,546)	(4,468)	(24,046)	(12,964)
Proceeds from sale and disposal of property, plant and equipment and intangible assets	819	736	8,190	2,476
Equity in subsidiaries (Note 11)	317	(28,229)	-	-
Other adjustments of income, including provisions in allowance for inventory losses	998	146	9,630	1,626
Minority interest	-	-	(3)	(4)
	474,267	461,948	569,186	538,057
(INCREASE) DECREASE IN ASSETS				
Current assets:				
Accounts receivable (Note 6)	(155,913)	(53,493)	(161,360)	(57,904)
Inventories (Note 7)	(1,585)	(27,970)	(23,618)	(86,410)
Other receivables	(8,480)	(2,528)	(5,527)	(2,317)
Noncurrent assets (long-term assets):				
Escrow deposits (Note 16)	(67,792)	(1,467)	(68,144)	(29,369)
Recoverable taxes (Note 8)	(380)	(558)	(1,303)	(8,019)
Other receivables	1,441	(1,051)	879	(2,575)
Subtotal	(232,709)	(87,067)	(259,073)	(186,594)
INCREASE (DECREASE) IN LIABILITIES				
Current liabilities:				
Suppliers	(22,149)	49,383	(32,097)	54,736
Salaries, profit sharing and related charges, net	22	3,376	(1,141)	15,545
Taxes payable, net (Notes 8 and 15)	51,176	3,944	64,710	(4,366)
Other payables	1,245	4,054	(3,343)	6,233
Noncurrent liabilities (long-term liabilities):				
Other payables	2,181	1,414	2,994	8,491
Subtotal	32,475	62,171	31,123	80,639
NET CASH PROVIDED BY OPERATING ACTIVITIES	274,033	437,052	341,236	432,102
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment and intangible assets (Note 12)	(16,402)	(21,165)	(120,856)	(193,596)
Investments (Note 11)	(64,495)	(163,423)	-	-
Other Investments	-	-	630	-
NET CASH USED IN INVESTING ACTIVITIES	(80,897)	(184,588)	(120,226)	(193,596)
CASH FLOW FROM FINANCING ACTIVITIES				
Decrease in loans (Note 14)	(395,788)	(52,207)	(581,919)	(116,005)
Fundings - loans (Note 14)	596,596	-	913,537	111,322
Payments of swap and forward transactions (Notes 22.b and 22.d)	(21,133)	(2,295)	(21,790)	(4,540)
Payment of dividends (Note 19.c)	(351,805)	(307,123)	(351,805)	(307,123)
Payment of interest on capital (Notes 19.c and 19.d)	(39,247)	(51,268)	(39,247)	(51,268)
Payment of capital (Note 19.a)	2,817	3,100	2,817	3,100
Acquisition of treasure shares	(22,701)	-	(22,701)	-
Tax incentives	2,791	3,872	2,791	3,872
Sale of treasury shares by exercise of stock options (Note 19.e)	7,451	8,581	7,451	8,581
Payment of receivables from shareholders (Note 19.b)	92	2,272	92	2,272
NET CASH USED IN FINANCING ACTIVITIES	(220,927)	(395,068)	(90,774)	(349,789)
NET DECREASE (INCREASE) IN CASH AND BANKS	(27,791)	(142,604)	130,236	(111,283)
Cash and banks at beginning of year	133,362	275,966	275,156	386,439
Cash and banks at end of year	105,571	133,362	405,392	275,156
CHANGE IN CASH AND BANKS	(27,791)	(142,604)	130,236	(111,283)
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Income and social contribution taxes paid	122,080	112,978	156,527	143,276

Statements of Value Added

For the Years Ended December 31, 2007 and 2006
(In thousands of Brazilian reais - R$)

	Company				Consolidated			
	2007		2006		2007		2006	
Revenues	4,022,979		3,686,217		4,237,900		3,842,193	
Sales of goods, products and services	4,075,403		3,724,334		4,291,770		3,880,988	
Allowance for doubtful accounts - recognition	(53,109)		(38,805)		(54,382)		(39,704)	
Nonoperating	685		688		512		909	
INPUTS PURCHASED FROM THIRD PARTIES	(2,525,201)		(2,321,827)		(2,329,712)		(2,132,303)	
Cost of sales and services	(1,431,092)		(1,347,257)		(1,362,574)		(1,274,736)	
Materials, energy, outside services and other	(1,094,109)		(974,570)		(967,138)		(857,567)	
GROSS VALUE ADDED	1,497,778		1,364,390		1,908,188		1,709,890	
RETENTIONS	(8,523)		(6,966)		(74,916)		(55,625)	
Depreciations and amortizations (Notes 12 and 13)	(8,523)		(6,966)		(74,916)		(55,625)	
VALUE ADDED GENERATED BY THE COMPANY	1,489,255		1,357,424		1,833,272		1,654,265	
VALUE ADDED RECEIVED IN TRANSFER	25,378		54,936		51,039		43,391	
Equity in subsidiaries (Note 11)	(317)		28,229		-		-	
Financial income	25,695		26,707		51,039		43,391	
TOTAL VALUE ADDED TO BE DISTRIBUTED	1,514,633		1,412,360		1,884,311		1,697,656	
DISTRIBUTION OF VALUE ADDED	(1,514,633)	100%	(1,412,360)	100%	(1,884,311)	100%	(1,697,656)	100%
Payroll and related charges	(141,485)	9%	(144,832)	10%	(390,264)	21%	(379,669)	22%
Taxes and contributions	(877,065)	58%	(781,410)	56%	(948,252)	50%	(817,140)	48%
Financial expenses and rents; includes exchange variation on translation of foreign investments (Note 11)	(39,169)	3%	(16,792)	1%	(83,539)	4%	(40,073)	3%
Dividends (Note 19.d.)	(375,890)	25%	(325,866)	23%	(375,890)	20%	(325,866)	19%
Interest on capital (Notes 19.c. and 19.d.)	(39,247)	3%	(33,569)	2%	(39,247)	2%	(33,569)	2%
Minority interest	-	-	-	-	(1)	-	(1)	-
Retained earnings (*)	(41,777)	3%	(109,891)	8%	(47,118)	3%	(101,338)	6%

(*) Unrealized profit from subsidiaries is eliminated.

Supplemental information to the statements of value added

Of the amounts recorded under "Taxes and contributions" in 2007 and 2006, the amounts of R$ 506,085 and R$ 467,418, respectively, refer to ICMS (State VAT) under the taxpayers' substitution regime levied on the estimated profit margin defined by the State Finance Secretariats obtained from sales made by Natura beauty consultants to final consumers.

In order to analyze this tax impact on the statements of value added, these amounts should be deducted from the amounts recorded under "Sales of goods, products and services" and "Taxes and contributions", since sales revenue does not include the estimated profit attributable to Natura beauty consultants upon the sale of products, in the amounts of R$ 1,722,090 and R$ 1,583,938 in 2007 and 2006, respectively, considering an estimated profit margin of 30%.

Notes to the Financial Statements

For the Years Ended December 31, 2007 and 2006
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. OPERATIONS

Natura Cosméticos S.A. (the "Company") and its subsidiaries are engaged in the development, production, distribution and sale, substantially through direct sales by Natura beauty consultants, of cosmetics, fragrances, hygiene and health products. The Company also holds equity interests in other companies in Brazil and abroad.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

Certain account captions and groups in the statements of income and cash flows have been changed in relation to the prior year, for better classification and presentation. In the statement of income, administrative expenses were reclassified to selling expenses, although without changing total operating expenses. The changes made include the 2006 information to allow comparability between years. These changes did not affect the group balances or totals. Additionally, there was a reclassification in the balance sheet as of December 31, 2006 of R$ 10,319 (Company) and R$ 13,117 (Consolidated) from reserves to tax, civil and labor contingencies to the caption "escrow deposits". The property, plant and equipment and intangible assets accounts have also been reclassified as of December 31, 2006 without, however, any impact on the balance of assets.

Until December 31, 1995, the generally accepted accounting principles in Brazil established a simplified methodology for the recording of inflation effects determined to that date. This methodology, named monetary restatement of the balance sheet, consisted of the restatement of permanent assets (investments, property, plant and equipment, and deferred charges) and shareholders' equity accounts at the indexes disclosed by the Federal Government. The net effect of the monetary restatement was accounted for in the statements of income in a specific account under the heading "Monetary restatement of the balance sheet". This monetary restatement was prohibited by Law No. 9,249, of December 26, 1995, effective January 1, 1996.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations
Determined on the accrual basis of accounting.

b) Cash investments
Consists of highly liquid temporary investments, except for the long-term investments, stated at cost plus income earned through the balance sheet dates, as described in Note 5.

c) Allowance for doubtful accounts
Recognized based on an analysis of risks on realization of receivables, in an amount considered sufficient to cover possible losses, as described in Note 6.

d) Inventories
Stated at the average cost of acquisition or production, adjusted to market value and for possible losses, when applicable. The details show in Note 7.

e) Investments
Investments in subsidiaries are accounted for under the equity method, as shown in Note 11.

f) Property, plant and equipment and intangible assets
Recorded at acquisition cost monetarily restated through December 31, 1995, plus interest capitalized during the construction period, when applicable and goodwill on acquisition of investment and business lease. Depreciation and amortization are calculated under the straight-line method, based on the estimated economic useful lives of the assets, at the rates shown in Note 12.

g) Deferred charges
Represented by goodwill arising from the merger of shares of Natura Empreendimentos S.A. into Natura Participações S.A., less the provision for maintenance of dividend payment capacity, as described in Note 13.

h) Current and noncurrent liabilities
Stated at known or estimated amounts, plus, if applicable, interest and monetary and exchange variations incurred through the balance sheet dates.

i) Income and social contribution taxes
The provision for income tax was recorded at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$ 240. Social contribution tax was calculated at the rate of 9% of taxable income. Deferred income and social contribution taxes recorded in current and noncurrent assets result from expenses recorded in income, although temporarily nondeductible for tax purposes.

Pursuant to CVM Resolution No. 273/98 and CVM Instruction No. 371/02, deferred taxes are recorded at their probable realizable values, as detailed in Note 9.

j) Loans and financing
Adjusted based on exchange and monetary variations and interest incurred through the balance sheet dates, as provided for by contract and mentioned in Note 14.

k) Reserves for tax, civil and labor contingencies
Updated through the balance sheet dates based on the probable amount of loss, according to their natures and supported by the opinion of the Company's attorneys. For purposes of the financial statements, they are presented net of related escrow deposits. The grounding and nature of the reserve for tax, civil and labor contingencies are described in Note 16.

l) Swap and forward contracts
The nominal values of swap and forward contracts are not recorded in the balance sheet. Unrealized gains or losses on these transactions are recorded on the accrual basis of accounting, as mentioned in Notes 22.b and 22.d.

m) Financial income and expenses
Represented by interest and monetary and exchange variations on cash investments, escrow deposits and loans and financing and swap and forward contracts as mentioned in Note 23.

n) Interest on capital
For corporate purposes, interest on capital is accounted for as allocation of income in shareholders' equity. For tax purposes, interest on capital is treated as financial expense, reducing the income and social contribution tax basis.

o) Earnings per share
Calculated based on the number of shares at the balance sheet dates, excluding treasury shares.

p) Supplementary information
In order to permit additional analysis, the Company presents, as supplementary information, the individual (Attachment) and consolidated statements of cash flows (Attachment I) and value added (Attachment II).

q) Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since management's judgment involves estimates of the probability of future events, actual results may differ from the estimates.

4. CONSOLIDATION CRITERIA

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions and resolutions established by the CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	Ownership interest - %	
	2007	2006
Direct:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Cosméticos S.A. - Chile	99.99	99.99
Natura Cosméticos S.A. - Peru	99.94	99.94
Natura Cosméticos S.A. - Argentina	99.94	99.91
Natura Brasil Cosmética Ltda. - Portugal	98.00	98.00
Nova Flora Participações Ltda.	99.99	99.99
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Europa SAS	100.00	100.00
Natura Cosmeticos y Servicios de Mexico, S.A. de C.V.	99.99	99.99
Natura Cosmeticos de Mexico, S.A. de C.V.	99.99	99.99
Natura Distribuidora de Mexico, S.A. de C.V.	100.00	100.00
Natura Cosméticos C.A. - Venezuela	99.99	99.99
Natura Cosméticos Ltda. - Colombia	99.99	99.99
Natura Cosmetics USA Co.	99.99	-
Indirect:		
Natura Logística e Serviços Ltda.	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	100.00	100.00
Ybios S.A. (proportional consolidation - joint control)	33.33	33.33

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in Note 3. Investments in subsidiaries were proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

The shareholders' equity balances as of December 31, 2007 and 2006, reported by the Company, differ by R$ 5,083 and R$ 10,424, respectively, from those recorded in the consolidated financial statements due to the elimination of unrealized profits in the inventories of subsidiaries and the Company. For the same reason net income balances reported by the Company as of December 31, 2007 and 2006 differ by R$ 5,340 and R$ 8,553, respectively, from the balances in the consolidated financial statements.

The operations of the direct and indirect subsidiaries are as follows:

- Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colômbia, Natura Europa SAS, Natura Cosmeticos de Mexico, S.A. de C.V., e Natura Cosméticos C.A - Venezuela, whose amounts are mentioned in Note 10.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos C.A. - Venezuela, Natura Cosméticos Ltda. - Colômbia, Natura Cosmetics USA Co. (as of December 31, 2007 currently in the preoperating stage) and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.
- Nova Flora Participações Ltda.: holds equity interest in the subsidiary Flora Medicinal J. Monteiro da Silva Ltda.
- Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development and market research. It is the wholly owner of Natura Innovation et Technologie de Produits SAS, research and technology satellite center opened in 2007, in Paris, where researches are developed for in vitro tests, an alternative to tests in animals, for studies of asset security and effectiveness, skin care, and new packaging materials.
- Natura Europa SAS: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, hygiene and health products.
- Natura Cosmeticos de Mexico, S.A. de C.V.: imports and sells cosmetics, fragrances in general and personal hygiene and care products to Natura Distribuidora de Mexico, S.A de C.V.
- Natura Cosmeticos y Servicios de Mexico, S.A. de C.V.: provides administrative and logistics services to Natura Cosmeticos de Mexico, S.A. de C.V. and Natura Distribuidora de Mexico, S.A. de C.V.
- Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil.
- Flora Medicinal J. Monteiro da Silva Ltda.: engaged in the sale of phytotherapic and phytocosmetic products of its own brand. Since 2005 this company has had no activities.
- Ybios S.A.: engaged in research, management and development of projects, products and services in the biotechnology area, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations, and other public and private entities, provision of services in the biotechnology area, and holding of equity interest in other companies.

5. CASH INVESTMENTS

	Company		Consolidated	
	2007	2006	2007	2006
Bank certificates of deposit (CDBs)	89,316	79,338	348,004	203,351
Investment funds	908	10,848	12,838	10,848
	90,224	**90,186**	**360,842**	**214,199**
Noncurrent (Note 16.g.)	-	-	4,848	4,336
Current	90,224	90,186	355,994	209,863

As of December 31, 2007 and 2006, CDBs yield interest rates ranging from 100.0% to 102.0% of the interbank deposit rate (CDI). The share in the total investment portfolio, as of December 31, 2007 is 96.4% (94.9% as of December 31, 2006). Weighted-average yield of investment fund investments is 94.8% of the CDI as of December 31, 2007 (98.3% as of December 31, 2006).

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2007	2006	2007	2006
Trade accounts receivable	546,372	379,023	573,278	399,209
Allowance for doubtful accounts	(34,278)	(22,842)	(37,750)	(25,041)
	512,094	356,181	535,528	374,168

The changes in the allowance for doubtful accounts for the year ended December 31, 2007 are as follows:

	Company				
	2006	Additions(*)	Reversals	Write-offs(**)	2007
Allowance for doubtful accounts	(22,842)	(53,852)	743	41,673	(34,278)

	Consolidated				
	2006	Additions(*)	Reversals	Write-offs(**)	2007
Allowance for doubtful accounts	(25,041)	(56,498)	2,116	41,673	(37,750)

(*) Provision recognized according to Note 3.c.
(**)Refers to notes more than 180 days past due, written off due to nonreceipt.

7. INVENTORIES

	Company		Consolidated	
	2007	2006	2007	2006
Finished products	27,713	23,280	198,890	156,543
Raw materials and packaging	-	-	52,850	77,193
Promotional material	2,677	5,525	21,257	15,221
Work in process	-	-	7,944	7,346
Allowance for losses	(1,144)	(146)	(29,862)	(19,212)
	29,246	28,659	251,079	237,091

The changes in the allowance for inventory losses for the year ended December 31, 2007 are as follows:

	Company			
	2006	Additions, net(*)	Write-offs (**)	2007
Total of allowance for inventory losses	(146)	(998)	-	(1,144)

	Consolidated			
	2006	Additions, net(*)	Write-offs (**)	2007
Total of allowance for inventory losses	(19,212)	(31,279)	20,629	(29,862)

(*) Refers mainly to the recognition of the reserve for discontinuance, expiration and quality losses, according to actual need and the policy established by the Company and its subsidiaries.
(**)Refers to write-offs of products discarded by the Company and its subsidiaries.

8. RECOVERABLE TAXES

	Company		Consolidated	
	2007	2006	2007	2006
ICMS (State VAT) on purchases of fixed assets	3,170	2,653	18,811	16,838
COFINS (tax on revenue) on fixed asset acquisitions	-	-	16,193	10,858
ICMS (State VAT) on purchases of goods	1,037	811	14,584	13,382
IVA - value-added tax (Foreign Operations)	-	-	11,740	8,089
PIS on fixed asset acquisitions	-	-	3,516	2,357
Income Taxes (Foreign Operations)	-	-	2,678	2,291
PIS/COFINS/CSLL - withheld at source	-	-	1,568	1,782
IRPJ (income tax)	-	-	1,069	1,868
PIS (tax on revenue) and COFINS on purchases of goods	185	35	576	325
CSLL (social contribution tax)	-	-	520	725
IPI (Federal VAT)	-	-	9	895
Recoverable INSS (social security contribution)	-	8	-	170
Other	-	-	388	88
	4,392	3,507	71,652	59,668
Noncurrent	2,370	1,990	22,284	20,981
Current	2,022	1,517	49,368	38,687

ICMS, PIS and COFINS credits on fixed asset acquisitions are offset at the rate of 1/48 per month, pursuant to rules established in prevailing legislation.

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

Deferred income (IRPJ) and social contribution (CSLL) taxes recorded in the financial statements result from temporary differences (Company and subsidiaries). These credits are recorded in current and noncurrent assets, in view of their expected realization based on projections of taxable income. The amounts are as follows:

	Company		Consolidated	
	2007	2006	2007	2006
Current:				
Temporary differences:				
Allowance for doubtful accounts (Note 6)	11,655	7,766	11,655	7,766
Allowance for inventory losses (Note 7)	389	50	9,382	6,108
Non-inclusion of ICMS in the PIS and Cofins basis (Note 15)	701	-	4,780	-
Reserves for tax, civil and labor contingencies (Note 16)	-	-	4,563	-
Effects of unrealized profits in the inventories of the Company (Note 4)	-	-	3,087	5,370
Allowance for losses on swap and forward contracts (Notes 22.b. and 22.d.)	1,936	678	2,895	743
Provision for ICMS - ST (Paraná and Santa Catarina) (Note 15)	1,931	-	1,931	-
Other provisions	9,839	9,366	14,506	12,249
Deferred income and social contribution taxes	26,451	17,860	52,799	32,236
Noncurrent:				
Temporary differences:				
Reserves for tax, civil and labor contingencies (Note 16)	15,398	19,554	32,858	34,635
Other provisions	1,249	1,138	1,460	1,174
Deferred income and social contribution taxes	16,647	20,692	34,318	35,809

As required by CVM Resolution No. 273/98 and CVM Instruction No. 371/02, management, based on projections of results, estimates that the recorded tax credits will be fully realized within five years. The amounts recorded in noncurrent assets will be realized as follows:

	Consolidated	
	2007	2006
2008	21,557	26,774
2009	8,768	6,168
2010	3,690	2,867
2011	303	-
	34,318	**35,809**

b) Current expense

Reconciliation of income and social contribution taxes

	Company		Consolidated	
	2007	2006	2007	2006
Income before taxes on income	578,478	580,195	617,774	609,797
Income and social contribution taxes at the rate of 34%	(196,683)	(197,266)	(210,043)	(207,331)
Reversal of provision for maintenance of dividend payment capacity (Note 13)	49,933	49,933	49,933	49,933
Technological research and innovation benefit - Law No. 11.196/05 (*)	13,348	15,370	13,348	15,370
Interest on capital (Notes 19.c and 19.d)	13,344	11,413	13,344	11,413
Tax incentives (donations)	2,871	2,564	4,134	2,957
Equity in subsidiaries and exchange variation on translation of foreign investments (Note 11)	(2,951)	9,084	-	-
Temporary differences	(1,579)	(2,049)	(2,783)	(2,843)
Losses generated by subsidiaries	-	-	(24,095)	(23,091)
Others	153	82	643	4,569
Income and social contribution taxes - net expenses	(121,564)	(110,869)	(155,519)	(149,023)
Income and social contribution taxes - current	(126,110)	(115,337)	(174,416)	(161,987)
Income and social contribution taxes - deferred	4,546	4,468	18,897	12,964
Income and social contribution taxes - net expenses	(121,564)	(110,869)	(155,519)	(149,023)
Effective rate - %	21.0	19.1	25.2	24.4

(*) Refers to the tax benefit established by Law No. 11,196/05, which allows for the direct deduction in the calculation of taxable income and the social contribution tax basis from the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said Law.

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Current assets:				
Related parties:				
Natura Inovação e Tecnologia de Produtos Ltda. (a)	5,909	3,098	-	-
Natura Logística e Serviços Ltda. (b)	5,714	3,209	-	-
Nova Flora Participações Ltda. (c)	833	833	-	-
	12,456	7,140	-	-
Advance for future capital increase:				
Nova Flora Participações Ltda. (d)	25	162	-	-
Natura Cosméticos Ltda. -Colombia (e)	-	428	-	-
	25	**590**	**-**	**-**
Receivables from shareholders (see details in Note 19.b)	-	20	-	20
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. (f)	110,913	132,221	-	-
Natura Logística e Serviços Ltda. (g)	17,411	16,615	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (h)	16,713	20,091	-	-
	145,037	168,927	-	-
Dividends payable - Shareholders	237,898	213,813	237,898	213,813

Transactions with related parties are summarized as follows:

	Product sales 2007	Product sales 2006	Product purchases 2007	Product purchases 2006
Natura Cosméticos S.A.	-	-	1,486,139	1,381,926
Indústria e Comércio de Cosméticos Natura Ltda.	1,556,816	1,435,844	-	-
Natura Cosméticos S.A. - Argentina	-	-	23,660	22,842
Natura Cosméticos S.A. - Peru	-	-	19,238	14,523
Natura Cosméticos S.A. - Chile	-	-	11,988	9,103
Natura Cosméticos S.A. - México	-	-	10,145	6,138
Natura Cosméticos C.A. - Venezuela	-	-	1,872	-
Natura Europa SAS	-	-	1,545	817
Natura Cosméticos Ltda. - Colômbia	-	-	1,408	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	817	495
Natura Logística e Serviços Ltda	-	-	4	-
	1,556,816	**1,435,844**	**1,556,816**	**1,435,844**

	Product sales 2007	Product sales 2006	Product purchases 2007	Product purchases 2006
Administrative structure: (i)				
Natura Logística e Serviços Ltda.	277,981	261,776	-	-
Natura Cosméticos S.A.	-	-	209,806	184,186
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	45,775	55,209
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	22,400	22,381
	277,981	261,776	277,981	261,776
Product and technology research and development: (j)				
Natura Inovação e Tecnologia de Produtos Ltda.	169,181	152,781	-	-
Natura Cosméticos S.A.	-	-	169,181	152,781
	169,181	152,781	169,181	152,781
Provision of research and in vitro testing services: (k)				
Natura Innovation et Techonologie de Produits SAS	3,331	-	-	-
Natura inovação e Tecnologia de Produtos Ltda.	-	-	3,331	-
	3,331	-	3,331	-
Lease of properties and common charges: (l)				
Indústria e Comércio de Cosméticos Natura Ltda.	5,728	5,588	-	-
Natura Logística e Serviços Ltda.	-	-	3,319	3,238
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,334	1,301
Natura Cosméticos S.A.	-	-	1,075	1,049
	5,728	5,588	5,728	5,588
Total of service sales and purchases	456,221	420,145	456,221	420,145

(a) Refers to advances granted for provision of product and technology development and market research services.

(b) Refers to advances granted for provision of logistics and general administrative services.

(c) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.

(d) Cash contributions to Nova Flora Participações Ltda. mainly for maintenance of working capital. In August 2006, cash contributions made in prior years were capitalized.

(e) Refers to remittances made to Natura Cosméticos Ltda. - Colombia, necessary for the start-up of activities in Colombia in 2006.

(f) Payables for the purchase of products.

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

(h) Payables for services described in item (j).

(i) Logistics and general administrative services.

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

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

(l) Rental of part of the industrial complex located in Cajamar and buildings located in the municipality of Itapecerica da Serra.

The main intercompany balances as of December 31, 2007 and 2006, as well as the intercompany transactions that affected the results for the years, refer to transactions between the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Investments in subsidiaries	766,764	707,422	-	630
	766,764	707,422	-	630

Investments in direct subsidiaries are as follows:

	Indústria e Comércio de Cosméticos Natura Ltda.	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Nova Flora Participações Ltda.	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Europa SAS	Natura Cosméticos (*) México	Natura Brasil Cosmética Ltda. - Portugal	Natura Cosméticos Ltda. EUA	Natura Cosméticos Ltda. Colômbia	Total
Capital	534,184	59,258	2,013	34,099	12,295	3,695	5,008	27,377	50,948	105	2,189	8,392	739,563
Ownership interest - %	100.00%	99.99%	99.94%	99.94%	99.99%	100.00%	100.00%	100.00%	-	98.00%	99.99%	99.99%	
Shareholders' equity of subsidiaries	692,324	5,836	1,207	14,201	3,552	(10,059)	19,934	12,074	15,378	(1)	526	1,383	756,715
Share in shareholders' equity	692,323	5,835	1,206	14,193	3,552	(10,058)	19,934	12,074	15,737	(1)	526	1,383	756,704
Net income (loss) of subsidiaries, net of exchange variation on translation of foreign investments	56,782	(5,039)	52	(11,004)	(6,520)	(5,762)	14,235	(16,255)	(17,966)	-	(1,666)	(7,185)	(328)
Book value of Company's investment:													
Balances as of December 31, 2006	635,541	2,714	1,346	8,189	1,421	-	35,852	12,676	9,683	-	-	-	707,422
Equity in subsidiaries	56,782	(5,038)	52	(10,997)	(6,520)	(5,762)	14,238	(16,255)	(17,966)	-	(1,666)	(7,185)	(317)
Exchange variation and other adjustments on translation of foreign investments	-	166	(192)	(3,289)	(667)	-	-	(956)	(3,305)	-	(84)	(36)	(8,363)
Recognition of provision for losses	-	-	-	-	-	5,518	-	-	-	-	-	(23)	5,495
Dividend payment	-	-	-	-	-	-	(30,156)	-	-	-	-	-	(30,156)
Capital increase / (decrease)	-	7,993	-	20,290	9,318	245	-	16,609	27,326	-	2,276	8,626	92,683
Balances as of December 31, 2007	692,323	5,835	1,206	14,193	3,552	1	19,934	12,074	15,738	-	526	1,382	766,764
Provision for losses:													
Balances as of December 31, 2006	-	-	-	-	-	(4,541)	-	-	-	(1)	-	(23)	(4,565)
Recognition of provision for losses	-	-	-	-	-	(5,518)	-	-	-	-	-	23	(5,495)
Balances as of December 31, 2007	-	-	-	-	-	(10,059)	-	-	-	(1)	-	-	(10,060)
Net balances as of December 30, 2007	692,323	5,835	1,206	14,193	3,552	(10,058)	19,934	12,074	15,738	(1)	526	1,382	756,704

(*)Consolidated information on the following companies:
Natura Cosmeticos y Servicios de Mexico, S.A. de C.V.
Natura Cosmeticos de Mexico, S.A. de C.V.
Natura Distribuidora de Mexico, S.A. de C.V.

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Company

PROPERTY, PLANT AND EQUIPMENT	Annual depreciation rate - %	2007 Cost	2007 Accumulated depreciation	2007 Net book value	2006 Cost	2006 Accumulated depreciation	2006 Net book value
Vehicles	20 to 33	22,716	9,493	13,223	19,598	8,357	11,241
Leasehold improvements	20 to 33	9,263	2,115	7,148	7,874	558	7,316
Machinery and equipment	10	4,136	677	3,459	1,646	311	1,335
Furniture and fixtures	10	4,011	1,889	2,122	3,087	1,633	1,454
IT equipment	20	5,064	3,190	1,874	4,810	2,792	2,018
Construction in progress	-	40	-	40	2,371	-	2,371
Advances to suppliers	-	-	-	-	455	-	455
		45,230	17,364	27,866	39,841	13,651	26,190

IINTANGIBLE ASSETS	Annual depreciation rate - %	2007 Cost	2007 Accumulated amortization	2007 Net book value	2006 Cost	2006 Accumulated amortization	2006 Net book value
Software	20	7,952	4,308	3,644	6,702	3,152	3,550
Construction in progress	-	2,904	-	2,904	-	-	-
		10,856	4,308	6,548	6,702	3,152	3,550

Consolidated

PROPERTY, PLANT AND EQUIPMENT	Annual depreciation rate - %	2007 Cost	2007 Accumulated depreciation	2007 Net book value	2006 Cost	2006 Accumulated depreciation	2006 Net book value
Machinery and equipment	10	221,679	74,967	146,712	181,046	56,563	124,483
Buildings	4	144,685	36,018	108,667	144,684	30,309	114,375
Installations	10 to 33	92,721	42,238	50,483	79,547	33,065	46,482
Lands	-	33,662	-	33,662	33,662	-	33,662
Molds	33	67,269	40,626	26,643	47,868	30,637	17,231
Vehicles	20 to 33	35,560	13,315	22,245	30,196	11,124	19,072
IT equipment	20	46,700	24,975	21,725	38,763	19,516	19,247
Advances to suppliers	-	21,263	-	21,263	26,764	-	26,764
Furniture and fixtures	10	23,187	8,115	15,072	18,876	6,313	12,563
Leasehold improvements	20 to 33	15,625	4,173	11,452	12,694	1,380	11,314
Construction in progress	-	9,824	-	9,824	16,297	-	16,297
Other	10	6,066	2,851	3,215	6,463	2,407	4,056
		718,241	247,278	470,963	636,860	191,314	445,546

INTANGIBLE ASSETS	Annual depreciation rate - %	2007 Cost	2007 Accumulated amortization	2007 Net book value	2006 Cost	2006 Accumulated amortization	2006 Net book value
Software	20	73,183	25,231	47,952	32,735	13,561	19,174
Construction in progress	-	9,710	-	9,710	26,355	-	26,355
Business lease - Natura Europa (a)	-	5,420	-	5,420	5,860	-	5,860
Patents	10 to 25	1,967	1,232	735	941	941	-
Goodwill on acquisition of investment - Nova Flora (b)	10	-	-	-	8,015	8,015	-
		90,280	26,463	63,817	73,906	22,517	51,389

(a) The business lease generated on the purchase of a commercial location where Natura Europa SAS operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The balance variation between December 31, 2006 and 2007 is basically due to the effects of the exchange variation for the period.

(b) The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. was fully amortized in 2005, due to the low expectation of profitability from 2006 onwards. Liabilities related to this subsidiary are properly reflected in the consolidated financial statements.

13. DEFERRED CHARGES

On March 5, 2004, Natura Participações S.A. was merged into the Company. Natura Participações S.A. had recorded goodwill on the investment in Natura Empreendimentos S.A., amounting to R$ 1,028,041, and a corresponding provision for maintenance of future dividend payment capacity in the same amount. This goodwill arose from the merger of the shares of Natura Empreendimentos S.A. into Natura Participações S.A. on December 27, 2000. This merger was approved by the Extraordinary Shareholders' Meeting held on that date, and the amounts are supported by a valuation report issued by independent experts.

The amounts are as follows:

	Company 2007	Company 2006
Goodwill on investments	465,066	611,929
Provision for maintenance of future dividend payment capacity	(465,066)	(611,929)
	-	-

The provision for maintenance of future dividend payment capacity, as it is in the full amount, will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders. The goodwill amount is being amortized over a seven-year period.

14. LOANS AND FINANCING

Type	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006	Maturity	Charges	Guarantees
BNDES – EXIM (1)	-	-	110,175	53,070	April 2008 and February 2009	Interest of 2.62% p.y. + TJLP(2) for 80% of the financing and interest of 10.23% p.y. + exchange variation for 20% of the financing for the maturity in April 2008. Interest of 2.57% p.y. + TJLP(2) for 80% of the financing and interest of 9.76% p.y. + exchange variation for 20% of the financing for the maturity in February 2009.	Guarantee of Natura Cosméticos S.A.
Compror (buyer financing)	118,482	-	137,677		January 2008	Interest of 102.8% of CDI (3)	Guarantee of Natura Cosméticos S.A.
Resolution 2,770 (1)	88,484	-	88,484	-	January 2010	Exchange variation (YEN) + 2.11% p.y.	Guarantee of Indústria Comércio de Cosméticos Natura Ltda.
FINEP (Financing Agency for Studies and Projects)	-	-	51,915	39,370	December 2008 and March 2013	TJLP(2) for 71.5% of the financing for the maturity in March 2013, and interest of 3% p.y. + TJLP(2) for 28.5% of the financing, for the maturity in December 2008.	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
Agribusiness Credit Note (1)	-	-	48,787	-	April and June 2009	Interest of 100.6% of CDI (3) + IOF (4) and TR (5) + 8.66% p.y. + IOF (4)	Guarantee of Natura Cosméticos S.A.
BNDES (1) (Brazilian Bank for Economic and Social Development) (1)	30,666	7,939	45,543	20,258	April 2010 and July 2014	Interest of 4.5% p.y. + TJLP(2) + UMBNDES(6) for the maturity in April 2010. For the financing for the maturity in July 2014: (i) TJLP(2) + interest of 2.8% p.y. for 85% of the financing (ii) exchange variation (dollar) + interest of 8.54% p.y. for 9% of the financing, and (iii) TJLP(2) + interest of 2.3% p.y. for 6% of the financing.	Mortgage (7) Bank guarantee
NCE (Export Credit Note)	-	-	41,190	36,635	April 2008	Interest of 104.7% of CDI (3)	Guarantee of Natura Cosméticos S.A. and promissory notes
BNDES - FINAME (Government Agency for Machinery and Equipment Financing)	-	-	14,246	12,938	January 2012	Interest of 4.5% p.y. + TJLP(2)	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
FAT Fomentar (Employee Shelter Fund)	-	-	6,682	2,568	February 2014	Interest of 4.4% p.y. + TJLP (2)	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
BNDES - PROGEREN (Support Program for Enhancing Employment and Income Capacity)	-	37,141	-	37,140	Settled in June 2007	Interest of 3.5% p.y. + TJLP(2)	Bank guarantee
ACE (Advances on Export Contracts)	-	-	-	986	Settled in January 2007	Interest of 5.4% p.y. + exchange variation	Guarantee for exports
Total	237,632	45,080	544,699	202,965			
Current	120,785	45,052	284,707	75,888			
Noncurrent	116,847	28	259,992	127,077			

(1) Loans and financing for which swap transactions for CDI were contracted
(2) TJLP - Long-term interest rate
(3) CDI - Interbank certificate of deposit
(4) IOF - Tax on financial transactions
(5) TR - Managed prime rate
(6) UMBNDES - BNDES monetary unit
(7) Financing in local currency from the BNDES is guaranteed mainly by the Cajamar unit

Maturities of noncurrent debt are as follows:

	Consolidated 2007	Consolidated 2006
2008	-	55,534
2009	100,831	53,120
2010	109,583	7,409
2011	18,541	4,824
2012	17,543	4,743
2013	9,754	1,447
2014	3,740	-
	259,992	**127,077**

15. TAXES PAYABLE

	Company		Consolidated	
	2007	2006	2007	2006
ICMS (State VAT) Company and tax substitution	109,959	65,151	109,892	64,789
PIS/COFINS (Liminar) (*)	2,061	-	14,060	-
IRPJ (income tax)	8,439	7,374	10,478	8,916
IRRF (withholding income tax)	3,863	2,074	7,335	4,266
PIS/COFINS/CSLL (Law No. 10,833/03)	3,696	2,085	4,784	3,011
CSLL (social contribution tax)	3,794	3,082	4,534	3,662
COFINS (tax on revenue)	119	517	4,458	3,740
IVA - value-added tax (Foreign Operations)	-	-	2,786	1,970
Income Taxes (Foreign Operations)			2,527	2,415
IPI	-	-	2,285	-
ISS	214	94	983	1,162
PIS	26	113	947	779
Other	-	-	472	962
	132,171	80,490	165,541	95,672
(-) Escrow deposits (**)	(47,030)	-	(47,030)	-
Total taxes payable, net of escrow deposits	85,141	80,490	118,511	95,672

(*) The Company and its subsidiary Indústria e Comercio de Cosméticos Ltda. are challenging in court the non-inclusion of the ICMS in the PIS and COFINS tax basis. In June 2007, the Company and its subsidiary obtained authorization to pay PIS and COFINS without including ICMS in the tax basis, from April 2007. The provision for December 2007 refers to unpaid amounts due to the non-inclusion of ICMS in the PIS and COFINS basis between April and December 2007.

(**) Refers to the ICMS tax substitution in the Santa Catarina and Paraná State, for May to December 2007 and February to December 2007, respectively, which are not being challenged in court but are being deposited in escrow while there is no established agreement between the parties involved, as detailed in note 16, items (a) and (b) of the item "Contingent liabilities". The same amount is recorded under the caption "ICMS - Company and tax substitution", for which reason there was a significant variation in the balances between December 2006 and December 2007.

16. RESERVES FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to certain tax, labor and civil lawsuits and to tax proceedings at the administrative level. Based on the opinion and judgments of its internal and external attorneys, management believes that the reserves for tax, civil and labor contingencies are sufficient to cover probable losses. These reserves, net of the escrow deposits, are presented as follows:

	Company		Consolidated	
	2007	2006	2007	2006
Tax	23,054	35,365	40,312	49,086
Civil	5,429	5,130	17,903	7,316
Labor	4,787	4,599	6,226	5,808
	33,270	45,094	64,441	62,210
Current	-	-	13,420	-
Noncurrent	33,270	45,094	51,021	62,210

Tax Contingencies

The changes in the reserves for tax contingencies for the year ended December 31, 2007 are presented as follows:

	Company					
	2006	Additions	Reversals	Write-offs	Monetary restatement	2007
Deductibility of CSLL (social contribution tax) (Law No. 9,316/96) (c)	6,338	-	-	-	332	6,670
Late payment fines on Federal taxes paid in arrears (b)	5,572	-	-	-	493	6,065
Monetary restatement of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d)	4,930	-	-	-	71	5,001
IPI (Federal VAT) - tax collection lawsuit (g)	4,143	-	-	-	280	4,423
Tax assessment - INSS (social security contribution) (h)	5,421	-	(1,903)	-	344	3,862
Assessment notice - 1990 (corporate income tax) (j)	2,683	-	-	-	179	2,862
IRPJ and CSLL tax assessment - attorneys' fees (i)	1,469	1,796	-	(425)	20	2,860
PIS (tax on revenue) - semiannual - Decree-laws No. 2,445/88 and No. 2,449/88 (l)	14,228	-	(14,910)	-	682	-
Attorneys' fees and other	6,849	222	(1,325)	-	861	6,607
Total reserve for tax contingencies	51,633	2,018	(18,138)	(425)	3,262	38,350
Escrow deposits for tax contingencies	(16,268)	-	1,905	-	(933)	(15,296)
Total reserve for tax contingencies, net of escrow deposits	35,365	2,018	(16,233)	(425)	2,329	23,054

	Consolidated					
	2006	Additions	Reversals	Write-offs	Monetary restatement	2007
IPI - zero rate (a)	27,914	-	-	-	3,120	31,034
Late payment fines on Federal taxes paid in arrears (b)	6,625	-	-	-	582	7,207
Deductibility of CSLL (social contribution tax) (Law No. 9,316/96) (c)	6,338	-	-	-	332	6,670
Monetary restatement of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d)	5,056	-	-	-	71	5,127
IPI tax assessment - attorneys' fees (e)	4,616	-	(9)	-	185	4,792
IPI (Federal VAT) credit on purchases of fixed assets and consumption material (f)	4,437	-	(279)	-	275	4,433
IPI (Federal VAT) - tax collection lawsuit (g)	4,143	-	-	-	280	4,423
Tax assessment - INSS (social security contribution) (h)	5,421	-	(1,903)	-	344	3,862
IRPJ and CSLL tax assessment - attorneys' fees (i)	1,469	1,796		(425)	26	2,866
Assessment notice - 1990 IRPJ (corporate income tax) (j)	2,683	-	-	-	179	2,862
Non-inclusion of the ICMS in the PIS and COFINS tax basis - attorneys' fees (k)	-	2,234	-	-	57	2,291
PIS (tax on revenue) - semiannual - Decree-laws No. 2,445/88 and No. 2,449/88 (l)	15,930	-	(14,910)	-	816	1,836
Attorneys' fees and other	9,840	472	(1,395)	-	1,600	10,517
Total reserve for tax contingencies	94,472	4,502	(18,496)	(425)	7,867	87,920
Escrow deposits for tax contingencies	(45,386)	-	1,905	-	(4,127)	(47,608)
Total reserve for tax contingencies, net of escrow deposits	49,086	4,502	(16,591)	(425)	3,740	40,312

(a) Refers to IPI tax credits on raw materials and packing materials purchased at a zero tax rate and with tax exemption. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed for and obtained an injunction granting entitlement to the credit. On September 25, 2006, a sentence was rendered dismissing the injunction, judging the Company's request invalid. The Company filed an appeal for review of the merit and reestablishment of the injunction's effects. To suspend payments of the tax credit the Company performs escrow deposits from October 2006. The total amount deposited in escrow, adjusted by December 31, 2007 is R$ 31,034 (R$ 27,914 as of December 31, 2006).

(b) Refers to fine for late payment of federal taxes.

(c) Refers to CSLL (social contribution tax) that was addressed by a mandate that questions the constitutionality of Law No. 9,316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ (income tax) basis. A portion of this reserve, in the amount of R$ 4,601 (R$ 4,245 as of December 31, 2006), is deposited in escrow.

(d) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR (fiscal reference unit), discussed in a mandate. The amount involved is deposited in escrow.

(e) Refers to attorneys' fees for the defense in the tax assessment notice issued in November 2005 by the Federal Revenue Service, relating to the tax basis of the IPI (Federal VAT) on intercompany transactions. In June 2006, the subsidiary was notified of the decisions rendered by the 2nd Panel of the Federal Revenue Service Judgment Office in Ribeirão Preto, which cancelled, by unanimous vote, the tax requirements related to IPI on these transactions. On August 15, 2007, the appeal filed by the federal tax authority was unanimously denied and the lower court decision cancelling the tax payable was upheld. The decision has yet to be formalized and published. On December 18, 2007, the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. was notified of the denial of the appeal relating to one of the tax assessment notices that was then concluded.

(f) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through injunctions the right to the IPI (Federal VAT) credit on purchases of fixed assets and consumption materials.

(g) Refers to a tax collection lawsuit seeking to collect the IPI (Federal VAT) related to July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law No. 7,798/89. The lawsuit is in the Federal Regional Court of 3rd Region (SP) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are guaranteed by a subsidiary's (Natura Inovação e Tecnologia de Produtos Ltda.) cash investment in the updated amount of R$ 4,848 (R$ 4,336 as of December 31, 2006).

(h) Refers to INSS (social security contribution) required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice cover the period from January 1990 to October 1999. The reversal made in the quarter refers to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed by the Federal Supreme Court (STF) and Superior Court of Justice (STJ).

(i) Refers to attorneys' fees for defense against the tax deficiency notices issued against the Company in August 2003, December 2006 and December 2007 by the Federal Revenue Service, in which income and social contribution taxes (IRPJ and CSLL) are demanded related to the deductibility of the yield of the debentures issued by the Company in 1999, 2001 and 2002. The attorneys' opinion is that the likelihood of unfavorable outcome is remote.

(j) Refers to a tax assessment notice issued by the Federal Revenue Service requiring the payment of income tax on profit from incentive-based exports made in base year 1989, at the rate of 18% (Law No. 7,988, of December 29, 1989) and not 3%, as established by article 1 of Decree-law No. 2,413/88, which supported the Company in its tax payments at that time.

(k) Refers to attorneys' fees for filing and dealing with the administrative proceeding for requesting a refund of the ICMS included in the PIS and Cofins basis in the period from April 2002 to March 2007. The attorneys assessed the risk of loss as remote.

(l) Refers to the offset of PIS paid as per Decree-laws No. 2,445/88 and No. 2,449/88, in the period from 1988 to 1995, against Federal taxes due in 2003 and 2004. The reversal made in the year is due to the final decision favorable to the Company, rendered in August 2007. The remaining reserve refers to the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., which is awaiting the appreciation of the lawsuit by the Board of Tax Appeals.

Civil contingencies

The changes in the reserves for civil contingencies for the year ended December 31, 2007 are presented as follows:

	Company					
	2006	Additions	Reversals	Payments	Monetary restatement	2007
Several civil lawsuits (a)	2,944	3,861	(1,866)	(363)	570	5,146
Civil lawsuits and attorney's fees - Flora Medicinal (b)	2,334	-	(1,984)	-	135	485
Total reserve for civil lawsuits	5,278	3,861	(3,850)	(363)	705	5,631
Escrow deposits for civil contingencies	(148)	(52)	1	-	(3)	(202)
Total reserve for civil contingencies, net of escrow deposits	5,130	3,809	(3,849)	(363)	702	5,429

	Consolidated					
	2006	Additions	Reversals	Payments	Monetary restatement	2007
Several civil lawsuits (a)	3,157	3,993	(1,961)	(376)	643	5,456
Civil lawsuits and attorney's fees - Flora Medicinal (b)	7,004	8,109	-	-	536	15,649
Total reserve for civil lawsuits	10,161	12,102	(1,961)	(376)	1,179	21,105
Escrow deposits for civil contingencies	(2,845)	(52)	88	-	(393)	(3,202)
Total reserve for civil contingencies, net of escrow deposits	7,316	12,050	(1,873)	(376)	786	17,903
Current						13,420
Noncurrent						4,483

(a) As of December 31, 2007, the Company and its subsidiaries are parties to 1,587 lawsuits (1,164 as of December 31, 2006), at the civil court, special civil court and PROCON (consumer protection agency), filed by beauty consultants, consumers, suppliers and former employees, mostly related to indemnity claims.

(b) The Company is a party to civil lawsuits filed by a former shareholder of the indirect subsidiary Flora Medicinal, which seek the determination of any amounts and the satisfaction of alleged liabilities due to the former shareholder's withdrawal. In November 2007, the Rio de Janeiro Court of Justice judged the appeals filed against the lower court decision that determined the amounts. Appeals were filed requesting clarification of the decision rendered by the Rio de Janeiro Court of Justice and were denied in January 2008, when the Company filed a special appeal. The addition that occurred in the year was due to the revision of the reserve for the main lawsuit and attorneys' fees according to the progress of the lawsuit. Of the total amount, R$ 13,420 was reclassified to current liabilities based on expected outcome in 2008.

The Company is a party to other 3 civil lawsuits filed by the former shareholder Flora Medicinal, the nature and likelihood of success of which are described below:

- Arbitration of return on capital: the former shareholder alleges that it has the right to receivables resulting from its withdrawal from the Company. In January 2008, the former shareholder filed with the Superior Court of Justice an appeal against the decision rendered by the Rio de Janeiro Court of Justice that, upholding the lower court decision, denied the former shareholder's request. The amounts involved could not yet been measured reliably. The attorneys believe that the risk of loss is remote.
- Business plan-related matter: the former shareholder alleges it has the right to receivables resulting from its withdrawal from the Company. The start of the work of the court-appointed expert is expected since December 2007. The lawsuit is in progress in the São Paulo Judicial District. The amounts involved could not yet been measured reliably. The attorneys believe that the risk of loss is remote.
- Payment into court: refers to ICMS credits deposited by the former shareholder for installment payment contracted by Flora Medicinal. Since September 2007 the former shareholder is expecting the judgment of the bill of review filed against the decision that denied the special appeal it filed. The Rio de Janeiro Court of Justice, reversing the lower court decision, denied the former shareholder's request. The attorneys believe that the risk of loss is possible.

Labor contingencies

As of December 31, 2007, the Company and its subsidiaries are parties to 588 labor lawsuits filed by former employees and third parties (414 as of December 31, 2006), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. Reserves are periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

The changes in the reserves for labor contingencies for the year ended December 31, 2007 are presented as follows:

	Company					
	2006	Additions	Reversals	Payments	Monetary restatement	2007
Total reserve for labor contingencies	4,895	537	(940)	(64)	1,176	5,604
Escrow deposits for labor contingencies	(296)	(521)	-	-	-	(817)
Total reserve for labor contingencies, net of escrow deposits	4,599	16	(940)	(64)	1,176	4,787

	Consolidated					
	2006	Additions	Reversals	Payments	Monetary restatement	2007
Total reserve for labor contingencies	6,339	563	(1,077)	(64)	1,562	7,323
Escrow deposits for labor contingencies	(531)	(566)	-	-	-	(1,097)
Total reserve for labor contingencies, net of escrow deposits	5,808	(3)	(1,077)	(64)	1,562	6,226

Escrow deposits

Escrow deposits, which represent the Company's restricted assets, refer to amounts deposited in court until litigation is resolved. The balance of escrow deposits for which there is no recognized reserve for contingencies, as of December 31, 2007, totals R$ 38,603 - consolidated (R$ 13,367 as of December 31, 2006) and is classified under the heading "Escrow deposits", in noncurrent assets. The increase in the escrow deposits balance between December 31, 2006 and December 31, 2007 arises mainly from the contingency related to ICMS Tax Substitution of the Paraná and Santa Catarina States, as mentioned in item (a) and (b) of the following topic.

Possible losses

The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which there is no reserve for losses recorded, because the risk of loss is considered possible by management and its attorneys. These lawsuits are presented as follows:

	Company		Consolidated	
	2007	2006	2007	2006
Tax:				
Declaratory Action - ICMS Tax Substitution of Paraná State (a)	10,715	-	10,715	-
Declaratory Action - ICMS Tax Substitution of Santa Catarina State (b)	9,965	-	9,965	-
Offset of 1/3 of COFINS - Law No. 9,718/98 (c)	4,466	4,223	4,466	4,223
INSS debt annulment action (d)	3,976	5,209	3,976	5,209
Tax assessment - transfer pricing on loan agreements with foreign related company (e)	1,047	1,342	1,047	1,342
Tax debt notification - GFIP (FGTS payment and social security information form) (f)	718	673	718	673
ICMS Tax Substitution deficiency notice (g)	593	608	593	608
Request for offset of taxes of the same type - IRPJ (income tax) and IRRF (withholding income tax) (h)	450	406	450	406
Other	2,602	1,310	4,797	1,500
	34,532	13,771	36,727	13,961
Civil	6,077	4,496	18,283	15,235
Labor	30,927	15,249	46,115	20,551
	71,536	33,516	101,125	49,747

(a) Lawsuit filed by the Company challenging the changes in ICMS tax basis introduced by Paraná Decree No. 7,018/2006. The total amount of the matter in controversy is being deposited in escrow.

(b) Lawsuit filed by the Company challenging the changes in ICMS tax basis introduced by Administrative Act No. 107/2006 of DIAT (Santa Catarina State tax administration office). The total amount of the matter in controversy is being deposited in escrow.

(c) Law No. 9,718/98 increased the COFINS (tax on revenue) rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999 the Company and its subsidiaries filed for a mandate and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law No. 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries waived the lawsuit and enrolled in the tax debt refinancing program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. On September 11, 2006 the Company was notified that the offsets made were not approved, and timely filed the applicable appeal. This lawsuit is awaiting ruling at the lower administrative court.

(d) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters. The amounts are discussed in the tax debt annulment action and are deposited in escrow. The amounts required in the assessment notice cover the period from January 1990 to October 1999. The reversal made in the quarter refers to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed by the Federal Supreme Court (STF) and Superior Court of Justice (STJ).

(e) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged.

(f) Demand of fine for failure to complete the GFIP (FGTS payment and social security information form), an accessory social security obligation, for independent contractors' social security contributions and indemnities. The Company is discussing the collection at the administrative level.

(g) Tax deficiency notice for ICMS Tax Substitution, demanded by Goiás State, due to supposed underpayment by the Company. The Company has presented its defense at the administrative level and is awaiting the final judgment.

(h) Refers to the nonapproval of the offset of IRPJ credits related to the 3rd quarter of 1999 against IRRF debts for the 2nd quarter of 2000. The Company has presented its defense at the administrative level, for which a partially favorable judgment has been rendered. On July 12, 2006, an annulment action was filed, and an escrow deposit was made, to challenge collection of the balance of offset not approved by the Federal Revenue Service.

Contingent Assets

Significant contingent assets of the Company and its subsidiaries are as follows:

(a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the constitutionality and legality of the increase in the tax basis for the PIS and COFINS contributions established by Law No. 9,718/98. The amounts involved in the lawsuits, updated as of December 31, 2007, total R$ 18,111 (R$ 12,171 as of December 31, 2006). The lawsuits are awaiting judgment. The attorneys' opinion is that the likelihood of favorable outcome is probable.

(b) The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda., Natura Inovação e Tecnologia de Produtos Ltda. and Natura Logística e Serviços Ltda. are requesting at administrative level the refund of the ICMS included in the PIS and COFINS basis and paid in the period from April 2002 to March 2007. The amounts of the refund request as of December 31, 2007 are R$ 103,025. The attorneys believe that the chance of a favorable outcome is probable.

As a final and unappealable decision has not been rendered, the Company and its subsidiary have not recorded the contingent assets, as established by CVM Resolution No. 489/05.

17. MANAGEMENT AND EMPLOYEE PROFIT SHARING

The Company and its subsidiaries pay profit sharing to its employees and managers, tied to the achievement of operational targets and specific objectives established and approved at the beginning of each year. As of December 31, 2007, the following amounts were recorded as profit sharing: R$ 12,556 (R$ 13,850 as of December 31, 2006) and R$ 35,827 (R$ 39,260 as of December 31, 2006), Company and consolidated, respectively, under the heading "Salaries, profit sharing and related charges" in current liabilities, with contra entry to "Employee profit sharing" and "Management compensation" in the statement of income for those years.

18. COMPENSATION OF MANAGEMENT AND EXECUTIVES

a) The total compensation of the Board of Directors and Officers of the Company and its subsidiaries is as follows:

	2007				
				Stock Options Program	
	Fixed	Compensation Variable (*)	Total	Stock option balance (quantity) (**)	Average exercise price (***)
Board of Directors	2,498	(1,049)	1,449	-	-
Officers	3,598	1,367	4,965	532,654	21.57
Total	**6,096**	**318**	**6,414**	**532,654**	

	2006				
				Stock Options Program	
	Fixed	Compensation Variable (*)	Total	Stock option balance (quantity) (**)	Average exercise price (***)
Board of Directors	2,572	1,049	3,621	-	-
Officers	3,070	1,878	4,948	528,326	12.81
Total	**5,642**	**2,927**	**8,569**	**528,326**	

b) The compensation of the Executives of the Company and its subsidiaries is as follows:

	2007				
				Stock Options Program	
	Fixed	Compensation Variable (*)	Total	Stock option balance (quantity) (**)	Average exercise price (***)
Executives	14,873	4,034	18,907	2,702,650	16.78

	2006				
				Stock Options Program	
	Fixed	Compensation Variable (*)	Total	Stock option balance (quantity) (**)	Average exercise price (***)
Executives	12,711	4,594	17,305	3,120,859	10.02

(*) Refers to the profit sharing recorded in the statement of income for the years. The amounts include any additions and/or reversals to the provision recorded in the prior year in view of the final assessment of the targets established by the Board Members and Directors appointed pursuant to bylaws or not.

(**) Refers to the balance of unexercised vested and unvested options as of the balance sheet dates.

(***) Refers to the weighted-average exercise price of the option at the time of the Stock Option Grant, updated by the inflation calculated based on the IPC-A (extended consumer price index) through the balance sheet date. Note 20 presents the pro forma net income as of December 31, 2007 and 2006, should Company's management opt for recognizing the effects of the plans in the accounting records, considering the vesting period and using the intrinsic value method (difference between the market price obtained on December 31, 2007 and 2006 and the value of the option updated based on the IPC-A, for the years then ended).

19. SHAREHOLDERS' EQUITY

a) Capital

On December 31, 2006, the Company's capital was R$ 233,862. In March 2007, 22,667 common shares without par value were subscribed for R$ 3.17. The total amount subscribed was R$ 72 and the authorized capital was 13,116,665 common shares.

As of April, 2007, there was capitalization from the profit reserves, in the amount of R$ 153,939, according to details described in item (h) of this explanatory note.

As of May and June 2007, 700,839 common shares were subscribed due to the option periods referring to the Stock Option Plans of 2003 and 2004, with average contribution prices at R$ 3.19 and R$ 7.86, respectively. The total amount subscribed was R$ 2,706.

As of August and September 2007, 12,085 common shares were subscribed due to the option periods referring to the Stock Option Plans of 2003, with average contribution prices at R$ 3.22. The total amount subscribed was R$ 39.

Due to the events mentioned previously, the amount of subscribed and paid-up common shares increased from 428,193,460 on December 31, 2006 to 428,929,051 on December 31, 2007.

As of December 31, 2007, the Company's capital is R$ 390,618 and the authorized capital is 12,381,074 common shares.

b) Amortization on receivables from shareholders

Refers to the amortization of receivables from shareholders granted to two Company directors, on September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, by purchase and sale agreement of shares, at the rate of 3% per year, with maturities scheduled for April 30, 2009 and September 30, 2010, so that they could acquire Natura Empreendimentos S.A. and Natura Participações S.A.'s common shares. In the corporate restructuring occurred in March 2004, such shares were exchanged with Natura Cosméticos S.A.'s common shares. The amortization of loans is performed with all of its dividends and interest on capital, distributed by the Company to such directors, based on the charged shares acquired. The financing was fully settled in the year of 2007.

c) Interest on capital

At the Board of Directors' Meeting on July 25, 2007, the Company's management proposed the payment of interest on capital, according to the terms of the bylaws, CVM Resolution No. 207/96 and Law No. 9,249/95. As of December 31, 2007, the recorded gross amount of interest on capital is R$ 39,247 (R$ 33,569 as of December 31, 2006) and was calculated within legal limits, including as to the mandatory minimum dividend of 30% according to article 202 of Law No. 6,404/76 and the bylaws.

Withholding income tax in the amount of R$ 5,887 (R$ 5,035 as of December 31, 2006) was withheld and paid by the Company.

d) Dividend payment policy

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income, considering principally the following adjustments:

- Increase in the amounts resulting from the reversal, in the year, of previously recognized reserves for contingencies.
- Decrease in the amounts intended for the recognition, in the year, of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semiannual and interim balance sheets and, based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

Dividends and interest on capital - gross, relating to income for 2006, in the amounts of R$ 325,866 (R$ 0.7630 per share) and R$ 33,569 (R$ 0.0787 per share), respectively, were approved by Annual Shareholders' Meeting on April 02, 2007 and corresponded to 78.0% of the 2006 consolidated net income.

On February 27, 2008, the Board of Directors' Meetings approved a proposal, to be submitted to the Annual Shareholders' Meeting to be held on March 31, 2008, for the payment of dividends and interest on capital - gross, relating to income for 2007, in the total amounts of R$ 375,890 (R$ 0.8767 per share) and R$ 39,247 (R$ 0.0915 per share), respectively, corresponding to 89.8% of the 2007 consolidated net income. Of these amounts, the Company paid, on August 10, 2007, dividends and interest on capital - gross in the amounts of R$ 138,138 (R$ 0.3222 per share) and R$ 39,247 (R$ 0.0915 per share), respectively, as approved by the Board of Directors' Meeting on July 25, 2007.

Dividends were calculated as follows:

	Company	
	2007	2006
Net income	456,914	469,326
Profit reserve - legal (item g. of this Note)	-	-
Calculation basis for minimum dividends	456,914	469,326
Mandatory minimum dividends	30%	30%
Annual minimum dividend	137,074	140,798
Proposed dividends	375,890	325,866
Interest on capital - net of withholding income tax	33,360	28,534
Withholding income tax	5,887	5,035
Total dividends and interest on capital - gross	**415,137**	**359,435**
Amount exceeding the mandatory minimum dividend	**278,063**	**218,637**
Dividends per share - R$	0.877	0.763
Interest on capital per share - net - R$	0.078	0.067
Total dividends and interest on capital, per share - net - R$	**0.95**	**0.83**

e) Treasury shares

In the first quarter of 2007, 1,000,000 common shares were bought at the average price of R$ 22.70 by exercising the options granted to the Company's officers and employees and the indirect and direct subsidiaries' officers and employees participating in the "Amendments to the Common Stock Option Plan for 2003, 2004 and 2005" and "Common Stock Option Plan for 2006", according to the Extraordinary Shareholders' Meeting held on April 2, 2007.

As of December 31, 2007, treasury shares, which have been used in the exercise of options under the Stock Option Plans, were 161,303 (679,317 in 2006), with an average unit cost of R$13.6705 (R$0.3447 in 2006).

f) Share premium

Refers to the goodwill generated on the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R$100,000, occurred on March 2, 2004.

g) Profit reserve - legal

Since the balance of the legal reserve plus capital reserves exceeded 30% of the capital, the Company decided, in accordance with article 193 of corporate law, not to recognize a legal reserve on net income for 2006 and 2007.

h) Reserve for profit retention

As of December 31, 2007 and 2006, the profit retention reserve was recognized pursuant to article 196 of Law No. 6,404/76 for use in future investments, in the amounts of R$41,777 and R$109,891, respectively. The retention referring to 2007 is based on the capital budget, which will be submitted for approval in the Annual Shareholders' Meeting to be held on March 31, 2008.

As mentioned in article 199 of Law No. 6,404/76, the balance of profit reserves, except for the reserve for contingencies and unrealized profit reserve, may not exceed capital. Therefore, at the Extraordinary Shareholders' Meeting held on April 2, 2007, the capitalization in the amount of R$153,939, referring to the profit reserves recognized in the years ended December 31, 2004 and 2005, which were fully utilized for investments in property, plant and equipment and working capital, in 2005 and 2006, was approved.

20. STOCK OPTION PROGRAM

The Board of Directors meets once a year for the purpose of, pursuant to the terms of the Program, establishing the Plan, indicating the directors and managers who will receive the options and the total amount to be paid.

The Plans have a four-year time span for exercising the options, and the exercise rights are 50% at the end of the third year and 50% at the end of the fourth year. The deadline for exercising options was two years after the end of the fourth year.

The balance of options as of December 31, 2007 is 5,456,845 (6,701,732 as of December 31, 2006) and is composed by plan as follows:

2007	Number of call options or subscription (in shares)	Amount for the year updated according to the IPC-A (extended consumer price index) through December 31,
2002	238,940	5.85
2003	1,016,810	3.28
2004	1,117,810	8.06
2005	831,670	17.31
2006	981,660	25.79
2007	1,269,955	24.33
	5,456,845	

As of December 31, 2007, had the Company's management opted to record the effects of the plans based on the intrinsic value of the options (difference between market price as of December 31, 2007 and the value updated based on the IPC-A) recorded over their related vesting period, the pro forma consolidated net income for the year ended December 31, 2007 would have been R$ 500,001 (R$ 382,358 as of December 31, 2006), as shown below:

	Consolidated	
	2007	2006
Net income	462,255	460,773
Effect of programs considering vesting period	37,746	(78,415)
Net income - considering the exercise of the options	500,001	382,358

As of December 31, 2007, the market price of the Company's shares was R$ 7.00 (R$ 30.15 as of December 31, 2006).

21. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution plan for all employees of the Company and its subsidiaries in Brazil. According to the terms of this plan, the cost is shared between the employer and the employees, so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions for the year ended December 31, 2007 totaled R$ 3,808 (R$ 3,397 as of December 31, 2006).

22. FINANCIAL INSTRUMENTS

a) General conditions

The Company and its subsidiaries enter into transactions involving financial instruments, all recorded in balance sheet accounts, to meet their own needs, and reduce exposure to market, currency and interest rate risks. These risks and the respective financial instruments are managed through the definition of strategies, establishment of control systems, and determination of exchange exposure limits.

Cash investments are mainly made at negotiated rates of return, since the Company intends to hold these investments to redemption. These investments reflect market conditions at the balance sheet dates.

Loans and financing are recorded at the contractual interest rates of each transaction.

b) Exchange risk

The Company has entered into swap and forward transactions to hedge its liabilities against fluctuations in the exchange rate and TR (a managed prime rate) arising from financing agreements and operating activities (import of equipment, purchase of inputs linked to exchange variation, and investments in international operations). These transactions consist in swapping the liability in foreign currency or certain index for a liability adjusted by a percentage of the CDI (interbank deposit rate), and are composed as follows as of December 31, 2007 and December 31, 2006:

			Consolidated	
			Balance of	
Type of transaction	Contracted amount		current liabilities	
	2007	2006	2007	2006
Finance (*)	133,452	13,759	8,210	1,938
Operating	46,682	16,651	304	247
	180,134	**30,410**	**8,514**	**2,185**

(*)The effects of these transactions are directly related to the monetary and exchange variations on loans and financing, as stated in note 14.

The Company and its subsidiaries do not use derivative financial instruments for speculation purposes.

c) Interest rate risk

The Company and its subsidiaries are exposed to fluctuations in the TJLP due to the financing agreements entered into with the BNDES, FAT Fomentar and FINEP.

d) Fair values

The fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the carrying amounts due to the short-term maturity of these financial instruments. The fair values of loans and financing substantially approximate the carrying amounts since these financial instruments have variable interest rates.

Regarding the swap and forward transactions the carrying and fair values are as follows:

				Consolidated
		2007		2006
	Carrying value	Fair value	Carrying value	Fair value
Swap and forward transactions	8,514	6,351	2,185	2,860

At the balance sheet dates the Company consults the financial market and updates the fair value of financial instruments.

e) Credit risk

The Company's sales are made to a large number of beauty consultants. The Company manages the credit risk through a strict credit granting process.

23. FINANCIAL INCOME, NET

	Company		Consolidated	
	2007	2006	2007	2006
Financial income:				
Interest on cash investments	7,911	21,989	27,330	33,722
Gains on monetary and exchange variations	17,009	3,008	22,180	5,835
Gains on swap and forward transactions	304	37	348	91
Interest earned	30	23	120	825
Other financial income	441	1,650	1,061	2,918
	25,695	**26,707**	**51,039**	**43,391**
Financial expenses:				
Losses on swap and forward transactions	(25,140)	(1,622)	(28,913)	(4,114)
Interest on financing	(5,731)	(7,114)	(26,454)	(18,677)
Losses on monetary and exchange variations	(57)	(3,424)	(2,695)	(7,541)
Other financial expenses	(948)	(1,079)	(2,318)	(3,121)
	(31,876)	**(13,239)**	**(60,380)**	**(33,453)**
Total financial income, net	(6,181)	13,468	(9,341)	9,938

24. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by management to be sufficient, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of December 31, 2007, the insurance coverage was as follows:

Items	Coverage	Insured amount
Industrial complex/inventories	Any material damages to buildings, installations and machinery and equipment	739,379
Vehicles	Fire, theft and collision for 1,444 vehicles	45,718
Loss of profits	Nonrealization of profits arising from material damages to installations, buildings and production machinery and equipment	815,705

25. AMENDMENT TO BRAZILIAN CORPORATE LAW

On December 28, 2007, Law No. 11,638 was enacted, that alters, revokes and adds new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. The changes and requirements introduced by the Law are effective for fiscal years beginning on or after January 1, 2008 and may be fully applied until the end of December 31, 2008. Law No. 11,638/07 was designed primarily to update accounting practices as contemplated in Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with accounting standards generally accepted in the international capital markets, and contemplates broad changes to accounting practices generally accepted in Brazil, as they relate to statutory accounting practices and procedures. The Law also allows the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards.

The financial statement provisions of the Brazilian Corporate Law are applicable to all companies incorporated as corporations ("Sociedades Anônimas"), including public companies ("companhias de capital aberto") registered with the CVM. The Law, however, introduces a new requirement for certain other large companies not incorporated as "Sociedades Anônimas" (large companies) to prepare annual financial statements in accordance with the financial statement provisions of Brazilian Corporate Law, including those new provisions introduced by the Law, and requires that these financial statements be audited by an independent auditor registered with the CVM.

The main changes that may affect the Company and its subsidiaries can be summarized as follows:

(a) Elimination of the requirement to present a statement of changes in financial position and a new requirement to present a statement of cash flows. This statement of cash flows has already been presented by the Company since December 31, 2004 as supplementary information (Appendix I).

(b) A new requirement for the presentation of a statement of value added that presents the additional value created by the Company, as well as the composition of the sources of such value and the amount of undistributed value. This statement of value added has already been presented by the Company since December 31, 2004 as supplementary information (Appendix II).

(c) The ability to maintain separate or auxiliary accounting ledgers and records for purposes of reflecting necessary adjustments to financial statements prepared for income tax or other regulatory requirements in order to prepare the required financial statements in conformity with Brazilian Corporate Law.

(d) Creation of a new account group, intangible assets, for purposes of balance sheet presentation, which encompass rights in intangible assets maintained or used in the operation of the Company's business. This practice has already been adopted by the Company and its subsidiaries since December 31, 2006. See note 12 for disclosure as of December 31, 2007.

(e) Modification of the definition of those assets to be recorded under the caption property, plant and equipment in the balance sheet, to be those rights in tangible assets that are maintained or used in the operations of the Company's business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the Company (e.g., capital leases). This practice is already adopted by the Company.

(f) Requirement that periodic review and analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges be performed to ensure that: (i) impairment losses are recorded as a result of decisions to discontinue activities related to such assets or when there is evidence that future operating results will not be sufficient to ensure their realization; and (ii) the criteria used to determine the estimated remaining useful life of such assets for purposes of recording depreciation, amortization and depletion expense are reviewed and adjusted. This change will be adopted by the Company and its subsidiaries beginning 2008.

(g) Requirement that investments in financial instruments, including derivatives, be accounted for: (i) at fair value or equivalent value for trading securities or securities available for sale; or (ii) at the lower of historical cost, adjusted for contractual interest and other contractual provisions, and realizable value for other investments. Additional fair value concepts and considerations have also been defined for such financial instruments. This practice is already adopted by the Company. The Company reports fair value for financial reporting purposes only, as shown in note 22.

(h) Creation of a new account group, valuation adjustments to shareholders' equity, for purposes of balance sheet presentation, to be used to record certain valuation adjustments not recorded in earnings for certain assets and liabilities. Such adjustments may include, among others, fair value adjustments for certain qualifying financial instruments, foreign currency exchange rate variations on foreign investments accounted for under the equity method of accounting (through December 31, 2007, such adjustments used to be recorded in profit and loss account), and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control. The Company and its subsidiaries will evaluate the impacts of the changes introduced by the Law and any effects will be recorded in 2008.

(i) Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities. The Company and its subsidiaries will evaluate the impacts of the changes introduced by the Law and any effects will be recorded in 2008.

(j) Elimination of the ability to record donations and government investment grants (including tax incentives) directly as capital reserves in shareholders' equity. Such items are now required to be recorded as part of earnings in the income statement. Donations and government grants (including tax incentives) may be required to be allocated, after being recorded in earnings, to the tax incentive reserve in equity. The Company and its subsidiaries will evaluate the impacts of the changes introduced by the Law and any effects will be recorded in 2008.

(k) Requirement that for transactions involving the merger or spin-off between unrelated parties that result in the effective transfer of control, the related assets and liabilities of the entity being merged or spun-off should be recorded at fair market value.

(l) Elimination of the materiality parameter in determining the applicability of the equity method of accounting for investments in affiliates and subsidiaries and a new requirement that the equity method of accounting for such investments is required when management has significant influence over the investee or when the Company's direct and indirect interest in the voting capital of the investee is greater than 20% of the outstanding voting capital of the investee. This is not applicable to the Company and its subsidiaries since all interests are greater than those set forth by the new legislation, as stated in note 11.

Management is currently evaluating the impacts of the changes introduced by the Law. However, as the changes have only been introduced recently, and many of them still are and will be subject to further interpretation and regulation by applicable regulatory agencies and accounting standards bodies, Management has not yet been able to assess and/or quantify the effects of all of the changes that are reasonably likely to have a significant impact on its financial statements, financial position and results of operations.

26. SUBSEQUENT EVENT

On February 27, 2008, the Board of Directors approved a proposal to be submitted to the Extraordinary Shareholders' Meeting to be held on March 31, 2008, for merger of the wholly-owned subsidiary Nova Flora Participações Ltda. ("Nova Flora") into the Company. The merger is intended to rationalize the existing corporate structure, with consequent cost reduction and simplification of internal routines for maintenance of companies without any business activities or prospect of resumption of activities.

According to the proposal, the absorption of the net assets of Nova Flora will occur on March 31, 2008 based on the balance sheet as of December 31, 2007, prepared in accordance with Brazilian accounting practices, provisions of Law No. 6,404/76 and standards of the Brazilian Securities Commission ("CVM").

In compliance with CVM (Brazilian Securities Commission) Regulatory Instructions No. 319 and 358, of December 3, 1999 and January 3, 2002, the Company disclosed on the CVM's site (in the Periodic and Special Financial Statements - IPE), on February 27, 2008, a significant event notice with further details related to the above event.

Independent Auditors' Report

To the Board of Directors and Shareholders of
Natura Cosméticos S.A.
São Paulo - SP

1) We have audited the accompanying individual (Company) and consolidated balance sheets of Natura Cosméticos S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2) Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

3) In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual (Company) and consolidated financial positions of Natura Cosméticos S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial position for the years then ended, in conformity with Brazilian accounting practices.

4) Our audits were conducted for the purpose of forming an opinion on the basic financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows and value added, individual (Company) and consolidated, for the years ended December 31, 2007 and 2006, are being presented in Appendixes I and II, respectively, for purposes of additional analysis and are not a required part of the basic financial statements in conformity with Brazilian accounting practices. Such information has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2007 and 2006 taken as a whole.

5) The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 27, 2008

DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC nº 2 SP 011609/O-8

Altair Tadeu Rossato
Accountant – CRC nº 1 SP 182515/O-5

About the Report

Our involvement in sustainability prompted us to quickly develop a close relationship with Global Reporting Initiative (GRI). We used their guidelines as early as our 2000 report, a pioneering move then in Latin America. Thus, this is the eighth publication that we present to our stakeholders based on the GRI guidelines. Our experiences in gathering the data for 2007 allow us to affirm that sustainability reporting is a live process in constant evolution at Natura.

We achieved some of our goals in this edition: by adopting the G3 version of GRI guidelines for the second year, we are gaining an in-depth understanding of the process of defining the materiality of the topics to be reported with the implementation of the Stakeholder Engagement Panel including employee, consultant, supplier and consumer representatives. As a result of this process, we selected information that resulted in more focused and concise content and the complementary use of other vehicles of communication such as the Internet, a special edition to be sent to all consultants in Brazil and the "Being a Natura Employee" newspaper.

For detailed information on the GRI application level, please see the complete version of this report at: www.natura.net/relatorio

The following is a detailed description of the criteria that we adopted based on certain principles suggested by GRI for the elaboration of the sustainability report:

Materiality

The definition of content for this report sought to reconcile different types of interests: those important for Natura and those important to our main stakeholders. We understand that the topics important to Natura are those associated with its strategic operations platforms in the area of sustainability, such as the reduction of greenhouse gas emissions and generated waste, education and the quality of relationships, among others. There are also the strategic topics concerning our risk management. It is important to point out that this report complies with the norms of the Securities and Exchange Commission (SEC), the Brazilian Association of Publicly Listed Companies and the principles of transparent communication of the Brazilian Association of Business Communication.

On the other hand, we seek to identify issues of interest to our stakeholders as revealed in our channels of communication such as the Stakeholder Engagement Panel for the Annual Report, the Ombudsman, the response letter to the 2006 publication and recurring issues associated with the Natura Integrated Normative System communication base. Based on this cross-referencing of information, we created a matrix for orienting the content of the different publications.

The new instrument for materiality was the Stakeholder Engagement Panel, which we conducted especially to collect opinions on the 2006 Annual Report and suggestions for improving these reports. In October 2007, we gathered at our head office in Cajamar some 60 representatives from the stakeholders with which we relate. The meeting was run by an external consulting firm and documented by photos, audio and videos.

The stakeholders shared their opinions on topics they considered important and on those that would make a difference in their relationship with Natura if covered in the report. We have already incorporated certain changes here to follow their suggestions.

Stakeholders Inclusiviness

In 2006 we began to dedicate chapters of our Annual Report to covering the quality of the relationships with some of our important stakeholders: those that we define as brand builders – employees, consultants, suppliers and consumers – as well as three that we consider to be directly interested in this publication: investors, governments and surrounding communities. We maintained this organization for the current report, as we understand that engagement with Natura occurs continually.

Based on the requests received through our different channels of communication, we describe opportunities for improving business management and plans of action based on the priorities defined in strategic planning.

Sustainability Context

Our business conduct, our products and our business model are designed to promote sustainable development, following the orientation that comes from our Essence, expressed in our Reason for Being, Vision and Beliefs. This report makes the quality of relationships the central issue for the success of our strategy. This position is constantly being challenged and re-oriented by external events such as changes in the business environment, social demands of the countries in which we operate and environmental issues affecting us directly, such as climate change and the preservation of biodiversity.

Completeness

The most important impacts of our activities are in Brazil, where most of our industrial production takes place. Yet we have sought to provide detail on the social and environmental performance indicators in the international operations. Therefore, all of the G3 indicators in this report refer to Brazil and in some cases offer information from other countries. We identify the scope of this information in the text or the explanatory notes of the tables. The economic information covers all the operations in detail.

Balance

The definition of materiality helps us identify the real interest of our stakeholders in critical topics. We work closely with the leaders responsible for the relationships with these stakeholders to transparently present our positions. This includes difficulties, learning and plans of action. We also clearly present our goals and commitments, even when we do not achieve the desired results.

Comparability

In order to facilitate comparability, we seek to always present an historical three-year series of social and environmental indicators and five-year series for the economic indicators, unless we do not have the information from previous years. In this case, we explain the situation.

We offer data from the markets in which we operate, be they cosmetics, perfumery and personal hygiene industries or direct sales companies.

Accuracy

The verification and checking of the data contained in this report is undertaken by a team dedicated to this purpose through a direct survey with those responsible for the indicators and cross-referencing with information from different sources.

All of our tables contain explanatory notes that present the adopted parameters and describe any changes in the methodology used to calculate the performance indicators.

Timeliness

For the past eight years, we have published our performance in accordance with the Securities and Exchange Commission, which requires that the publication of the Management Report occur at least 30 days before the Extraordinary Shareholders Meeting – set this year for March 31.

Clarity

To make our communication more objective, we hired consulting firms that specialize in sustainability reports and in communicating with the market, in addition to involving the internal communication areas of the sales channel and employees.

Reliability

For the first time this year, Natura's Sustainability Report was externally verified by independent auditors from the company Det Norske Veritas, increasing the transparency and credibility of the information reported herein. The same external verification extended to the greenhouse gas inventory. The economic and financial information is audited by the company Deloitte Touche Tohmatsu Auditores Independentes. This document includes the external verification reports.

GLOBAL REPORTING INITIATIVE
'07
OS
ORGANIZATIONAL STAKEHOLDER

WE ARE AN ORGANIZATIONAL STAKEHOLDER OF THE GLOBAL REPORTING INITIATIVE (GRI) AND WE SUPPORT ITS MISSION OF DEVELOPING GLOBALLY ACCEPTED GUIDELINES FOR SUSTAINABILITY REPORTS THROUGH A PARTICIPATIVE STAKEHOLDER PROCESS.

GRI Reference List

To locate our GRI-G3 Performance Indicators more quickly, please consult the following table. To locate the General Indicators, please visit the online version at: **www.natura.net/relatorio**. More information on the GRI model can be obtained at: **www.globalreporting.org**.

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Compliance		
PR9	Fines due to non-conformity with laws and regulations associated with the supply and use of products and services	Online

View the indicator or complement by visiting:
www.natura.net/relatorio

Editorial Staff

Art Direction: Wilson Spinardi Junior

Graphic Design: Modernsign Design e Inovação

Text: Report Comunicação

Proofreading: Clara Ywata e Ruth Cordeiro

Translation: Lionbridge

Pre-press: Arizona

Printing: Margraf

Photography:
Arnaldo Pappalardo, JR. Duran, Willy Biondani and Wilson Spinardi Jr.

Research and Verification of Indicators and Support with Content Identification: Sustainability Management Area and Vice Presidency of Finances and Information

General Coordination: Corporate Affairs and Government Relations Board

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Natura Brazil
Rod. Anhangüera - Km 30,5
07750-000 Cajamar - SP
Tel.: +55 (11) 4446 2000

Natura Argentina
Av. del Libertador, 1295 - 1º piso
Vicente López
C1112ABC Capital Federal
Tel.: +54 (11) 4837 6100

Natura Chile
Cordiller 321 - B5
Quilicura Santiago
Tel.: +56 (2) 620 9200

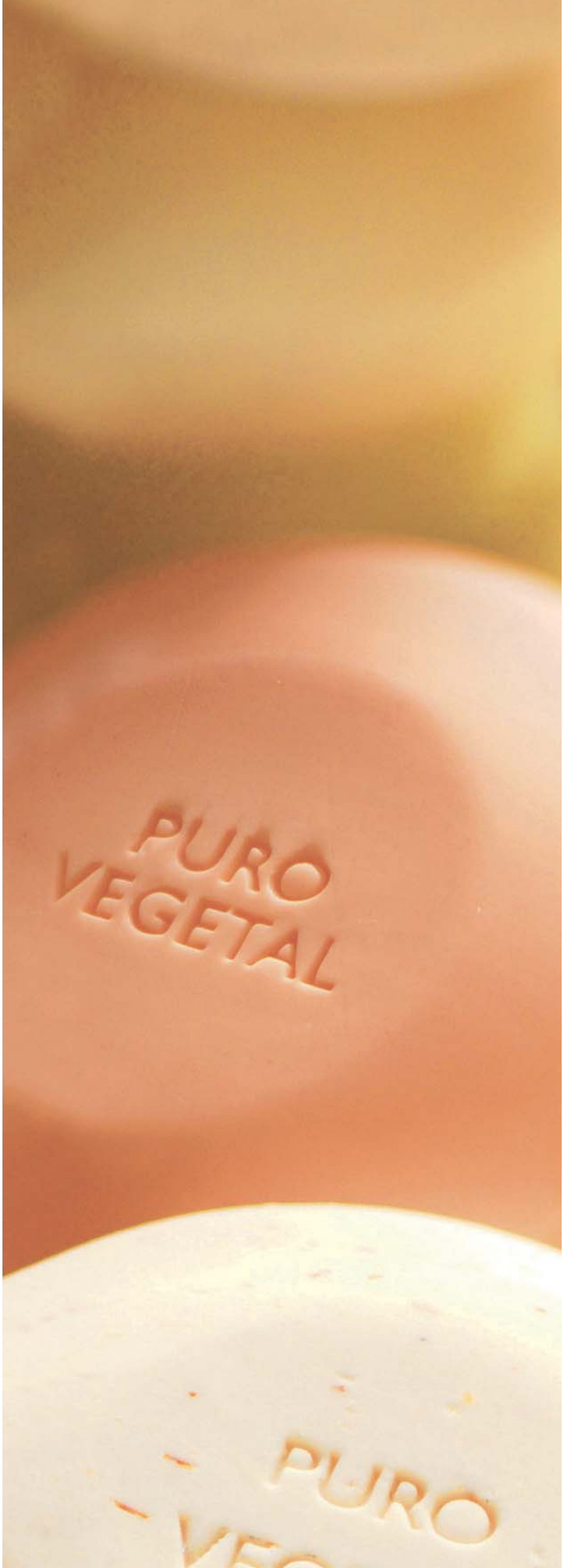
Natura Colombia
Calle 76 Nº 9 - 66
Bogotá D.C.
Tel.: +57 (1) 326 8787

Natura France
55, Av. Victor Hugo
75116 Paris
Tel.: +33 (11) 5346 2100

Natura Mexico
Homero, 823
Col. Polanco
C.P. 11550 - Del. Miguel Hidalgo
Mexico D. F.
Tel.: +52 (55) 5250 9030

Natura Peru
Av. del Ejército, 801
Miraflores - Lima 18
Tel.: +51 (1) 440 1362

Natura Venezuela
Multicentro Empresarial del Este
Nucleo A - Torre Libertador,
piso 10, Oficina 103 A,
Chacao 1060 - Caracas
Tel.: +58 (212) 610 1111



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