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com Av. Homero Yslar Pietri
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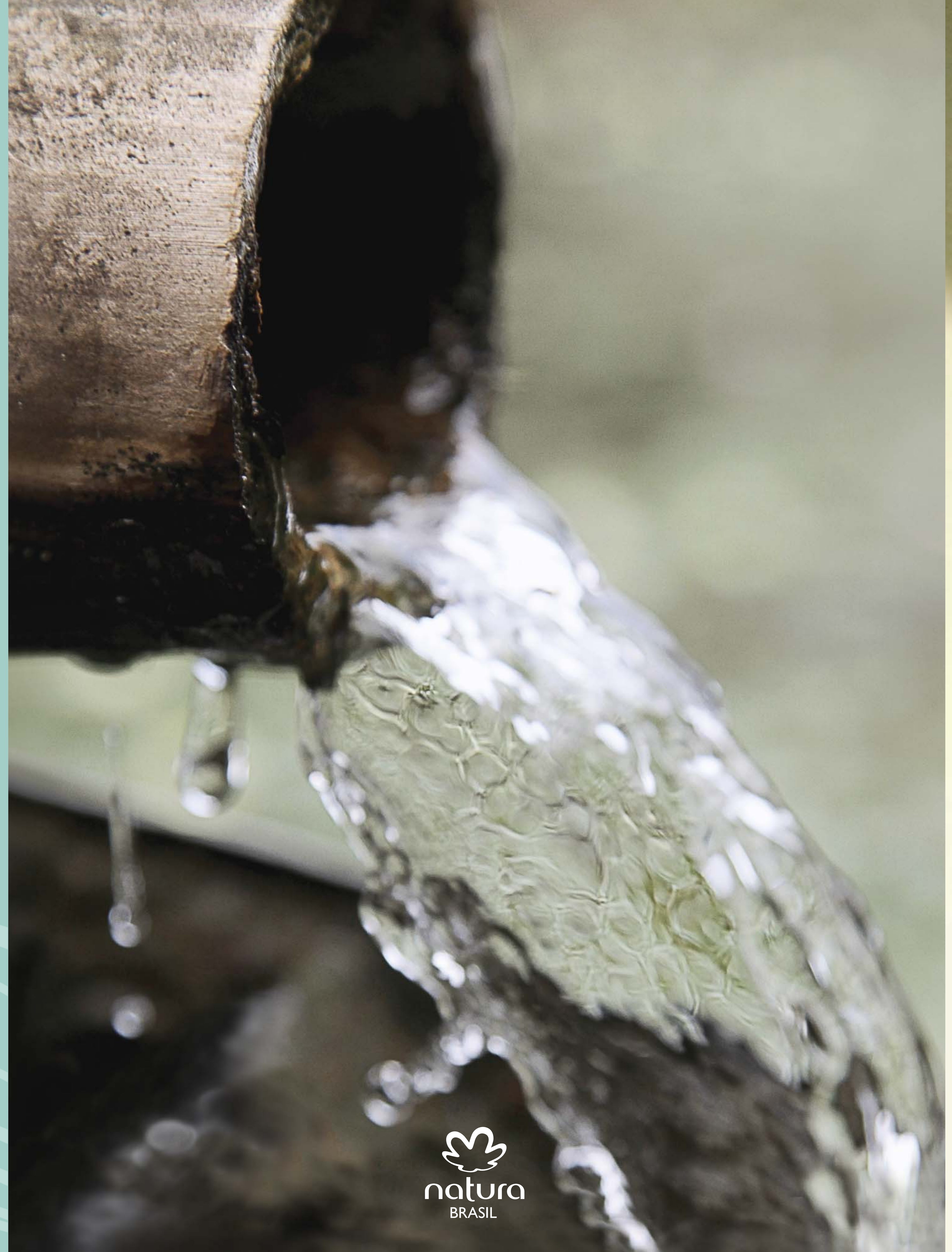
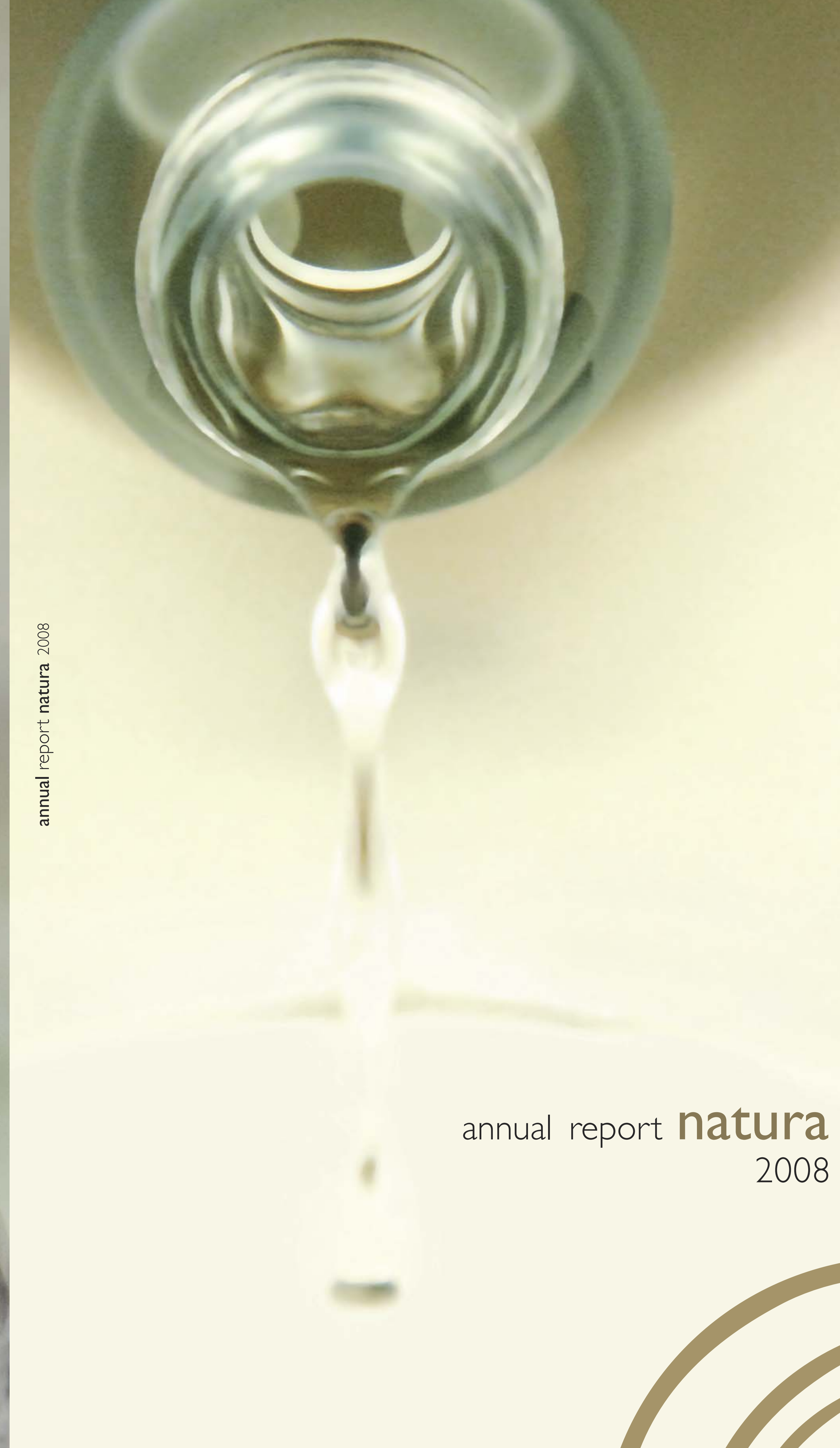


annual report natura 2008



natura
BRASIL

annual report natura 2008

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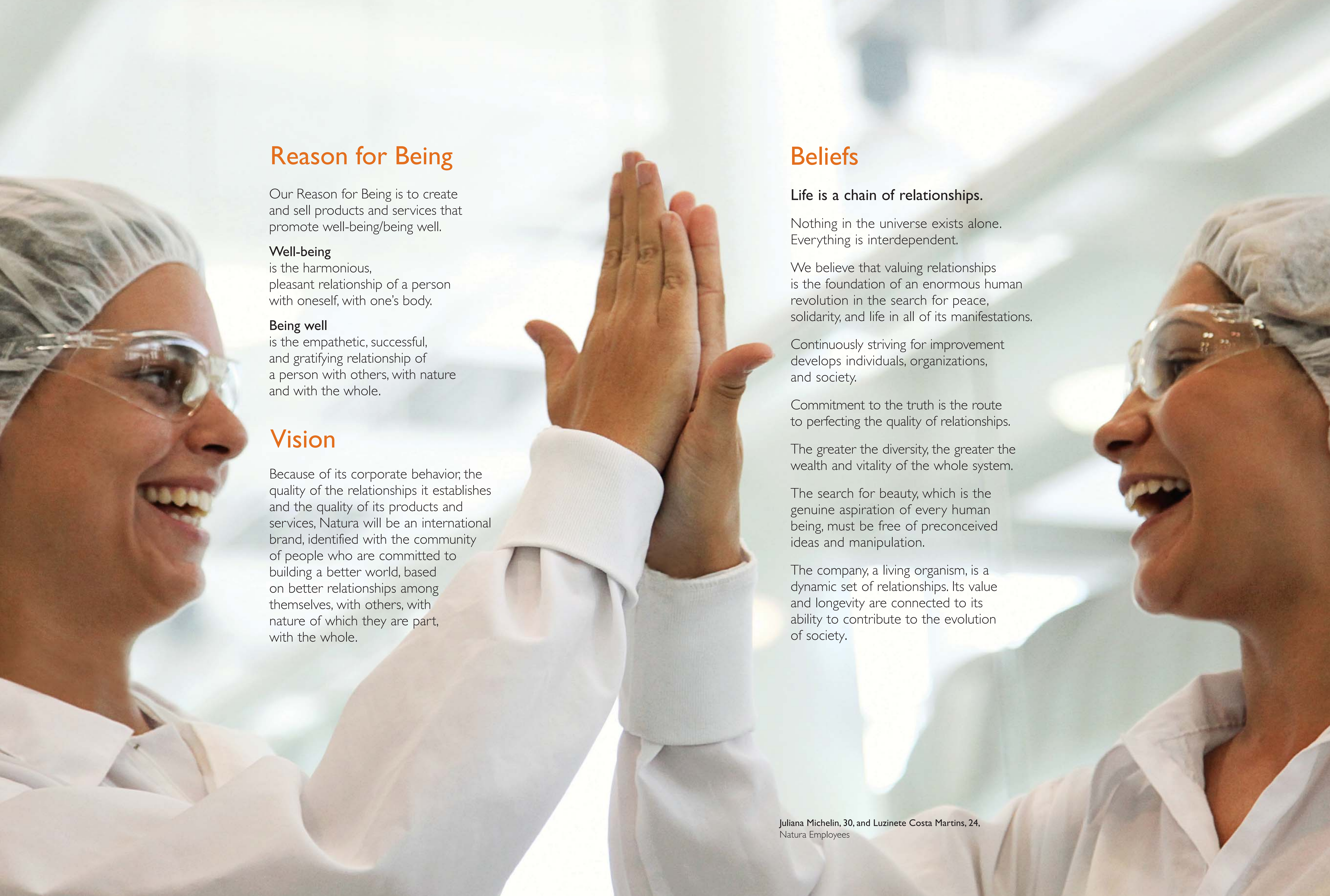
Cynthia Krahenbuhl, 31,
lawyer and a Natura customer



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 an international brand, identified with the community of people who are committed to building a better world, based on better relationships among themselves, with others, with nature of which they are part, with the whole.

Beliefs

Life is a chain of relationships.

Nothing in the universe exists alone. Everything is interdependent.

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

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

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

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

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

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

Juliana Michelin, 30, and Luzinete Costa Martins, 24,
Natura Employees

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

Message from Management

CHANGING TIMES

THE WINDS OF CHANGE THAT BLEW THROUGH OUR WORLD IN 2008 COMBINED THE FORCES OF HURRICANES, TYPHOONS, AND TSUNAMIS, MAKING IT A YEAR OF TURBULENCE, EXPOSING PREVIOUSLY DISGUISED SYSTEMIC WEAKNESSES AND CAUSING US TO QUESTION PREVIOUSLY UNQUESTIONED TRUTHS.

AS A SIGNAL THAT THIS CAN BE A VERY CONSTRUCTIVE MOMENT, WE HAVE WITNESSED THE EMERGENCE OF A NEW VOICE IN THE VERY COUNTRY THAT WAS HIT BY THE HURRICANE, CRYING OUT FOR CHANGE, DENOUNCING ALIENATION, AND OFFERING MORE HUMANIST AND UNIVERSAL VISIONS AND ASPIRATIONS.

This wind has aroused a great hope in the international community, which has shown a growing concern with climate change, social inequalities, and planetary challenges. In this summary, we can see the backdrop of what we have been experiencing in the world, especially last year.

We at Natura see the crisis as perhaps representing – through a turn toward sustainability - the beginning of a profound change in the process of civilization, a new cycle, a slow and inexorable reversal of the threats to the future of life on Earth.

This extraordinary year found Natura not only strengthened by our Beliefs and Values, but also reinvigorated by the results of the action plans and in-depth reorganization we put into place at the start of 2008. The financial results, the increase in the number of our consultants (sales representatives), and the strengthening of our brand are all clear evidence of this.

However, in this year of such significant results, we did not achieve the ideal level of services to our consultants and consumers. We are commited to doing everything necessary to see to it that the quality of our products and services continues to be the basis of Natura's reputation.

Our operations, which are expanding in Brazil and Latin America with a low level of indebtedness, a growing cash flow capacity, a focus on the continuous improvement of our sales model, as well as the possibilities generated by the direct selling system, allow us to see in the turbulence more opportunities than threats. Without, obviously, failing to give the necessary attention and adopt the necessary measures to respond to a potentially more recessive climate.

Most importantly, we know we can work through these world events and moment in our own corporate history vigorously pursuing the broadest expression of our company's identity, of our ideals and dreams. May we be guided by the strength of our unity and by the conviction that, beginning with the microcosm represented by the individual person, we can change the world. It is in the heart and in the eye of each one of us that change is built.

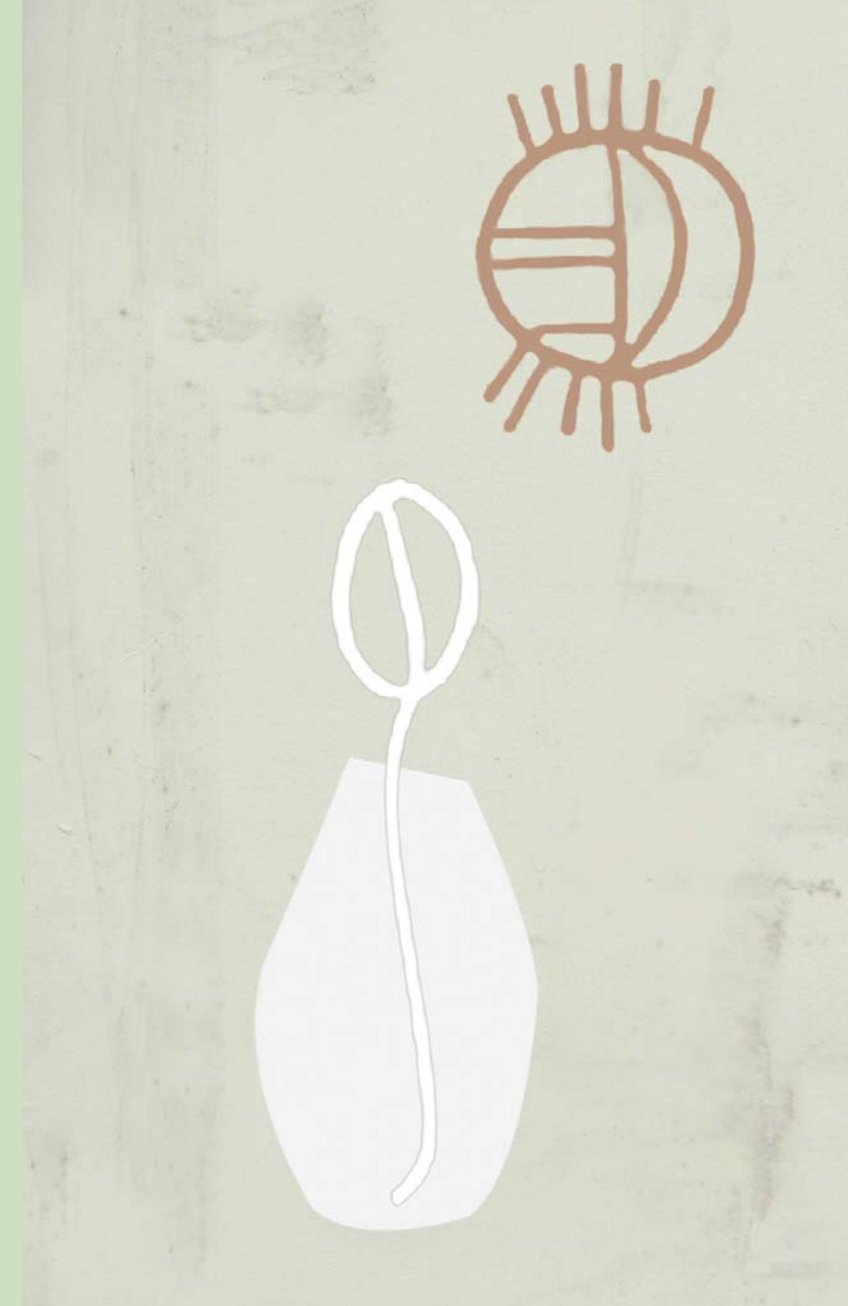
We could not end this message without expressing our deep gratitude to all of you who have joined us in our efforts to continually build our company - employees, shareholders, consultants, suppliers, customers and everyone whose presence in the world contributes to making it a better place. May this moment herald the beginning of a more hopeful future for all.

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

Guilherme Peirão Leal
Co-Chairman of the Board of Directors

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

Alessandro Giuseppe Carlucci
CEO



Profile

Celebrating 40 years of existence in September 2009, Natura is a cosmetics, fragrances, and personal hygiene company recognized for maintaining a direct sales business model that seeks to create sustainable value by establishing quality relationships with society. Besides Brazil, Natura also operates in France and another seven countries in Latin America: Argentina, Chile, Colombia, Peru, Venezuela, and Mexico, and in Bolivia, where it operates via a local distributor.

Our head office, in Cajamar (state of São Paulo), houses an integrated research, production, and logistics center. We also have a plant and a laboratory to develop oils from native trees in Benevides (Pará), and distribution centers in Itapecerica da Serra (São Paulo), Matias Barbosa (Minas Gerais), Jaboatão dos Guararapes (Pernambuco) and Canoas (Rio Grande do Sul), the latter inaugurated in 2008. Since 2006 our Advanced Technology Center in Paris, France, has supported our constant search for innovation.

We have a total of 5,598 direct employees in all of our operations. Because in 1974 we chose to distribute our products through direct sales, we also have around 850,000 sales representatives (consultoras or consultants) for whom we create employment and income opportunities.

Since 2004, our shares have been listed on the New Market of the São Paulo Stock Exchange (BM&FBovespa). Our corporate behavior assures that we always seek to appreciate and respect the interests, values, and rights of all our stakeholders. We want to learn from and share with our chain of relationships and through that learning to balance our economic, social and, environmental performances. We also feature, for the third consecutive year, on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange.

Our products promote the Well-being/Being Well, the *reason for being* of our brand. Through these products, we wish to awaken senses and to grow our awareness of the relationships we establish, enhancing people's connections with themselves, with others, and with the world. Based on this vision, we want to combat stereotypes of beauty and appreciate individuality, while at the same time awakening an awareness of the fact that we are part of an immense chain of life.


Natura's Operations
France
Commercial Operation
Natura Paris Maison
Research and Technology Laboratory
Venezuela
Commercial Operation
Mexico
Commercial Operation
Natura Polanco and Florida Houses, in Mexico City, and Monterrey House
Colombia
Commercial Operation
Natura Bogotá House
Cali and Medellín
Peru
Commercial Operation
Natura Lima Norte House
Chile
Commercial Operation
Natura Santiago House
Argentina
Commercial Operation
Buenos Aires Natura House
Brazil
Benevides (state of Pará) Plant / Research and Technology Laboratory
Cajamar (state of São Paulo) Research, Manufacture and Logistics Center and Natura's head office
Canoas (state of Rio Grande do Sul) Distribution Center
Campinas (state of São Paulo) Natura House
Itapecerica da Serra (state of São Paulo) Distribution Center
Jaboatão dos Guararapes (state of Pernambuco) Distribution Center
Matias Barbosa (state of Minas Gerais) Distribution Center

High-Priority
Sustainability Topics

We are convinced that a major change in the current development model is necessary. We believe that the economic crisis may reveal great opportunities related to sustainability, encouraging the creation of a new society committed to the prudent use of natural resources, increased social justice, and inclusion.

We understand our role in this change: to consistently contribute to the transformation of society towards sustainable development, creating a business model that brings together economic growth and social and environmental progress.

Innovation is one of the main pillars of our operations. Through it, way of innovation, we seek to turn social and environmental challenges into opportunities, such as in the sustainable use of biodiversity, which is the basis of our technological platform.

Our goal is to assure successful, long-term business, with conscientious leaders who are genuinely interested in environmental issues and economic and social development. To achieve this goal, we need strategies, innovative initiatives, and solid processes that allow us to monitor our performance.

The focus of our operations for the coming years will be as follows:

The Amazon - Although it is not a topic addressed by our stakeholders, Natura sees the Amazon as a key factor in the development of Brazil. Given what the Amazon means for future generations, we want to help create a development model for the region, working with government, communities, NGOs, academia and other players of civil society.

Biodiversity - The extinction of species is a major threat to the web of life on our planet. By sustainably using ingredients from nature and biodiversity and appreciating traditional regional and local cultures, we are contributing to the balanced use of natural resources. We seek to encourage production based on sound agroforestry models, creation of community development funds and fair price value chains, and remuneration for traditional knowledge.

Education - Education is the main transforming element of society. We seek to use our communication channels to convey our values and share them with our stakeholders. With this in mind, we began to disclose environmental information on the packaging of our products and assumed the commitment to contribute to the improvement of the quality of education in Brazilian public schools.

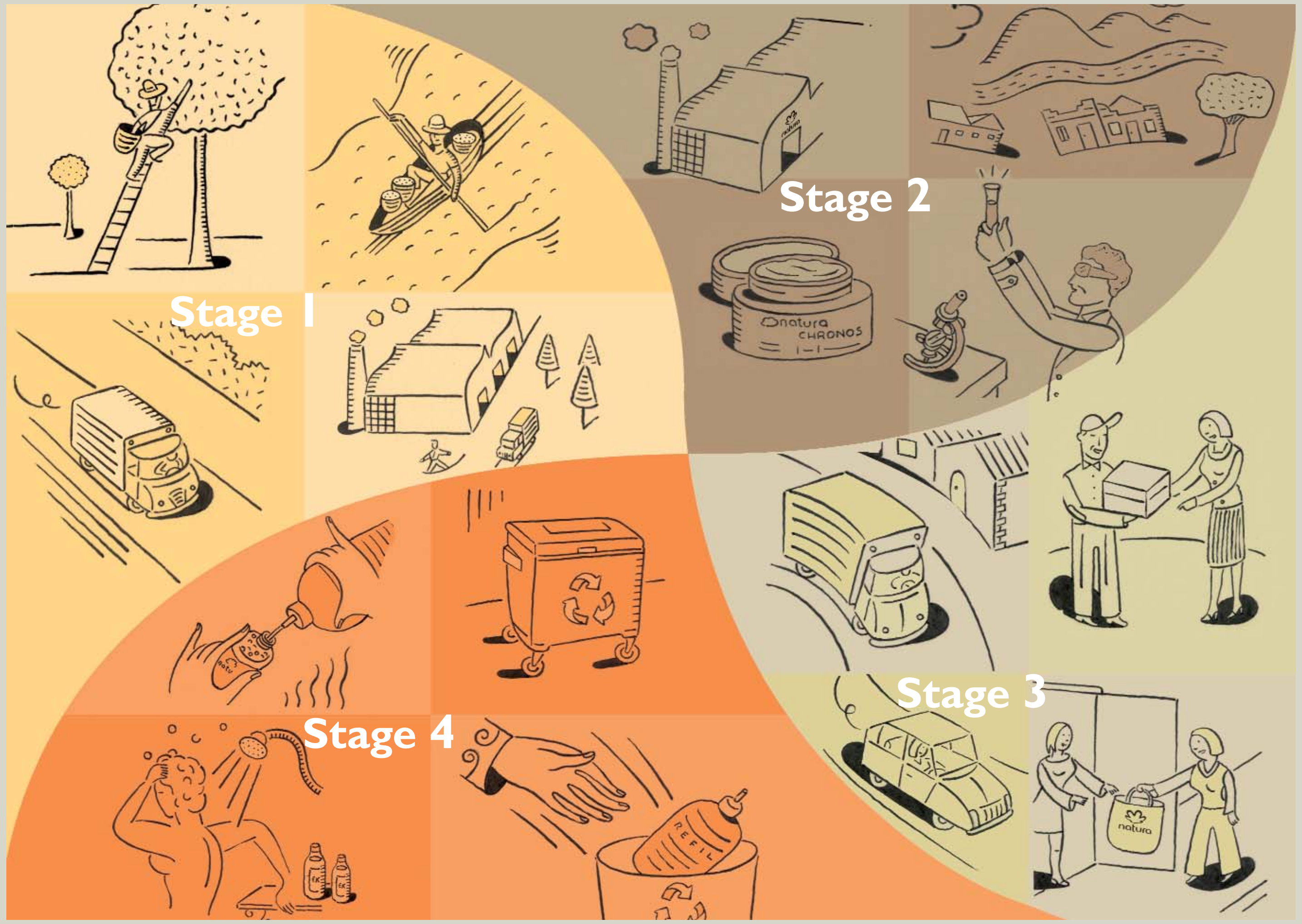
Greenhouse Gas (GHG) Emissions - The climate crisis is a global challenge as important as the recent economic crisis, and all organizations should help combat the greenhouse effect. In 2007, we launched the Carbon Neutral Project, which coordinates our previously isolated actions to reduce carbon emissions. We also set the ambitious target of reducing by 33% our GHG emissions in all of our chain by 2011. This program also includes carbon offseting.

Impact of products - We are a retailing company selling by direct sales; so the impacts of our operations can be clearly defined: from the environmental standpoint, our most relevant negative effects are in production chain and in the final disposal of our products and packaging. Our social effects are more far-reaching due to the 850,000 consultants who sell our products. Throughout this chain, we seek to create ever more shared economic value.

The quality and safety of our products is a commitment of those whose reason for being is Well-being Well. Before they get to our nearly 42 million consumers, all new ingredients and formulas are analyzed by health and safety specialists and subject to tests monitored by dermatologists or, in some cases, by multidisciplinary teams. This is a basic condition for our operations in the cosmetics, fragrances, and personal hygiene markets.

Quality of relationships - Sustainable results are achieved by means of quality relationships and, for this reason, we seek to maintain open communication channels with all our stakeholders in an ongoing exercise in transparency. We foster ethical and honest relationships with our consumers, employees, consultants, suppliers and many others who help us build our brand. In 2008, we included relationship quality management in our strategic planning and developed structured education processes for the relationship with and engagement of stakeholders.

Natura Value Chain



Natura's main performance indicators in 2008 related to the stages of our value chain are:

Stage 1: **Extraction and transportation of raw materials and packaging** (direct and indirect suppliers)

- **R$2,567.3 million:** Distribution of wealth to suppliers
- **74%:** Satisfaction of suppliers
- **26:** Number of certified ingredients
- **72,095 mt:** Greenhouse Gas (GHG) Emissions related to the extraction and transportation of raw materials and packaging
- **17,216 mt:** GHG emissions related to direct suppliers (process and transportation to Natura)

Stage 2: **Industrial and internal processes**

- **R$ 571.9 million:** Distribution of wealth to employees
- **R$ 1,032.2 million:** Distribution of wealth to the government
- **R$ 103.0 million:** Investments in innovation
- **0.38 L/unit:** Consumption of water per unit billed
- **424.1 kjoules/unit:** Consumption of energy per unit billed
- **22.4 g/unit:** Total weight of waste per unit billed
- **31,554 mt:** GHG emissions related to internal processes

Stage 3: **Sale of products (transportation and distribution)**

- **R$ 2,023.8 million:** Distribution of wealth to consultants
- **849.600:** Number of consultants (Brazil and other operations)
- **88%:** Satisfaction of consultants
- **118:** Number of products launched in 2008
- **30,946 mt:** GHG emissions related to transportation of products to consultants and consumers

Stage 4: **Use of products and disposal of packaging**

- **19.86%:** Refill rate on items billed
- **71.3 mPt/kg:** Environmental impact of packaging per number of products[1]
- **36,689 mt:** GHG emissions related to the final disposal of products and packaging

1. The indicator also includes effects on the extraction and transformation of packaging.

Cross-sectional indicators

- **R$ 499.7 million:** Distribution of wealth to shareholders
- **R$ 542.2 million:** : Net income
- **R$ 3,618.0 million:** Net revenues
- **R$ 859,9 million:** EBITDA
- **23.8%:** EBITDA margin
- **R$ 54,738,000:** Investments in corporate responsibility

Development of Our Commitments

Over the years, Natura has consolidated the practice of establishing clear commitments to the evolution of its performance indicators. With the constant enhancement of our management model, these targets have come to reflect priority sustainability topics and play key roles in our strategic planning process. In 2009, as a result of the corporate restructuring we carried out and the uncertainties generated by the global economic crisis, we delayed the completion of our planning process, which affected the setting of new targets. Therefore, we intend to publish our commitments for 2009 by May 2009 in the online version of our report at www.natura.net/relatorio.

For further information on the targets presented in this table, please refer to the chapter of the related stakeholder.

Stakeholders	Commitments for 2008	Achievement of targets
Consultants	• Extend the Ombudman services to consultants.	◐ PARTIAL In 2008, with the implementation of the Ombudman pilot project for a group of approximately 10,000 consultants, we detected the need to change some internal processes before opening to the whole of Brazil so as to ensure that all contacts that reach this communication channel refer only to issues related to the work of the Ombudsman´s Office.
	• Maintain at 90% the quality of the relationship with consultants.	● ACHIEVED We maintained the relationship quality at 90%.
Consumers	• We will publish the Principles of Relationship with consumers.	○ NOT ACHIEVED We did not want to publish the Relationship Principles without the approval of the stakeholder involved. The approval process with consumers is underway but we were unable to complete it in 2008.
Suppliers	• Obtain 85% of favorable response from supplying companies in the supplier satisfaction survey.	○ NOT ACHIEVED The favorable response rate was 74%. We increased the total sample of the survey from 152 (2007) to 487 (2008), and the new mix of suppliers revealed new improvement opportunities, particularly among suppliers of services, ingredients, and indirect materials – groups that are more representative of our supply chain.
Surrounding Communities	• Adopt an indicator to evaluate our impacts on the development of surrounding communities.	○ NOT ACHIEVED Based on a deeper analysis of the topic, we underswtood how difficult it is to create an indicator that can also be comparable outside the company and cover the different dimensions: economic, political, human, and social. This work is still in progress.
Government	• Publish a policy on lobbying and our Relationship Principles with the Government.	● ACHIEVED We published our Relationship Principles with the Government and our Stand on the Practice of Political Lobbying, which is in favor of regulating political lobbying in Brazil so that its practice can have clear and transparent rules.
Environment	• Reduce by 33% GHG emissions in the whole production chain between 2007 and 2011.	◐ PARTIAL We achieved the target proposed for 2008 and will continue to pursue the 33% reduction in CO2 emissions per kilo of product billed by 2011.
	• Include four new ingredients in phase III of the certification process.	● ACHIEVED We certified four new ingredients.
	• Increase to 79% the material in our products that comes renewable plant sources.	○ NOT ACHIEVED The percentage of renewable plant material used in Natura's products dropped slightly in 2008 to 77.5%. This was due to the increase in the sales of products that use a smaller quantity of this type of material in their composition.
	• Use 100% organic alcohol in our products.	○ NOT ACHIEVED 72.6% of the alcohol used in our products is organic. We were not able to make all the changes necessary in our products to change the whole portfolio to organic alcohol. This will remain our focus in 2009.
	• Reduce the average environmental impact of packaging (Life Cycle Assessment - LCA) to 72 mPt/kg.	● ACHIEVED We reduced it to 71.3 mPt/kg.
	• Increase to 13% the total of post-consumption recycled packaging material.	● ACHIEVED We increased it to 13%.
	• Reach a minimum 18.5% refill rate on items billed in Brazil.	● ACHIEVED We reached 19.86% in Brazil.
	• Consume a maximum of 148,700 m^3 of water at the units in Cajamar and Itapecerica da Serra.	● ACHIEVED We consumed 124,236 m^3.
	• Consume a maximum of 151.4 X 1012 joules of energy at the units in Cajamar and Itapecerica da Serra.	● ACHIEVED We consumed 126.38×10^{12} joules.
	• Recycle a minimum of 89.0% of the waste generated at the units in Cajamar and Itapecerica da Serra.	○ NOT ACHIEVED We recycled 88.7% in Cajamar and Itapecerica da Serra. We need to improve our internal processes for separating materials and training employees.

● ACHIEVED ◐ PARTIAL ○ NOT ACHIEVED

About this Report

This is our ninth sustainability report prepared based on Global Reporting Initiative (GRI) guidelines. For the second consecutive year, we achieved the A+ application level, with external verification conducted by Det Norske Veritas (DNV) and data checked by GRI itself. We also comply with the rules of the Brazilian Securities Commission, the Brazilian Association of Publicly-Traded Companies, and with the transparent communication principles of the Brazilian Association of Corporate Communication. This report covers all operations of Natura in Brazil and abroad carried out in 2008.

In order to create shared value, we understand that we must align our strategies with the vision of our stakeholders. For this reason, the identification of priority sustainability topics is the result of a process of stakeholder engagement that began on a structured basis in Brazil in 2008. This process makes possible to prepare the materiality matrix that guides the focus of the social and environmental actions of the different areas of the company and makes the sustainability guidelines outlined in Natura's strategic planning more specific. It also guides the organization of the content of this report and the definition of targets we commit to in 2009.

To learn more, please refer to the chapter About the Report on page 88

Main Events in 2008

Economic

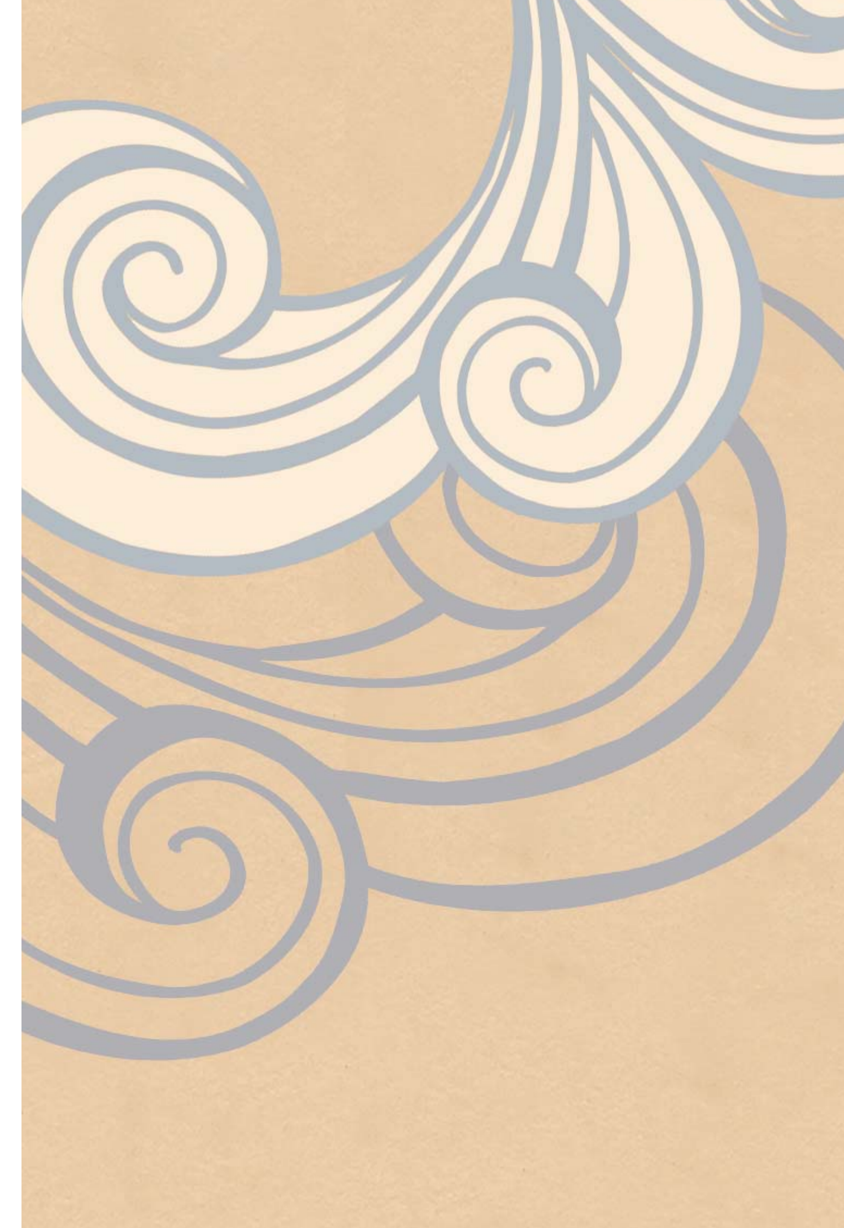
- Growth of 17.7% in consolidated net revenues, with positive results in Brazil and Latin America.
- Increase of 22.5% in EBITDA, with additional investments of R$88.0 million in marketing funded by productivity gains.
- Appreciation of 18% in Natura's shares, in comparison with a drop of 41% by the Ibovespa, the main index of the São Paulo Stock Exchange.
- Increase in the creation and distribution of wealth to all stakeholders.
- Innovation rate, which dropped to 56.8% in 2007, jumped to 67.5%.

Social

- Increase of 50% in the volume of sales of the Believing is Seeing (*Crer Para Ver*) program and its implementation in Argentina.
- Growth of 18.2% in the number of consultants to 850,000 in Brazil and abroad.
- Increase in the employee turnover rate in Brazil from 9% in 2007 to 12.37%.
- The new structure caused a reduction of 8.59% in the number of employees in Brazil, mainly concentrated in the administrative area.

Environmental

- The Carbon Neutral Project eliminates 9.0% of Natura's relative emissions in two years, which shows the proportion of Natura's challenge to reduce GHG emmisions by 33% over five years.
- Launch of the line for children Naturé, which leads children, in a playful way, to experience their first notions of the conscious use of water.
- Reduction of the consumption of water (8.91%) and energy (16.88%) in industrial operations per unit billed.



Strategy and Management

We produced another year of strong earnings in 2008, this time driven by the action plan to restore growth in Brazil, our largest market. Through this plan, whose initiatives will continue until 2010, we are moving forward with our strategy to expand our business, in a sustainable way, in Brazil and Latin America, using the direct sales model.

We believe that the pursuit of international expansion with a global brand is still important for the future of our business. However, even before the global economic crisis had fully taken hold, we had already decided to indefinitely postpone our entry into the United States market. Instead, we are focusing our efforts on operations in countries where we already have a presence, by demonstrating that our brand, products, values, and sales model are well accepted and that there is still plenty of room for growth.

We have good reasons to believe that we are on the right track. The Brazilian cosmetics, fragrances and personal hygiene industry experienced another year of growth in 2008, expanding 16.3% in the target market or 9.3% in real terms up until October, according to partial data from the Brazilian Personal Hygiene Industry Association. The direct sales segment also continued its pace of growth in Brazil, with a turnover of R$18.5 billion in 2008, up 14.1% from the previous year, and employing some 2 million active resellers, an increase of 7.2% in the sales force, according to data from the Brazilian Association of Direct Selling Companies.

Natura employees check
Ekos line products

However, as we headed into the second half of 2008, we found ourselves confronted by fallout from the global economic crisis that will, in one way or another, affect all the various sectors of the Brazilian economy. Nevertheless, we have a solid economic grounding, which lowers our risks:

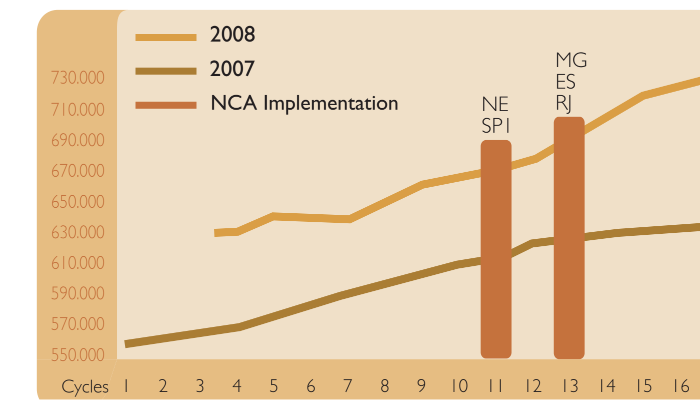
- there is a consensus, among analysts, that Brazil will be less affected by the crisis;
- we are the market leader with a widely admired brand and broad consumer preference; in 2008, we advanced from 42% to 47% in a preference survey of consumers, while the second-place brand fell from 18% to 16%;
- we have low indebtedness and a growing cash generation capacity, enabling us to continue our business expansion;
- our business model, based on direct sales, does not depend on credit;
- we operate on the personal hygiene, perfumes and cosmetics market, which has historically proved highly resilient to economic downturns.

We are well prepared for this economic climate. The plan we put into practice in 2008 was, on the one hand, to improve and increase investments in marketing to speed up our sales growth, funded by productivity gains, and, on the other hand, to reinforce our culture of and commitment to sustainability and to improve our organizational model. See below the progress we have made.

1 - Innovating the sales model – In order to streamline the relationship with our consultants, we expanded the Natura Consultant Adviser (NCA) model in Brazil. This measure has produced the expected results: it has supported the growth of the sales force and increased sales. The model has also improved customer service, due to an increase in both the amount of trainings and the number of consultants. .

In 2008, the new model was implemented in 65% of the sales force in Brazil and 5,844 NCAs were trained. By May 2009, we should have covered the entire sales force. The effects were felt more strongly in the second half of the year, when the growth in the sales force in Brazil increased, up 15.5% from the previous year, compared to a growth of 9.2% in the first half of the year in relation to the same period in 2007 (*see graph*).

Cycle-by-Cycle Growth in Available Consultants



2 - Focus on product innovation – In 2008, we opted for the *Menos é Mais* (Less is More) strategy for our product portfolio. We began a process to reduce the number of items from 930 to 739, concentrating our efforts on those with greater popularity. This helps us minimize costs and focus more on management, which will maximize the results of communication with and training of consultants, and in turn benefit our end consumers.

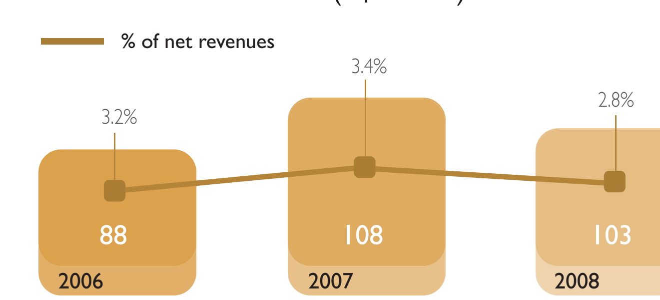
We focused on four launches – the Naturé, Tododia and Amor América product lines and the Chronos Soy Polytensor anti-wrinkle cream, whose sales exceeded our expectations.

We applied the same strategy we use for developing new products, so as to concentrate efforts on projects that can have a significant commercial impact. We also kept investments in innovation unchanged, and the scale of our creative capacity can be seen in the sharp recovery of our innovation rate, which had dropped to 56.8% in 2007 but climbed back up to 67.5% in 2008.

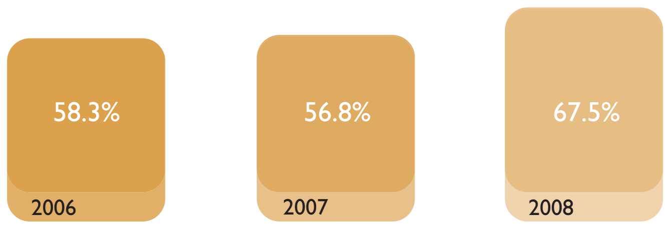
Innovation

	2006	2007	2008
Number of products launched	225	183	118

Investments in innovation (R$ million)



Innovation Rate[1]



1. Gross Revenues for the past 12 months from products launched over the past 24 months divided by Gross Revenues of Natura for the past 12 months. It shows the representativeness of the past year's sales of products launched over the past two years.

3 - Investments in marketing – In order to support all the initiatives mentioned here and to improve the exposure of our brand, we increased our investments in marketing by R$88.0 million in 2008, funded by productivity gains, which totaled R$94 million over the year. This saving was the result of more efficiently managing the processes of preventing product losses, lower costs of manufacturing and inputs, a reduction in the costs of sales catalogues, and an increase in Internet orders placed by our consultants.

These investments make us more commercially vigorous and reduce the emphasis on promotions and discounts in our marketing strategy.

We have made better use of the Internet, increasing orders placed over the web. This is due to incentive campaigns such as the Connectivity Project. Internet-based orders represented, on average, 40.9% of monthly orders in 2008, peaking at 52.4% in December.

4 - Management based on processes – The changes in the structure of Natura were intended to make the company more agile, with fewer levels of corporate hierarchy, putting us closer to consultants and consumers. Throughout 2008, we implemented an organization model based on the management of processes catering to business units and regional units.

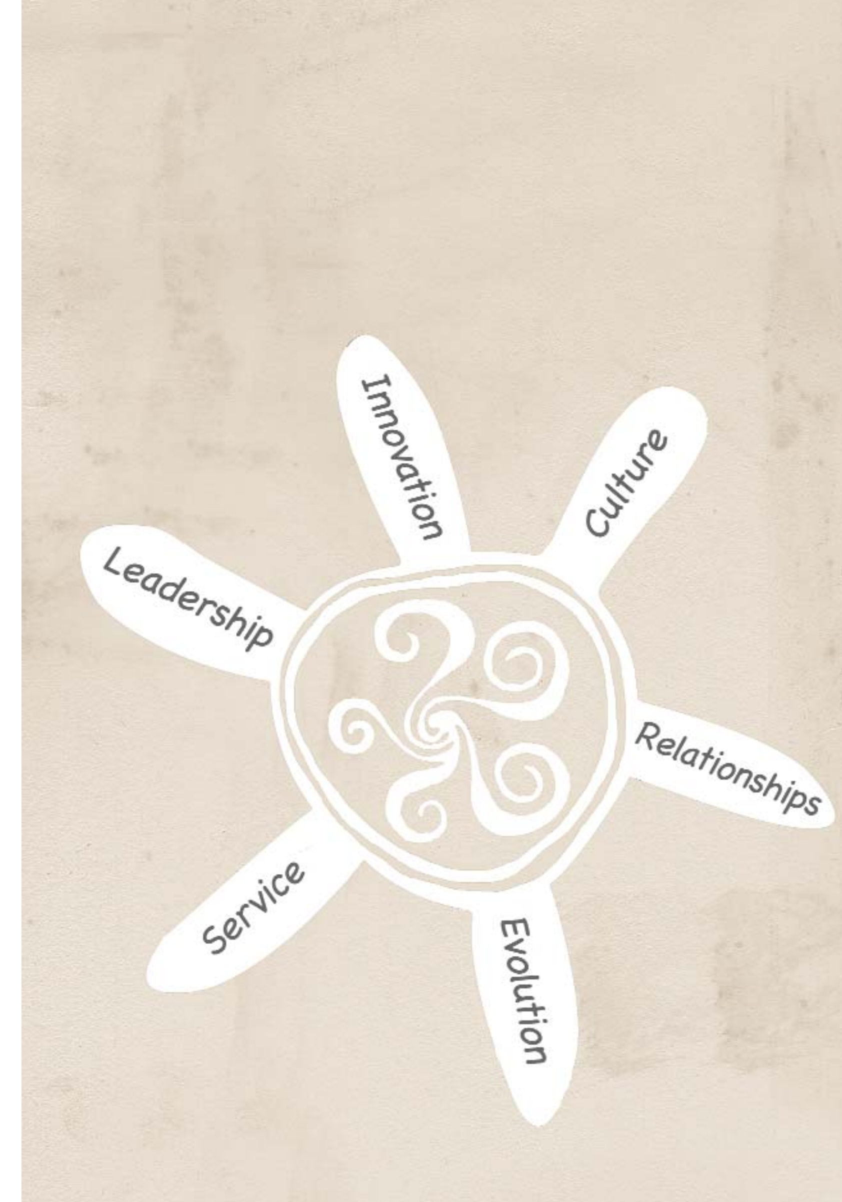
This new configuration decentralizes decision-making and the execution of key processes. The business units are responsible for product development and for the management and results of brands and categories; they interact with the regional units, which in turn are responsible for the relationship with consultants, sales management, and local results. This joint action is improving the business of Natura by region and by brand and category.

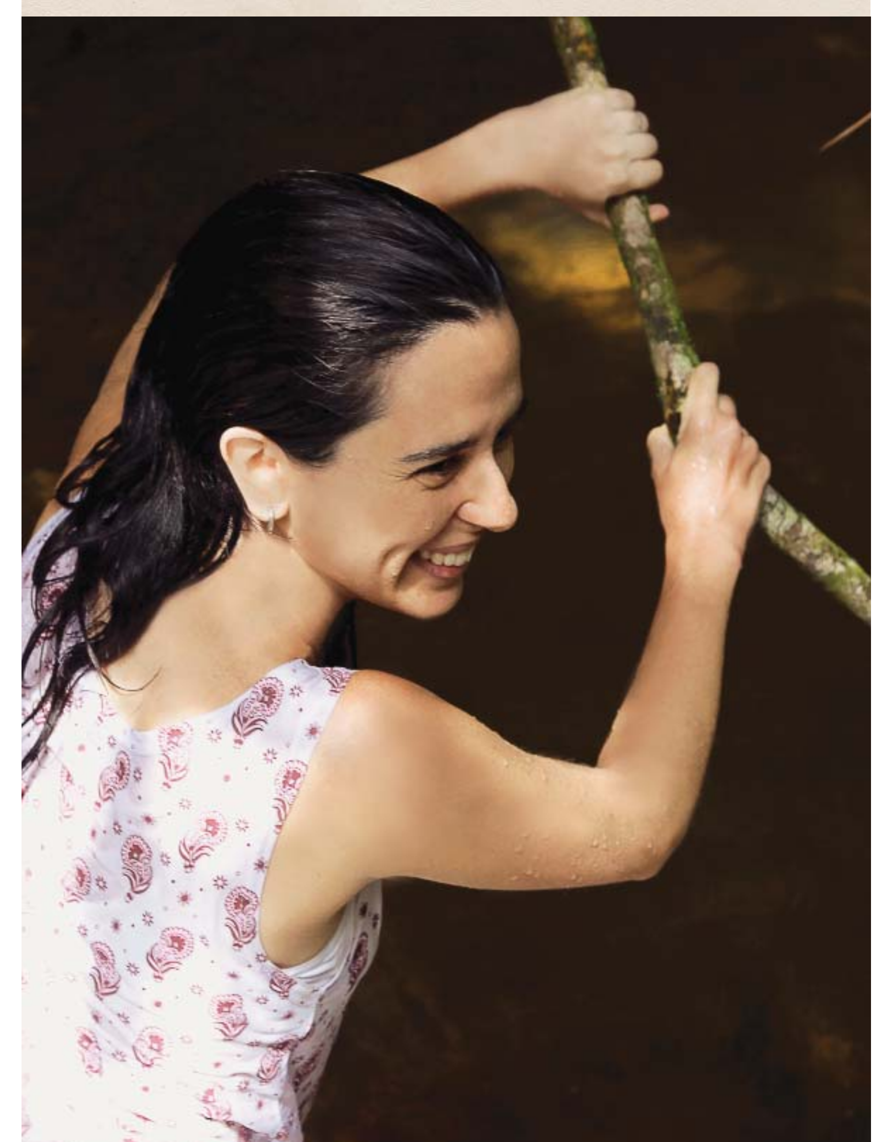
As a result, there has been a change in the composition of the Executive Committee and the leadership team, which will be responsible for implementing the main processes of Natura.

5 - Organizational culture – We are strengthening our organizational culture and reasserting the company's values and beliefs, since we believe that in them reside the uniqueness of our organization and the driving force of our business. Thus developing engaged leaders and a management model in line with our essence are key factors for our growth.

6 - Quality of relationships – To ensure the utmost transparency in our governance systems and to allow our key stakeholders to actively engage the management, we have developed a systematic process of stakeholder engagement. We believe the time is right to start preparing for a new cycle of growth and, accordingly, it is essential to listen to and understand the needs of all stakeholders and to turn their contributions into opportunities to improve our business.

The direction we took in 2008 has proved to be the right one, and we are going to continue on the same track. We are focusing on the successful execution of the plan to restore growth and on the development of the management model. We are, therefore, preparing for a new cycle of expansion as an increasingly more innovative and productive company that has adjusted to the challenges of our times. We anticipate tremendous opportunities for companies like ours that have an inclusive value proposition (built in collaboration with stakeholders) and are highly suited to the climate of change in the global economy.





Corporate Governance

Corporate governance at Natura has evolved dramatically in recent years, especially since the company went public in 2004 and listed its shares on the New Market of the São Paulo Stock Exchange (BM&FBovespa). The Board of Directors, the highest administrative authority at Natura, consists of three founding partners and four external, independent members, none of whom occupy any internal executive position. The board members were chosen according to their qualifications, knowledge of sustainability, the complementary nature of their executive experience, and lack of conflicts of interest.

In 2008, the Board of Directors met eight times to address strategic issues, the implementation of the action plan, and the company's integrated economic, social and environmental performance. The work of the Board is evaluated regularly every year, and the remuneration of its members consists of a part that is fixed and paid monthly and another part that is variable, linked to economic, social, and environmental goals, and paid annually.

There are currently four auxiliary committees (Strategic; Corporate Governance; People and Organizational Development; and Audit, Risk Management, and Financial) that support the Board of Directors in its evaluation of strategic issues affecting the company's business:

Board of Directors

Antonio Luiz da Cunha Seabra
Co-chairman

Guilherme Peirão Leal
Co-chairman

Pedro Luiz Barreiros Passos
Co-chairman

Edson Vaz Musa
Chairman of the People and Organizational Development Committee

José Guimarães Monforte
Chairman of the Audit, Risk Management and Financial Committee

Julio Moura Neto
Chairman of the Strategy Committee

Luiz Ernesto Gemignani

Natura Executive Committee

Alessandro Carlucci
CEO

José Vicente Marino
Senior Vice President of Sales and Marketing

Marcelo Cardoso
Senior Vice President of Organizational Development and Sustainability

Roberto Pedote
Senior Vice President of Finance and Legal Affairs

Paulo Lalli
Senior Vice President of Supply Chain

Maurício Bellora
Senior Vice President of International Operations

Pedro Villares
Latin America Operation Director

Strategic Committee

Three members and the CEO analyze, on a monthly basis, the strategic issues, preparing guidelines and recommendations for the Board.

Corporate Governance Committee

Discusses the improvements in governance and the business operation. It also evaluates the committees and the Board. It is formed by four members, who meet on a quarterly basis.

People and Organizational Development Committee

Consists of three members, the CEO, and the Senior Vice President of Organizational Development and Sustainability. In monthly meetings, it addresses matters of remuneration, leadership, succession, training, and topics of interest to human resources.

Audit, Risk Management and Financial Committee

Formed by four members, three associated with Natura (a board member, the Senior Vice President of Finance and Legal Affairs and the Manager of Risk Management and Auditing) and an external representative. It meets each month to support the Board in its analysis of financial matters, risks, and the relationship with external auditors.

Natura has an Executive Committee (Comex) and three regional committees – Brazil, Latin America and International – that report to the Board and are forums for executive discussion, each with a different geographical focus. Comex has three support committees that analyze all the initiatives related to brand management, sustainability, and products.

Sustainability runs through our entire governance model. The Sustainability Committee is an important preparatory discussion forum before decisions are made by Comex, and the issues are also regularly analyzed by the Board. It is overseen by the Sustainability Board, which monitors the execution of the action plans that are run by the various corporate departments.

In 2008, there was a change in the composition of Comex, which took on a representative involved in the company's sustainability process.

Risk Management

Risk management is formally covered in Natura's governance structure. All the analysis of accounting, fiscal, tax, corporate, and new investment issues is conducted by the Audit, Risk Management, and Financial Committee, in support of the Board.

There are two main types of risk: strategic risks, for which we interpret scenarios that could affect the company; and operational risks, related to the internal processes that managers must evaluate with their teams. By creating scenarios of strategic and operational risks in each of Natura's macro-processes and production chain processes, all the existing weaknesses are taken into account, always considering the three pillars of sustainability: social, environmental, and economic.

However, there is still no structured analysis of the immediate effects of climate change on our business, something we shall start to consider in our long-term planning. In 2008, Risk Management explored a greater number of strategic risk scenarios. We have incorporated into the order cycle (the time between the consultant placing an order and the product's reaching the final consumer) a risk self-evaluation tool, as we plan to do eventually in all the processes.

Also in 2008, a Risk Management Policy document was created and distributed to all managers, establishing a set of principles, actions, roles, and responsibilities to identify, evaluate, and manage the risks to which Natura may be exposed. We want to provide guidance for managers, who are responsible for decision making, when taking a position concerning the identified risk.

Internal Audit

The internal audits at Natura are conducted by an independent group of employees to guarantee the full impartiality of their work. This is why the group reports only to the Audit, Risk Management, and Financial Committee. When they are conducted, Natura internal audits observe a set of procedures and tests to evaluate the internal controls, and they also look into possibilities of fraud. The major focus in 2008 was on special audits, in response to requests from the Natura Ombudsman´s Office and the Audit Committee.

In 2008, we audited 24 cases in Brazil and at our international units, at the request of the Ombudsman´s Office, which was contacted by Brazilian and international employees, suppliers, and some of the consultants. Of these 24 audits, six proved to be cases of misconduct, resulting in the dismissal of those involved and in improved control mechanisms.

Compensation of Key Management Personnel

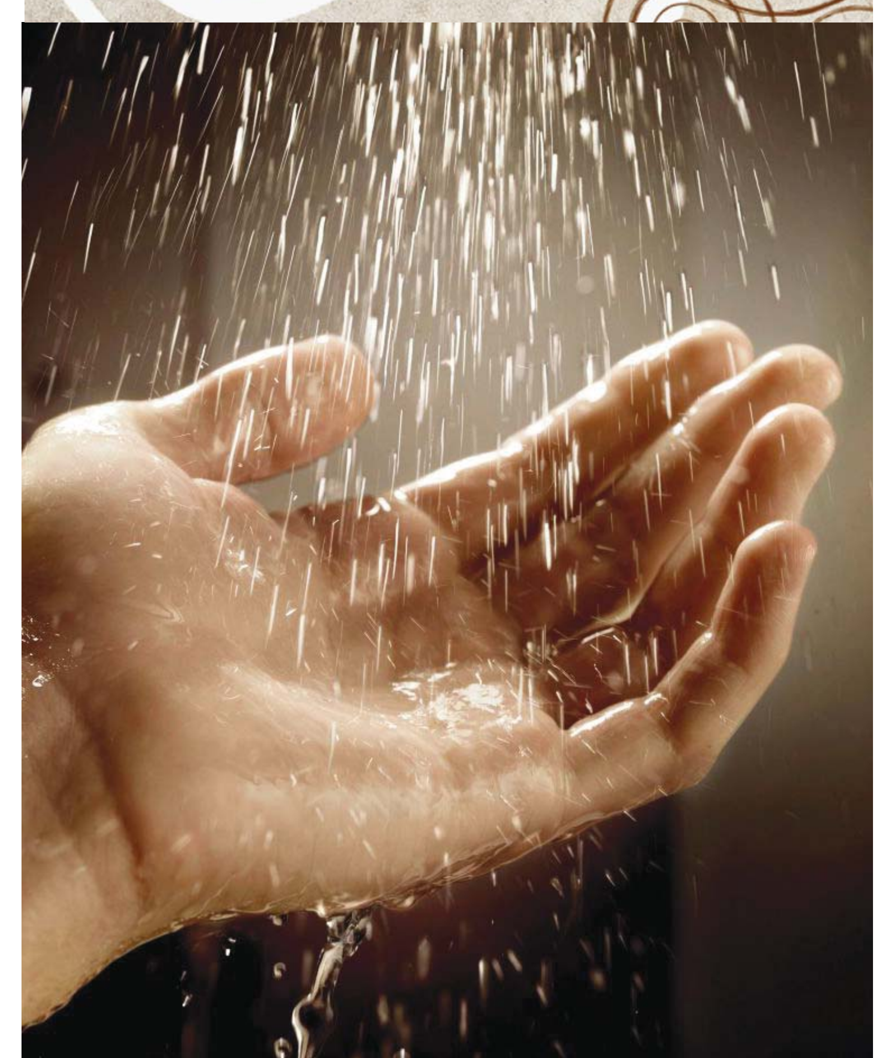
As a topic of greater visibility in 2008, the compensation policy for key management personnel, together with how this information is disclosed, was analyzed by the Natura executive group. We are seeking a clear, balanced, and transparent position on this topic that is legally grounded and serves the interests of shareholders, investors, and the professionals themselves.

Natura managers have a variable compensation model that takes into account the results of both the company and the individual. The results of the company take into consideration the following items: financial performance (EBITDA); the financial result of foreign operations; the organizational climate survey; the consultant satisfaction survey; the consumption of water, and carbon emissions.

In 2009, a new executive compensation model was launched. The objective was for payment to reflect the main concepts of our recent organizational changes. The compensation model proposes a gradual shift in emphasis from a fixed salary to a variable salary. The change is intended to encourage a sense of ownership and engagement, strengthening the relationship between remuneration and building value in the company. The new model was designed to increase the effectiveness of using remuneration to attract and retain leaders committed to the long-term plans of the company.

The main change, however, is in the format of the stock option plan. Previously distributed in proportion to salaries, it is now related to the short-term performance of the executives and to their decision to use a part of their own variable income to purchase Natura stocks.

To learn more, please read the Compensation item in the Employees chapter on page 27 and Note 18 to the Financial Statements.



Social Performance

Quality of Relationships

Natura remains faithful to its commitment to establish, maintain, and value relationships grounded in ethics, transparency, and open and ongoing dialogue with all our stakeholders, from employees, consultants, suppliers, shareholders, and surrounding communities to the final consumers. Whether in Brazil or in our foreign operations, we want to forge closer ties, and to achieve this we are always working to improve the quality of the relationships we build.

In 2008, we continued the process of managing the quality of relationships, launching a systematic process of stakeholder engagement that consists of pushing back the frontier of the organization through dialogue and collaboration with all our many stakeholders. This is how we will develop valuable solutions both for Natura and for all parties that have some form of relationship with us and our brand, and thus are a part of our community.

We developed initiatives to engage in dialogue with five stakeholder groups most closely involved with our business: employees, consultants, customers, shareholders, and suppliers. These virtual collaborative dialogues identified problems and opportunities in the relationship. We also staged a face-to-face workshop with representatives from the five stakeholder groups to discover topics of interest to the Natura Community. The results of this workshop will enrich our strategic planning, in addition to already having helped set the priorities for the topics contained in this report.

To forge closer ties with all our stakeholders and to lend more legitimacy to these relationships, we created in 2008 the Executive Committee for Managing the Quality of Relationships, which will be expanded in 2009 with the participation of external members. The primary focus of the committee's work, in the first year, was to come up with a set of relationship guidelines with the various stakeholders. The committee has also decided that the process of developing and updating the Relationship Principles, as well as the disclosure of their contents, will now be the responsibility of the stakeholder managers, and also be a part of the process of managing the quality of relationships.

Ombudsman´s Office

Set up in 2006, the Ombudsman´s Office is one of the dialogue channels that support the evolving relationship with our stakeholders. Linked to the Office of the Senior Vice President of Organizational Development and Sustainability, it is responsible for mediating solutions for matters that run counter to the Natura Relationship Principles, and also for identifying opportunities to improve our processes, policies, and relationships.

The procedure for contacting the office is simple: once the comment is received, it is forwarded to the manager responsible and then used to help improve the process. Each year, we try to expand the scope of the service. In addition to the employees in Brazil and Latin America and suppliers, we have developed a pilot project, launched in early 2008, to extend the service to some 10,000 consultants.

In 2008, the number of contacts received by the office grew by 27.5% compared to the previous year (see graph below). The issues the contacts addressed were related to technical matters (policies, processes and infrastructure) and conduct: 70% of the contacts received related to criticisms and the other 30% were consultations or suggestions. Allegations of ethical misconduct are forwarded to and analyzed by the Ethics Committee, on which the CEO serves. Whenever it is considered necessary, the involvement of the Internal Audit department is requested, as mentioned on page 22.

Total Number of Contacts Received by the Ombudsman´s Office (by stakeholder)

	2006	2007	2008
Internal stakeholders - Brazil	100[1]	649	783
Internal stakeholders - Lat. Am.	n/a	29[2]	26
Suppliers - Brazil	n/a	12[3]	19
Consultants - Brazil	n/a	n/a	52[4]
Total	**100**	**690**	**880**

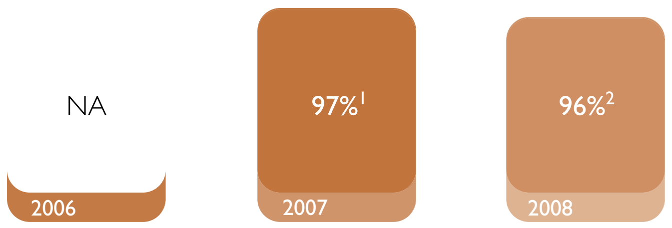
1. Data from October to December 2006 (launch of the Ombudsman Service: October 2006).
2. Data from October to December 2007 (launch of the Ombudsman Service: October 2007).
3. Data from May to December 2007 (launch of the Ombudsman Service: May 2007).
4. Data from January to December 2008 (launch of the Ombudsman Pilot Program: January 2008). We handled another 687 critical matters received from consultants from across Brazil through CAN – the Natura Service Center.

Internal Stakeholders in Brazil and Latin America

The Ombudsman´s Office serves as another dialogue channel with employees. In 2008, the office received 809 contacts from employees in Brazil and Latin America, from all levels of corporate hierarchy and different departments. Of the 783 contacts received from employees and in-house outsourced workers in Brazil, most (47%) were addressed to the Human Resources Board and dealt with technical matters related to people management, such as benefits, quality of life, employment contracts, and training. For the Latin American operations, meanwhile, 96% of the contacts dealt with matters of conduct related to people management.

Each person who contacts with the Ombudsman´s Office is asked to fill out a survey to determine his or her satisfaction with this dialogue channel. In 2007, the survey revealed a satisfaction rate of 97% among the internal stakeholders in Brazil. In 2008, the rate was 96%, which we consider positive and statistically the same as the previous year. We have not reported the results of the survey for the internal stakeholders in Latin America because there is not a statistically significant sample.

Satisfaction with Ombudsman Channel
Internal stakeholders - Brazil



The percentages refer to positive responses to the question "are you satisfied with this dialogue channel?".
1. Respondants represented 62% of all contacts.
2. Respondants represented 59% of all contacts.

Consultants - Brazil

At the end of 2007, a pilot project was launched for a group of nearly 10,000 consultants in the city of São Paulo. Throughout 2008, the Ombudsman´s Office received and processed 52 contacts, the majority related to Sales Promoters. Also in 2008, as support for the service and as experience ahead of expanding the channel to this public, the Ombudsman´s Office handled another 687 critical matters submitted by consultants from across Brazil through the Natura Service Center (CAN). All the contacts followed the same course as the other contacts. We have not reported the results of the satisfaction survey for the pilot program with consultants since we have yet to obtain a significant sample.

Suppliers - Brazil

The Ombudsman´s Office has also, since May 2007, been supporting the evolving relationship with Natura suppliers in Brazil. In 2008, we received 19 contacts, namely criticisms and charges, addressing primarily technical matters regarding the process of identifying and selecting suppliers, and contract management, which includes the stages of negotiation and payment.

To learn more about the practices of the Natura Ombudsman´s Office, please visit www.natura.net/relatorio

Luiz Carlos Eduardo Junior, 23,
and Glaucia Aparecida Barichello, 23,
Natura Employees

Employees

The 2008 shift in our organizational structure directly affected our employees in Brazil. The new Natura Management System began to be implemented based on three pillars: processes, culture, and leadership. This had a sizable impact on our employees, initially causing some discomfort. The first signs of improvement, however, can already be noticed, as the climate is recovering in the administrative department, the area that was most severely affected by the restructuring. The main purpose of the changes was to make the company less cumbersome and more agile and efficient in decision-making, with fewer levels of corporate hierarchy and greater proximity to consumers and the market. We mobilized and engaged the organization as a whole to galvanize this process.

We have been working on this adjustment since early 2008, and it has prompted an 8.6% reduction in the number of employees in Brazil – from 4,798 in 2007 to 4,386 in 2008 – without affecting production or sales. The corporate structure of Natura in Brazil, previously centered on departments, is now based on a model of business units and regional units, which promotes a more independent, direct, and decentralized approach.

Our employees are key to corporate progress. Each one contributes in his or her own way to our growth. Moreover, they also play an important role as change agents in society, whether by developing initiatives that involve our value chain or by working as volunteers on projects that are in tune with our Values and Beliefs. Consequently, it was essential for us to take proper care of the professionals that were laid off. We created a special severance package, including a cash payment, an extension of medical insurance, and help finding a new job. We also set up a Career Center with Internet access and administrative support, staffed by specialized consultants, to help people network and find employment. This program is expected to last six months and, since its launch in January 2009, some 25% of participants are already in new positions.

This round of layoffs was accompanied by a wave of hirings, the result of the process to regionalize Natura's business, which created job openings not only in São Paulo but also in other states and regions of Brazil. To fill these positions, we first gave the laid-off employees the opportunity to relocate. In Latin America, the operations where the most jobs opened were in Peru, Colombia and Chile, since they had experienced an increase in sales.

Number of Natura Employees

	2006	2007	2008
Brazil	4,361	4,798	4,386
Argentina	262	276	306
Chile	122	179	222
Mexico	141	259	277
Peru	179	229	290
Venezuela	35	63	50
Colombia	n/a	79	135
France	30	36	32
Total	**5,130**	**5,919**	**5,698**

Other Employment Contracts

	2006	2007	2008
Interns	60	73	66
Temporary Workers	321	151	445
In-House Outsourced Workers	1,797	1,170	1,787

Some of the disruption caused by the restructuring process is reflected in the employee turnover rate. In Brazil, the turnover rate reached 12.4%, compared to 9% the year before, with operations personnel most affected. The model of semi-autonomous cells, which was set up in 2006, completed an evaluation and maturity cycle in 2008. The semi-autonomous cells eliminated a hierarchical level and created a structure in which the employees report directly to the plant manager, greatly improving autonomy. The professionals who could not adapt to the new model and did not perform well ended up leaving us.

Employee Turnover Rate (%)

Operation	2006	2007	2008
Brazil	6.7	9.0	12.4
Argentina	19.7	16.1	16.6
Chile	31.6	20.4	13.9
Mexico	36.3	56.5	42.7
Peru	15.0	17.2	12.2
France	6.6	4.0	35.0
Venezuela[1]	NA	43.5	31.9
Colombia[2]	n/a	4.6	35.4

1. In 2006, the operation in Venezuela was structured for the start of operations and the turnover rate was not measured.
2. The operation in Colombia began in 2007.

Work Environment

Natura's organizational climate score remained stable at 72% in 2008. In the foreign operations, it grew in most countries, particularly in Argentina, where it increased 11 percentage points to 80%. In Brazil, the favorable response rate among employees dropped back to 69%, influenced by the result in the operating area, despite the positive results in the administrative and sales areas. In 2009, we will work hard to reverse this situation.

There is evidence of improvements in topics such as quality of life and training (in this case, strongly driven by the sales area), and although our challenge to improve the quality of our relationship with employees is clear, the points needing attention are in the action plan we are implementing. The improvement opportunities are related precisely to topics such as leadership, quality of the decision-making process, and relationship, which are the core aspects of our new organizational model.

Developments such as the new leadership team, the implementation of management by processes at the business and regional unit, strengthening relationships and the quality of decision-making, and the strengthening of the organizational culture will contribute to our continuous development of the favorable response rate with all stakeholders. We believe that this is not about raising a few percentage points, but about changing our employees' perceptions.

Favorable Climate Survey (%)

	2006	2007	2008
Total	**69**	**72**	**72**
Brazil	69	71	69
Argentina	64	69	80
Peru	68	80	77
Chile	73	72	83
Mexico	77	83	85
France	47	56	60
Colombia	n/a	86	84
Venezuela	n/a	52	61

Efforts toward reaffirming our culture will play an important role in the work environment, particularly when it also becomes a process within the company, tied to the engagement with and management of the quality of relationships. The comprehensive diagnosis made with employees in 2008 will result in actions aimed at the different groups in 2009.

For us, diversity is a very important value, and the topic merits even more attention when it comes to employees. We do not have a final position on how we should encourage diversity particularly in view of our ambition of becoming a large global company open to the multicultural influences of the regions and peoples that are part of our community. Therefore, the data presented below follow the market reference practices and do not reflect action focused on the topic. However, in 2008 we had a consistent plan for contracting disabled workers at Natura Cosméticos and managed to increase their numbers on our staff by 50%.

Diversity[1]

	2006	2007	2008
Total employees - Brazil	**4,361**	**4,793**	**4,386**
Disabled employees	4.2%	5.2%	5.4%
Women	63.7%	63.9%	63.7%
Black or multiracial women	NA	NA	NA
Black or multiracial men	NA	NA	NA
Above 45 years of age	10.3%	9.1%	10.5%

1. We did not make the comparison by race in 2006, 2007, and 2008 because a sampling analysis showed us the need for a review of this classification in our database of employees. We will update the reference file with all employees in order to ensure accuracy of the survey for next year.

Compensation

We significantly reformulated our compensation practices in 2008 to promote employee advocacy of and commitment to Natura's goals. The policy, focused on variable compensation, became more transparent and simple. In July, the operating areas started to receive profit sharing semiannually, which allows us to reduce the access to variable compensation by those who perform activities with more predictable results during the year.

Salary Profile[1]

Average Monthly Salary in Brazilian Operations (R$)

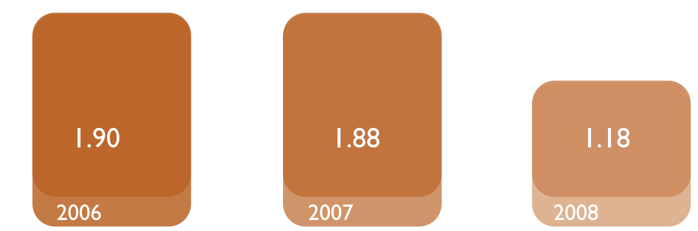
	2006	2007	2008
Women - Total	3,642.71	3,815.50	4,351.99
Men - Total	3,311.61	3,291.17	3,550.31
Black and multiracial women	NA	NA	NA
Non-black and non- multiracial women	NA	NA	NA
Black and multiracial men	NA	NA	NA
Non-black and non-multiracial men	NA	NA	NA
Over 45 years of age	6,378.74	6,729.55	7,540.24
Up to 45 years of age	3,255.46	3,317.39	3,653.35

1. We did not make the comparison by race in 2008 because a sampling analysis showed us the need for a review of this classification in our database of employees. We will update the reference file with all employees in order to ensure the survey for next year.
For the purpose of the calculation of this indicator, the bonuses paid to sales managers and promoters were considered. When the sales force employees are placed in their categories, this improves the average women's salaries due to the bonuses, excluding production jobs.
The methodology for consolidating the data was improved, which generated a difference with respect to previous years.

In 2008, collective bargaining agreements provided employees with an average salary increase of 9%. The female administrative group received a higher salary increase than that the one set in the collective bargaining agreement, which is explained by the growth in sales bonuses obtained in 2008, which increased 21% in relation to 2007.

In all of our operations, our salary levels are above the minimum compensation levels in their respective markets. In Brazil, the inclusion of salaries paid at the plant in Belém, state of Pará, where market compensation is lower than in São Paulo, caused a reduction in the proportion between the lowest salary paid by Natura and the Brazilian statutory minimum salary, changing the pattern from previous years.

Proportion of Salary Compared with the Brazilian Statutory Minimum Salary - Brazilian Operations



Professional Development

Training leaders is essential for our growth and is in line with our Values and Beliefs. Therefore, we intend to enhance our training initiatives in 2009 to include the new professionals who joined Natura in the past few years. In 2008, the main organizational development milestone was the progress in the formation of the Brazil Executive Committee (Comex) and Natura's leadership team. The executives responsible for resuming Natura's growth pace in Brazil were chosen. These 29 leaders were in charge of redesigning their own structures and playing a leading role in the change movement.

Additionally, in 2008 we continued the Leader Training Program, the main objectives of which are to support the development of Young talents and qualify them to assume increasingly more strategic positions within our company.

Overall there was a scheduled reduction in the training flow, particularly in the second half of 2008 when Natura's focus was on the development of the organizational structure. The group that had most access to training was the sales force, particularly after the implementation of the Natura Consultant Adviser Program.

Average Hours of Training per Annum per Employee, per Functional Category in Brazilian Operations[1]

Group	2006	2007	2008
Production	164	120	105
Administrative	82	92	90
Managers	61	90	68
Directors	38	55	9
Total	**111**	**105**	**94**
Investment in Brazil (in R$ thousands)[2]	**16,286**	**15,951**	**14,062**

1. This indicator includes the training of employees, sales promoters and the Natura Education Program.
2. The Brazilian investment data includes the training of the Sales Force (Managers and Promoters.

In the Latin American operations, in 2008, we had a total of nearly 50 hours of training courses per employee, with an emphasis on the administrative employees (70 hours). The highlight was the training program of the sales force in Argentina, where 80% of its employees attended more than 30 hours of training courses.

To learn more about the professional development, please visit www.natura.net/relatorio

Health and Safety

Despite our prevention efforts, the number of work-related accidents grew in 2008. This increase is due to the fact that we have more new employees and an initial training process that requires improvement.

To improve, we adapted and revised work safety management processes, using OSHAS 18001 as a model. We prepared specific standards and procedures to manage risk situations and relaunched the Near-accident Program to encourage the communication of risk events and situations to our employees. The good news is that we reduced by 24% the number of work-related accidents recorded with outsourced employees and service providers, who often perform higher risk activities.

In 2009, in addition to continuing these initiatives, we intend to pay more attention to behavioral analysis, by means of internal audits and with the participation of managers; implement new basic safety rules; provide greater synergy between the work safety, training, operating, and medical service areas; and bring the engineering, work safety and operating areas closer together to prevent injuries and accidents in the development and use of new machinery and processes.

To learn more about the safety indicators, please visit www.natura.net/relatorio

Communication Channels

In order to be close to and maintain an open dialogue with our employees, we have communication channels to transparently inform them of all significant initiatives and facts. A new development in 2008 was the launch in October of the Natura Channel, a journalistic digital medium that improved the daily communication of our activities. There are 20 transmission points – 12 in Cajamar, four in Alphaville, and four in Itapecerica da Serra.

The main characteristic of the Natura Channel is to encourage the engagement of employees, who may suggest stories and do some interviews. We also changed the publication frequency of the *Ser Natura Colaborador* (To Be a Natura Employee) internal newsletter from monthly to special issues, which will be prepared whenever there is the need to publicize strategic topics, such as the results of the Organizational Climate Survey.

To learn about the benefits offered by Natura, please visit www.natura.net/relatorio

Júlia Cunha, 43,
educationist and Natura Relationship Manager

Consultants

The direct sales model makes our thousands of consultants the leading players in the company's growth. Using personal contact, they are the ones who add value to our products and ensure that consumers receive them, together with our Values, our Beliefs, and Vision.

By the end of 2008, Natura had 849,600 consultants, an increase of 18.23% from 2007. In Latin America, we recorded an annual growth of around 38.6% to 119,500 consultants.

We have one of the lowest turnover rates among companies using direct sales, which is a good indicator of the quality of our relationship with the sales force. Our consultants identify more with the value proposal and establish stronger and more lasting ties with us, being loyal to the brand.

Available Consultants[1] (in thousands)

	2006	2007	2008
Brazil	561.1	632.4	730.1
Argentina	24.3	30.8	37.3
Chile	8.9	12.6	17.5
Mexico	5.0	12.1	20.0
Peru	18.1	26.0	35.2
Venezuela[2]	n/a	2.3	2.8
Colombia[2]	n/a	2.0	5.9
France	n/a	0.4	0.8

1. This refers to the number of active consultants at the end of the year.
2. The operations in Venezuela and Colombia only started their sales in February and June 2007, respectively. In France, the Maison Natura has been selling since 2005, but the direct sales channel only opened in January 2007.

The implementation of the Natura Consultant Advisers (NCAs) in Brazil allowed us to move even closer to our consultants. Our relationship managers (RMs) support a group of NCAs that work with the Natura consultants (NCs) and their role is to attract potential candidates to the consulting activity and advise them on their daily activities.

In addition to the relationship initiatives, the NCA model encourages the growth of the sales force, bringing in a significant number of new NCs. Above all, it also takes advantage of the micro-regions, maximizing our regional operation model. The NCA breathes new life into the job of the relationship managers, with a total management cost equivalent to the previous model. Over time it shoud encourage a gradual growth in productivity.

To increase the business of our consultants in 2008, we lowered the minimum order amount to allow for more frequent order placements, reducing the waiting time of the final consumer, and we also reward those consultants who have the best performance with magazines and samples.

We are investing more and better in training. In 2008, we focused heavily on the training of our sales force, with an investment of R$ 20 million. Within the Sales Force Education project, we implemented a new training course for the 112,721 NCs who are starting to work.

We train our consultants to work in accordance with our ethics standards. Accordingly, we seek to fully comply with the commitments we made when we subscribed to the Direct Sales Conduct Code before Direct Sellers and between Companies, of Brazilian Association of Direct Selling Companies. We did not record any legal case of child, slave, or dangerous labor in the consulting activity in 2008, as in previous years. Also, we did not record any legal or administrative case related to violation of privacy or loss of data of consultants.

In 2008, we experienced some problems with the quality of the services provided to our NCs, and, consequently, to our final consumers. We recorded a high rate of out-of-stock products for sale, and we failed to make progress in delivering ordered boxes, as we had committed to in 2007. We renew our commitment to recovering the quality that has always characterized our services.

Despite these facts, the annual satisfaction survey of our consultants remained at the historical level of 90% favorable responses, driven by the work of the NCAs. It mainly shows the success of our type of relationship, in which proximity is one of the main differences, in addition to the strength of our launches, the expansion of our presence in the media, and the strength and attractiveness of the Natura brand.

Our relationship practices affect consultants in many ways: more than 2,700 NCs who have been with Natura for more than 15 years were honored in 2008. Among launch events and reunions, we relate to over 120,000 consultants.

NCs Satisfaction

Satisfaction of Consultants[1]	jan/07	jan/08	jan/09
Satisfaction - Favorable Response Rate	90%	90%	88%
Quality of Relationship[2]	89%	90%	90%

NCAs Satisfaction[1]	jan/07	jan/08	1/1/2009*
Satisfaction - Favorable Response Rate	93%	87%	93%
Quality of Relationship[2]	95%	93%	96%

1. Percentage of "Satisfied" and "Totally Satisfied" Consultants and NCAs in Brazil (top 2 box)
2. Average of Climate category attributes.
** Until 2007, there was a NCA pilot program in the Mid-Western region; in 2008, the project was extended to Recife, São Paulo and South of Brazil.*

Natura Houses

One of our priorities in 2009 will be the opening in São Paulo of Natura Houses: spaces totally integrated with the style of our brand. We want, more and more, to turn them into places where our consultants, Natura consultant advisers, sales promoters, and relationship managers can gather and try our products. In these spaces, meetings, courses, and training programs will also be held.

The first Natura House in Brazil was opened in 2007 in Campinas, state of São Paulo. Using the lessons learned from this experience, we plan to inaugurate five more Natura Houses in 2009, thus allowing more contact and proximity with the sales force. Another two Natura Houses were inaugurated in Colombia, in Cali and Medellín. We expect to inaugurate the units in Lima, Peru, Santiago, Chile, and Monterrey, Mexico, in 2009.

Natura Movement

Created in 2005, the Natura Movement mobilizes our consultants and promoters so that they can be local change agents. In 2008, topics such as recycling, self-esteem development, social inclusion, education, and civic awareness were emphasized. One of the main projects taken up by our consultants was the Natura Product Recycling program implemented in Recife in 2007 and in São Paulo in 2008. These initiatives encourage the NCs to collect, upon visiting customers, the used packaging of Natura's products, which is then forwarded to transportation partners and sent to local recycling cooperatives. In 2008, 118 metric tons of post-consumption packaging was returned, providing an alternative destination for waste.

We also work with make-up workshops, given by volunteer consultants to physically and emotionally fragile women. Until 2007, the workshops only took place in hospitals that treated cancer patients but, from 2008, we included low-income communities in Rio de Janeiro at the cultural centers of the AfroReggae Group. Besides just teaching make-up techniques, the objective is to promote exchanges, self-knowledge, and interaction between people.

In São Paulo, our consultants were also encouraged to participate in a survey conceived by Natura, the Our São Paulo Movement, and the market research company Ibope to verify the existence and quality of public infrastructure in the city of São Paulo. We had more than 10,000 responses, which provided a wealth of information to the public authorities. As 2008 was an election year, we disseminated, through our communication media, the importance of the responsible vote and the active participation of all society in political matters.

To learn more, please visit
www.natura.net/relatorio

Dialogue Channels

Our consultants already have many communication and dialogue channels with Natura. The main ones are the Natura website (www.natura.net) and the Natura Service Center (CAN), which is a telephone service. CAN receives orders and deals with matters that are directly related to the NC's business, such as information on promotions, the status of orders, payment agreements, complaints, criticisms, and suggestions. It is through this channel that they place their orders for Natura's products, in addition to obtaining information on promotions, delivery, inventories, and payment matters, among other things.

Daily Average of Calls to CAN[1]
(Natura Service Center)

1. Calls related to the Brazilian operations.

Internet Use

We saw in 2008 a significant increase in the use of the web to place orders. This shows the effects of our campaigns to encourage the use of this medium, particularly the Connectivity Project, which as we had planned reduced the number of calls received by our service center without affecting the total volume of orders (CAN, Internet and relationship managers), which grew 11.7%.

Our website contains an online reference file to allow the easier registration of new consultants. In our manual process, the average period for registering consultants is five days. Via the Internet, this was reduced to one hour, easing the work of the Relationship Manager and allowing for more conversion of candidates into consultants. In 2008, 102,000 people became consultants via the online registration.

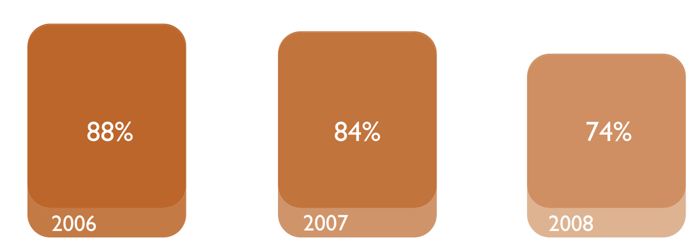
Suppliers

For the production and distribution of products, we buy inputs, services, and indirect materials from a varied range of suppliers in different regions of Brazil and abroad. In 2008, we engaged with 4,257 suppliers, 5.5% of which provide production inputs, which are ingredients from nature, raw materials, packaging materials, and finished products, and 94.5% of which provide services or indirect ingredients or materials (such as office supplies or cleaning products and parts for maintaining equipment).

Our supplier strategy is in line with our improvements in efficiency, quality, and relationships, which permeate the whole company. We want to establish an increasing number of long-term partnerships, since our suppliers are basic links in our value chain.

We try to diagnose our suppliers' needs of by means of the satisfaction survey. The survey, reformulated in 2008, sought to identify opportunities for improvement and allowed us to determine corrective actions. The reformulation involved more objective questions; results tied to principles, processes, and areas, which makes the diagnosis easier and allows us to better plan actions; result per supplying company (and no longer by respondent); and increase of the sample, from 152 (in 2007) to 487 (in 2008), particularly in the Services, Ingredients and Indirect Materials segment (78% of the sample). Despite the changes in the survey methodology, the results presented in 2008 are comparable with those from previous years.

Satisfaction of Suppliers - Favorable Response Rate



The favorable response rate was 74% in 2008, which represents a drop of 10 percentage points from 2007. To the survey results, we added the qualitative perceptions of our suppliers obtained in the wikishop, a group dynamics carried out with representatives of these stakeholders. The result revealed room for improvement in the quality of the relationships and the need to take effective action, to make mutual trust and value generation more dynamic, and to improve the performance of the supply chain. Therefore, next year, we will invest in initiatives that will generate:

1. increased dialogue;
2. more sharing of information;
3. more appropriate return to the process of selection of suppliers;
4. better planning, organization and compliance with what was agreed in the management of innovation projects for suppliers of production inputs;
5. better payment process, particularly to suppliers of services, ingredients and indirect materials;
6. and better production input planning and control process.

We are convinced that we need a long-term relationship with our suppliers, and this requires us to face dilemmas and challenges together.

Development, Evaluation and Certification

The Qlicar (acronym for Quality, Logistics, Innovation, Competitiveness, Service, and Relationship in Portuguese) program, created in 2004, aims to ensure the development and high performance of our network of suppliers. Today, it includes 68 suppliers, who were selected over the years based on their history and business volume with Natura.

In 2008, the program evolved in three aspects: definition of new governance, review of objectives and indicators tied to each category, and equalization of the weights of each category in the total score. We conducted two workshops to train suppliers about new aspects of the program.

In the "Q" (Quality) category, we highlight the adoption of the new indicator related to the Assured Quality program. We started to receive the products of suppliers with excellence in the Quality Rate as Assured Quality, eliminating the need for Natura's internal controls.

The "Delivery Window" was the main evolution in the "L" (Logistics) category. Suppliers are given periods in which to make their deliveries rather than specific times. The benefits included a reduction in peak times for the receipt of products by Natura and a reduction in waiting and unloading times for suppliers.

The main evolution with respect to the categories of Qlicar was in the "C" category, which now means Competitiveness instead of Cost and Contractual Conditions. The new meaning intends to emphasize the need to constantly improve the competitiveness of the supply chains of Natura's suppliers.

Another relevant aspect regards self-evaluation and audits of suppliers, which cover quality, environment, and social responsibility requirements, including aspects related to human rights. All the suppliers that are in Qlicar were audited in accordance with these parameters in 2008. And all contracts require the non-use of child, forced, or the equivalent of slave labor.

Percentage of Self-evaluated or Audited Suppliers with Respect to Quality, Environment and Social Responsibility

	2006	2007	2008
Self-evaluated productive suppliers	93%	100%	100%
Audited productive suppliers	24%	36%	48%
Audited Qlicar suppliers	NA	NA	100%

Brazil nuts, one of the ingredients of the Ekos line

Supplier Communities

The sustainable use of inputs from the Brazilian natural environment is the main technological platform of Natura. The development of the supplier communities is essential for the preservation of the environmental heritage. To establish and maintain this network of relationships and insert it in the business model is a challenge that Natura assumed a few years ago to encourage environmental preservation and the appreciation of traditional knowledge. The complexity of the supply logistics (which involves costs, quality, and traceability of inputs); the regulatory framework that is still under construction that governs the many aspects of this relationship; and the cultural and social diversity of the communities involved make up a system that requires continuous effort.

Currently, we have 23 communities partnering with Natura, located in the North, Northeast, Southeast, and South regions of Brazil, and in Ecuador. In total, there are 1,895 families. This group of communities is characterized by great diversity, both cultural and socioeconomic. Additionally, they are located in different ecosystems and have different forms of social and institutional organization. These stakeholders range from small groups of family farms in the South region of Brazil to traditional extractivist communities with a large number of families in the North region.

The supply chain includes manufacturers, who transform the inputs originated in the communities into raw materials for our products. In the case of Natura's industrial unit of oils and soap mass in Benevides (Pará), this relationship already includes four supplier communities, and will be established with other surrounding communities in 2009.

Supplier Communities

	2006	2007	2008
Communities with which Natura relates	16	19	23[1]
Benefited Families	1,234	1,684	1,895

Appropriated funds (R$)

	2006	2007	2008
Supply	722,264	863,647	2,238,182[2]
Sharing of Benefits	300,000	324,716	1,136,017[3]
Funds and Support	204,478	755,126	671,868
Image Use	36,410	38,409	10,248
Training	20,000	49,907	18,042
Certification and Handling Plan	49,450	41,700	23,347
Studies and Advisory	504,661	396,137	129,482

1. The increase is due to the inclusion of communities in Mexico, in addition to two supplier communities that serve the Industrial Unit of Benevides.

2. The significant increase in the purchase price of inputs is due to the inclusion of the purchases of the Industrial Unit of Benevides, from the communities in that region.

3. The increase in the amount of shared benefits is due to the fact that we paid, by choice, for the contracts that are still awaiting the opinion of the Management Council of Genetic Heritage. Pay-out values were established based on the amount of time since the product was lauched.

Our relationship with these groups over the past few years has been directly and indirectly guided by the many forms of local value creation. In addition to the purchase of inputs, we have established contracts for the sharing of benefits, and in some cases we financially support the development of these suppliers and their production chains. To learn more about these indirect economic impacts, please refer to the chapter Creation of Social Value.

While we are recognized for the progress we have made, we still have a long way to go to establish quality relationships with these communities. We need, for example, to improve the instruments for measuring the social, environmental, and economic impacts of our relationship.

In 2008, we conducted an extensive survey and analysis of historical data of Natura's relationship with the many supplier communities, which generated an internal evaluation of the quality of the relationship.

We concluded that, despite our progress in transparency and dialogue in the processes of sharing benefits, joint establishment of the fair price of the inputs purchased, and in the strengthening of our relationship and communication with the communities, we need to improve many aspects, including the planning of demands, support for the administrative education of the groups, and the negotiation process of our supply contracts.

The lessons were used as bases for preparing the Relationship Principles with supplier communities.

In 2008, we continued to structure the methodology and indicators of the BioQlicar Program so as to improve the commercial relationships with rural suppliers and influence the adoption of sustainable corporate practices, in accordance with the abilities of each community. Our strategy, as from 2009, will be to strengthen the relationships with communities, guided by the Relationship Principles, by the implementation of the BioQlicar program, and by a broader evaluation of the quality of the relationship. The opening of new communities is not expected in the short term, as we believe that our focus now is to evolve with the current ones.

To avoid the possibility of any undesirable occurrence, we included in our supply contracts a clause to avoid the risk of child, forced, or compulsory labor in the commercial relationship with Natura. Although we have not achieved the target set for 2008, when we agreed to prepare a study and implement actions in this field, we have maintained our intention to prepare, now in 2009, parameters to evaluate the cases in which the labor organization is culturally based on family structure.

To learn more about our relationship with the supplier communities, please visit www.natura.net/relatorio

Pedro Ávila, 3, and Ana Julia, 4,
use Natura's products

Consumers

Our commitment to all of our stakeholders is daily reaffirmed in the manufacture of products that take Well-Being Well to our consumers. We estimate that we have, in Brazil, approximately 42 million consumers. Our relationship with this Natura Community is based on a broad offer of products backed up by our services. We work with a dynamic portfolio. We always seek to develop it in an appealing way, with adequate choice for all types of customers.

Not only do our products aim to meet the functional needs of our consumers, but we also want them to awaken the senses and develop people's awareness of themselves, of others, and of the world.

In 2008, our business structure, which was then based on areas, evolved to the business and regional units model. As a result, Natura will move closer to the final consumer. We will have a portfolio of products and promotions that will arrive faster at people's houses and will meet local Brazilian characteristics and needs.

Guided by the strategic goal of "Less is more," we decided to select the most important products in our portfolio. We must recognize, however, that the reduction from 930 items to 739 caused some discomfort to our consumers, who had grown used to some products that we discontinued. We believe that this perception will be overtaken by the offer of products that are more in line with our value proposal.

The indicators show that this change did not affect our level of acceptance by consumers. Natura maintained its high preference rate. In the Top of Mind category (first brand that comes to consumers' minds) of the Brand Essence survey, we moved to 32%, compared with 27% in the previous year.

In 2008, we chose not to conduct the consumer satisfaction survey. Due to the slight variation seen in the data from one year to the next, the frequency of the survey will now be biennial instead of annual.

Driven by the growth in the number of consultants and by the increase in Brazilian family incomes, the rate of penetration of Natura's products has been consistently increasing over the past few years. Between 2007 and 2008, this rate grew 4.4 percentage points to 45.6%. The social classes that contributed the most to this increase were classes D and E (using the Brazil Economic Classification Criteria of the Brazilian Association of Research Companies – ABEP [1]), with 2.4%, that is, more than half of total growth.

[1] *More information on www.abep.org.*

Acceptance of Consumers (%)

	2006	2007	2008
Natura penetration* (presence in Brazilian Households)	37.4	41.2	45.6
Global evaluation - Top Box	74	83	80
Loyalty			
Would recommend	67	65	66
Preference	43	42	47
Awareness			
Spontaneous	13	15	27
Stimulated	27	35	45

**Source: LatinPanel*

Communication with Consumers

The Natura Customer Service (NCS) is one of our main channels of communications with consumers. Via this channel, we receive complaints, criticisms, suggestions, and compliments, in addition to questions. Due to the large investment we made in 2008 in the training of NCS employees, we had positive results from this service. The quality score increased from 91.5% in 2007 to 95.9%.

This result comes from the score the consumer confers upon the service after using it, via the Customer Satisfaction Instantaneous Survey. In 2007, we served 76% of the calls within 20 seconds and, in 2008, this rate increased to 87%. We also managed to reduce the percentage of the non-answered calls from 6.6% to 3.9% and the average waiting time from 18 seconds to 8 seconds. Most of the NCS services refer to complaints related to the exchange of products. On average, we change 70,000 products per month; in 2007 the figure was 49,000.

NCS (Natura Customer Service)[1] (calls in thousands)

	2006	2007	2008
Total	**2,204**	**1,984**	**1,530**
Answered	1,664	1,854	1,471
Not answered	540	130	60

1. Calls related to the Brazilian operation.

As of December 31, 2008, 155 complaints about Natura had been registered with the Consumer Protection and Advisory Program (Procon), a foundation established by the public authorities to protect consumer interests. Most referred to dissatisfaction with a product (scent, incompatibility of the refill and adverse reactions), agreed-upon delivery, exchange or refund, and lack of understanding of the literature on the packaging. All complaints are addressed at Procon, and Natura makes agreements when the complaints refer to exchange or refund of products.

Controversial Ingredients

Reaffirming our commitment of transparency, in 2008 we published on our website our position on controversial ingredients, about which there is no consensus by the scientific community with respect to their possible harmful effects to human beings.

Parabens

Parabens are a group of preservatives made up of short-chain and long-chain compounds. The long-chain parabens are claimed to be harmful to human health, although there is no scientific consensus on the topic. Although Natura does use the short-chain parabens, which are not harmful to health, in some of its products, it chose to replace them in its new creations, eliminating them from its entire portfolio by December 1, 2010.

Triclosan

The greatest concern about triclosan refers to the fact that is widely used in the world, increasing its concentration in nature with possible impacts on the environment, as the substance affects water microorganisms because it is a synthetic antimicrobe that acts against the proliferation and growth of microorganisms. Consistently with Natura's sustainable stand, we have since July 2008 replaced the use of this ingredient in new products with plant origin alternatives and constantly seek to develop new less harmful antimicrobes.

Phthalates

Phthalates are a family of compounds used for many different purposes, including as additives in the manufacture of plastics and in the cosmetic industry. There is controversy involving using phthalates in PVC packaging. For this reason, we will ban the use of PVC packaging that is in contact with our products from January 2009. Natura also used a compound from this family, diethyl phthalate, as a solubilizer of fragrances, bittering agent, and alcohol denaturizer. When used in low concentration, there are no indications that diethyl phthalate can damage health. Nevertheless, this ingredient may be mistaken for the controversial versions of phthalates and so we have eliminated this substance from our new products since June 2008.

Another important communication channel, Natura Magazine, went through changes that significantly reduced its impact on the environment. With the new editorial graphic design, the number of pages was reduced, and the paper, which was recycled before, was replaced by couche paper (a paper with a satin finish) with the FSC (Forest Stewardship Council) seal, which certifies sustainable handling from the extraction in the forest to the final transformation of the raw material into a printed publication. As a result, we ceased using 1,000 metric tons of paper and emitting around 4,500 metric tons of carbon dioxide into the atmosphere in 2008. In this and other ways, we seek to set examples related to sustainable development in our communication.

We strictly follow the rules of the Advertising Self-Regulation Council and the codes of conduct of the Brazilian Association of Advertisers and Brazilian Association of Consumer Protection.

In order to ease the access of the final consumer to Natura's products, we reviewed the prices of our products meant for daily use so as to establish a habit of frequent use. Our objective was for consumers not to have to wait for a promotion to buy their favorite product. We also increased our investment in advertising by 129% from 2007.

Finally, we published a book that helps children learn in a playful way about the importance of water. With a print run of 550,000 copies, it was given as a gift to the consumers who bought colognes from the Naturé line, which is aimed at children from three to seven years old.

To learn more about our innovation initiatives, please visit www.natura.net/relatorio

Consumer Health and Safety

The safety of our consumers guides all of our product development processes. Under the supervision of the Product Safety Committee, made up of professionals from different areas, we take special care with all new ingredients and formulas, which are carefully tested by dermatologists or multidisciplinary teams and analyzed by specialists in product safety. We also maintain the Cosmetic Vigilance System, which monitors possible adverse effects of the products, as a reference for the innovation process.

This care meant that, like in previous years, in 2008 there were no convictions, questioning by regulatory agencies (such as the National Agency of Sanitary Vigilance and the National Institute of Metrology, Standardization, and Industrial Quality) or fines related to our products with respect to labeling or health and safety impacts.

Innovation is also expressed on the packaging of our products. In addition to a description of all ingredients used, which is required by law, we have included in our launches since 2007 the environmental table, which explains the origin and destination of the materials used, as a way to raise consumer awareness with respect to the environmental impacts.

Surrounding Communities

Natura has a history of involvement with the communities where it is present. We promote community development by means of the relationship we have in Cajamar and Itapecerica da Serra (São Paulo) and in Benevides (Pará), where our operations are more expressive. In addition to promoting real initiatives, our activity is based on the social involvement of all sectors of society and a focus on issues that are important for communities in developing the common good.

We have some challenges ahead. In Cajamar, we want to help expand and strengthen democratic participation areas in partnership with the different sectors of society. To this end, we implemented the Agenda 21 Permanent Forum. We also intend to contribute to overcoming environmental and social challenges in an integrated way. Accordingly, we established the Selective Collection Program in Itapecerica da Serra. In 2008, we invested R$ 592,000 in both municipalities. The significant increase compared to the previous year (R$ 391,500) was a result of the use of funds from the Believing is Seeing (*Crer Para Ver*) Program in projects to improve the quality of public education in both municipalities.

Investment made

1. Of the R$ 592.000 invested, R$ 249.200 are funds from the Crer Para Ver Program.

Over the years, we have been encouraging our employees to work as volunteers in the schools of Cajamar and Itapecerica da Serra. In 2008, 56 workers participated in reading and information technology classes, benefiting 679 people. This was less than in 2007, when we had 77 volunteer employees. Thus, we intend to mobilize employees to increase the number of participants in this program in 2009.

A significant portion of the effective job vacancies in the operational area have been taken by employees from the community surrounding our plant in Cajamar, which is why the indicator has increased in recent years. The tendency for 2009 is for this figure to remain stable. In addition to permanent employees, we have many temporary and outsourced employees who come from our surrounding community.

Employees from the surrounding Communities[1] (%)

	2006	2007	2008
Cajamar	13.0	16.9	18.2
Benevides	n/a	96	96

1. Itapecerica da Serra only has administrative personnel and does not account for employees from the surrounding community.

Cajamar

Our efforts in Cajamar, city of our head office, were focused on the dissemination, monitoring, and implementation of the Master Plan in the municipality, which was approved in December 2007. Its content is a result of the work on Agenda 21, the discussion of which we have been stimulating since 2003 in two of the town's three districts – Polvilho and Cajamar Centro. In partnership with the NGO Mata Nativa and community leadership and associations from both districts, we have been organizing district forums, which gathered about 190 people in 2008, to establish priorities for the implementation of the Master Plan in the municipality.

Our work has been well received by the local community. In 2008, a survey conducted with representatives of civil society, the third sector, and the government of Cajamar about our participation in the development of the community evaluated aspects of leadership, management, democratic participation, education, and culture. It tried to understand whether our efforts over 10 years met the interests and needs of the community. We detected that the population clearly sees the areas where we invest the most and realizes that our intention is to contribute to the improvement of quality of life in the community and to local sustainable development. The results, discussed by the Natura Sustainability Committee, will be taken into consideration in the preparation of new strategies and initiatives in our work in the surrounding communities. We must admit that we did not make progress in 2008 with the program for the development of local suppliers.

With respect to encouraging improvement in the quality of education, with funds from the *Crer Para Ver* program, we progressed in our partnership with the Municipal Education Board in projects such as the ParticipAção (ParticipAction), structured with the support of the Public Policies Studies Center of the State University of Campinas, which seeks to bring parents closer to the academic life of their children. We took this initiative to 29 schools in the municipal system, and it indirectly benefited 11,000 students.

Itapecerica da Serra

In the local community of Itapecerica da Serra, we focus mainly on the district of Potuverá, where we are located and which has a population of around 9,000 people. We believe that our actions can be replicated, benefiting an increasing number of people. Accordingly, we established partnerships with the publicsector organization to develop projects and public policies of interest to the whole municipality.

Our main initiative in 2008 was to provide technical support to the City Administration Office in the development and implementation of the Selective Collection Program and the structuring and strengthening of the Cooperative of Recyclers of Itapecerica da Serra. The Selective Collection Program of Itapecerica da Serra serves some education establishments, public agencies, gated communities, and companies, with Voluntary Delivery Points and door-to-door collection. Currently, 16 metric tons of recyclable materials are collected.

We established a contract with the Cooperative for the destination of solid waste in the town as from 2009, so that our recyclable waste can contribute to the generation of local income.

We have also been investing in developing the School Agenda 21, which resulted in selective collection projects in the schools of the municipality and the wider region, which were organized and reported in the publication "Tracking the paths of the School Agenda 21." With the support of Natura, the separation and proper destinations of waste are already in place in 57 schools (7 private, 34 municipal and 16 state schools) and also in nine companies, six gated communities, and in the district of Branca Flor.

Benevides

In our first industrial unit outside the state of São Paulo, the industrial unit of soap products in Benevides (Pará), we have some challenges ahead, among which are to strengthen the quality of relationships in a region where social needs are obvious. The occupation of an area that neighbors Natura's land and a number of lootings in the first half of 2008 are examples of the difficulties we face. These events have generated insecurity for the employees in that unit.

As a way to overcome such challenges, we are working harder to strengthen our relationship with the surrounding community, working on the organization and training of complex extractivism chains, and promoting a sustainable business model that benefits the community, the environment, and our business. We invest annually in lectures and training meetings for the suppliers in this community.

This will take time, and we still need to plant many seeds to overcome obstacles such as lack of organization, leadership, and knowledge for the management of business, whether of cooperatives, associations, or unions, which, therefore, become fragile and inefficient.

In 2008, we bought 152 metric tons of inputs from small local producers. We used a model that favors extractivism and family agriculture, thus strengthening our relationship with communities and cooperatives. The local producers with whom we do business are not only located in the municipality of Benevides, but also in other municipalities, but all must have the required socio-environmental characteristics.

Purchases from Suppliers from the Surrounding Communities of Plant Units (in R$ millions)[1]

	2006	2007	2008
Cajamar[2]	32.52	45.99	51.96
Itapecerica da Serra[3]	0.41	0.82	1.16
Benevides	0.48	6.45	34.43

1. The method for the consolidation of this indicator was changed; this is why historical data have been restated. The amounts include taxes.

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

3. New calculation assumption: purchases from suppliers from the state of Pará, exclusive of the soap plant located in Benevides, in the North region of Brazil. This operation started in May 2006.

Government

We try to maintain a constant and open relationship with the many spheres of the public sector so that we can participate in the discussion of topics related to our business. Our goal is to be recognized as an important participant in the debate of public policies.

Our relationship with the government and with trade associations and such entities takes place through our department of Government Relations, a team of five professionals responsible for communication with these stakeholders. In the convergence between Natura's strategic planning and the national political agenda, we identify the main focuses for each year. In 2008, our main efforts were to contribute on the following issues: establishment of a new regulatory framework for accessing Brazilian biodiversity; fiscal policy; industrial and direct selling policy; and regulatory environment of the personal hygiene, perfumes and cosmetics sector.

Natura supported the initiative of the Brazilian Association of the Personal Hygiene, Perfumery and Cosmetics Industry (Abihpec) to present to the federal government a formal stand on and suggestions for the new law on access to genetic resources and traditional knowledge. For some years now, we have been defending the need for new legislation that protects the national genetic heritage and, at the same time, ensures conditions for the research and development of products based on our biodiversity.

We also work with the Management Council of National Genetic Heritage an authority that regulates the matter in Brazil, so that the terms of the current legislation on access to genetic resources does not stop research on and development of biodiversity. Our main dialogue partners in this complex situation were the Ministries of Environment, Development, Industry and Foreign Trade, Science and Technology and their agencies, as well as the Office of the Chief of Staff of the Presidency of Brazil.

With respect to fiscal policies, we have been working to adapt, under the leadership of Abihpec and the Brazilian Association of Direct Selling Companies (ABEVD), to the tax substitution system implemented in 2008 in the state of São Paulo. In partnership with ABEVD, we talked to the state treasury departments on the tax policy in the states of Pará, Santa Catarina, and Paraná.

With respect to the regulatory environment, in 2008 we worked on the improvement of the procedures and requirements of the regulatory agency, the National Agency of Sanitary Vigilance (Anvisa), so that our sector can have a modern regulatory framework that promotes research and development and strengths industry, establishing the position of Brazil among the three largest markets in the world.

In order to further strengthen the dialogue channel that we maintain with public agents, and in compliance with the commitments made in 2008, we published our Relationship Principles with the Government; our Integrity Policy against Corruption and Bribery, in which we reaffirm our distance from any illicit practices; our Campaign Donation Policy, in which we clarify the option of our company not to make donations to candidates or political parties, in or out of election periods; and our stand about the practice of political lobbying, in which we align ourselves with those favorable to the practice exercised with ethics and transparency.

To learn about our policies and participation in trade associations, please visit www.natura.net/relatorio

Shareholders

Natura maintains a direct, transparent, and constant relationship with its shareholders, investors, and capital markets analysts. We provide information on our activities and results in accordance with the best practices and the rules of the Brazilian Securities Commission, which regulates the disclosures of listed companies in Brazil, and the BM&Fbovespa, where our shares are listed on the New Market segment. We also seek to provide information on the value we add through sustainability, whether via teleconferences or events promoted by banks and brokerages in Brazil and abroad.

To better evaluate how the capital markets perceive us, we conducted a Perception Study for the second consecutive year. Extensive interviews with investors in Brazil, the United States, the United Kingdom, Germany, France and Singapore, showed the opinions of professionals who know Natura very well. The brand is seen as a strength, whereas constant changes in the internationalization strategy appears as a weakness. The study ended in an average score in 2008 of 4.1 points in a range of 1 to 5, higher than the 3.8 points in 2007.

Regular comments on the development of the company, disclosed by the Investor Relations area, are approved by the Audit Committee, the Brazilian Executive Committee (Comex), and the Board of Directors, ensuring communications that accurately reflect the evalue of the company.

Reversing the trend seen in recent years, the number of Natura's investors dropped significantly in 2008. The reason was mainly the global economic downturn, which led many investors, particularly individuals, to liquidate or reduce their positions in stock exchanges all over the world. The drop of the investment in Natura was 47.5%: from 20,798 in 2007 to 10,927 in 2008 - 91.5% individuals and 8.5% legal entities.

We recorded a growth in the investments of corporate investors headquartered abroad, which represented approximately 36% in 2007 and grew to 58% in 2008.

With respect to the number of outstanding shares, foreign corporate investors hold 82% of the shares and, Brazilian corporate investors 8%.

Profile of Shareholders

	2006	2007	2008
Individuals	8,614	19,813	9,993
Legal entities in Brazil	616	633	396
Legal entities abroad	475	352	538
Total	**9,705**	**20,798**	**10,927**

In December 2008, the percentage of Natura's outstanding shares in relation to total capital stock was 25.53%, which is in compliance with the minimum requirement of 25% by the New Market, the highest level of corporate governance on the São Paulo Stock Exchange, where our shares are listed.

Corporate Structure

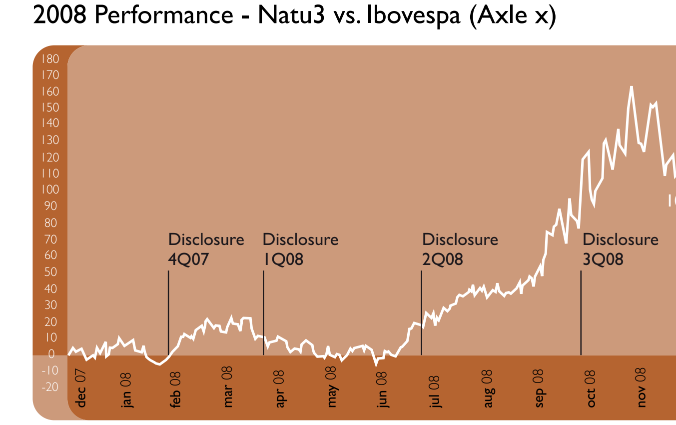
Shareholders	Interest	Number of Shares
Majority shareholders	73.42%	314,993,430
Treasury shares	0.00%	20,955
Management shares	1.05%	4,508,030
Outstanding shares	25.53%	109,562,334
Total shares	**100.00%**	**429,084,749**

The performance of Natura's shares in 2008 was very peculiar. The effect of the global economic downturn, which caused share prices on the Brazilian capital markets to drop from September, was not reflected with the same intensity on the prices of our shares. In fact, whereas the main index of the São Paulo Stock Exchange (Ibovespa) dropped 41%, Natura's shares appreciated 18%. The main drivers of this performance were the company's low level of indebtedness, high cash generation, high profitability, and an active, sensible, and secure treasury department. Additionally, our action plan, aimed at increasing sales in Brazil, started to show its first results, increasing confidence of the company's investors and shareholders.

Natura's shares (Natu3), traded on the BM&Fbovespa, have appreciated in total 213% since their IPO, whereas the Ibovespa appreciated 99% in the same period.

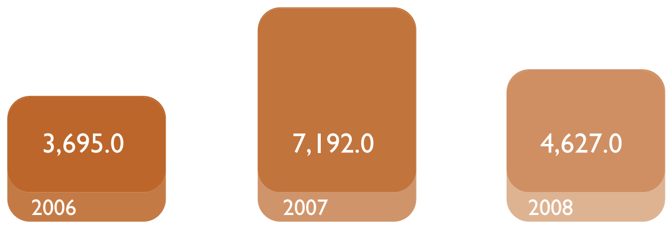
Performance of Shares

2008 Performance - Natu3 vs. Ibovespa (Axle x)



We remained on the leading Brazilian share market indexes – Ibovespa, IbrX-50, IbrX-100 (which list the most liquid shares on the stock exchange), the Tag Along Share Index (Itag), the Corporate Governance Index (IGC) and the Corporate Sustainability Index (ISE), which uses sustainability criteria to select shares of listed companies and on which Natura has been included since its inception in 2005. Natura is also part of the Morgan Stanley Composite Index (MSCI), which is a reference for foreign investors.

Total Traded Volume (R$ million)



In 2008, we participated in many conferences abroad, in addition to road shows in the United States, Europe, São Paulo and Rio de Janeiro. In these events, we had contact with approximately 1,500 investors, individuals, analysts, and fund managers. Another form of direct communication between Natura and investors is our Investor Relations website, which makes available the "Talk to the IR" service. Information on the events in which we participate, comments on our performances, data on corporate structure, and the history of our dividends may be found on the website.

Payment of Dividends

On February 18, 2009, the Board of Directors approved a proposal to be submitted for the Annual Shareholders' Meeting on March 23, 2009 for the payment of dividends and interest on capital with respect to the results accrued in 2008 in the amount of R$ 442.2 million and R$ 57.5 million (R$ 48.8 million, net of withholding income tax), respectively.

Of this amount, dividends related to the results for the first half of 2008 amounting to R$ 188.0 million were paid on August 10, 2008. The remaining balance, to be paid on April 8, 2009 after being ratified by the Annual Shareholders' Meeting, will be R$ 254.2 million in the form of dividends and R$ 48.8 million in the form of interest on capital (net of withholding income tax).

The aggregate of these dividends and interest on capital related to the results for 2008 will represent net earnings of R$ 1.15 per share (R$ 0.95 per share in 2007), corresponding to 98.0% of the generation of free cash and 90.6% of net income for 2008.

To learn more about our participation in the capital markets, please visit www.natura.net/investidor

Creation of Social Value

The story of Natura shows how corporate activity may be aligned with social development. In 2008, we resumed increasing the creation and distribution of wealth to all our stakeholders. There was an expressive increase in the distribution of wealth to consultants, from R$ 1.7 billion in 2007 to R$ 2.0 billion in 2008. However, we are still not satisfied, and we believe we can progress further in our social indicators.

Distribution of Wealth (R$ million)

	2006	2007	2008
Shareholders	359.4	415.1	499.7
Consultants	1,583.9	1,722.1	2,023.8
Employees	379.7	390.3	571.9
Suppliers	2,132.3	2,329.7	2,567.3
Government	817.1	948.2	1,032.2

In May 2008, a survey conducted by Ipsos Loyalty using the Brazil Economic Classification Criteria of the Brazilian Association of Research Companies (ABEP)[1], outlined the profile of our consultants. It showed that the majority (86%) are from classes B and C and that the sale of Natura's products is an important supplement of family income. The sales produce from 20% to 50% of family income for one third of consultants. Over half of them have more than one child at home. In all regions of Brazil, at least half of them sell only Natura products.

[1] *More information on www.abep.org.*

This is the only or main source of income (75%) for the majority of the Natura Consultant Advisers (NCAs) For 53% of them, this activity represents somewhere between 20% and 50% of family income. Most of them (68%) are from class B and their main motivation to sell Natura's products is, in addition to the income, the possibility of learning and establishing new relationships.

To learn more about the profile of our consultants, please visit www.natura.net/relatorio

We also create value for the communities that supply the ingredients from biodiversity and which receive funds in four different ways: for the supply of raw materials; the sharing of benefits from the access to the genetic heritage or associated traditional knowledge; use of image; and in funds and agreements to promote sustainable development.

In 2008, 14 contracts for the use of the genetic heritage and sharing of benefits (Curb) were signed, eight with communities and six with other players (companies, government and farmers). We also paid for Curbs related to the processes that were still being analyzed by the Management Council of Genetic Heritage (CGEN), which is linked to the Ministry

Natura Cajamar Unit (state of São Paulo), company's head office

of the Environment (MMA). With the knowledge of this agency, Natura opted to make the payments to the communities, as it was already being benefited by these contracts. Most of the processes related to the sharing of benefits of Natura are still under analysis in the CGEN. As instructed by the agency, we made payments for all the contracts filed, which included processes that started in 2004. In some cases, the payments related to the sharing of benefits referred to products launched in 2001. Therefore, the impressive increase in the amounts related to the sharing of benefits is related to the fact that, until 2007, Natura had paid only for the contracts that were authorized by the CGEN (three supplier communities and five companies and family farmers) until 2008. In 2008, however, we made payments for the 19 filed contracts.

Learn more about the indirect financial impact on the supplier communities in the Chapter Suppliers and Supplier Communities.

Distribution of Wealth to Supplier Communities

	2006	2007	2008
Use of image (R$)	36,410	38,409	10,248
Funds and support (R$)	204,478	755,126	671,868
Sharing of benefits from the access to genetic heritage or associated traditional knowledge (R$)	300,000	324,716	1,136,017

Investment Matrix

The amount of Natura's investments in corporate responsibility was maintained at the same levels as the previous year. The highlights were related to the environment, thanks to the investments in carbon offset projects and consultants. There was an increase in the amounts invested in Natura Movement and society, in support and sponsorships.

There was a reduction in investments in corporate education, which followed the 2008 restructuring process. The training courses to the sales force, as well as to the plant staff, which are focused on quality of relationships and sustainability, remained unchanged. Thus the corporate education area was preserved since we had a lot of activity at lower costs.

In the Matrix, we consolidated investments in projects or actions that are not intrinsic to Natura's business and go beyond the legal requirements.

Matrix for Investment in Corporate Responsibility (R$ thousands)

	2006	2007	2008
Employees, families and third parties	11,637.5	19,084.0	18,729.3
Consultants	1,387.6	1,801.4	2,566.8
Consumers	380.0	468.3	270.9
Suppliers	130.0	232.3	212.8
Supplier communities[2]	1,141.7	1,993.1	647.0
Surrounding communities	433.9	391.5	342.8
Government and society	7,453.9	7,058.7	8,777.4
Environment	442.7	1,849.1	5,467.2
TOTAL invested per stakeholder	**23,007.3**	**34,185.1**	**37,014.2**
Management expenses	5,799.7	9,591.9	7,148.3
TOTAL Natura funds	**28,807.0**	**43,776.96**	**44,162.48**
Percentage of net revenues	1.0%	1.4%	1.2%
Net funds raised by consultants in the program *Crer para Ver*[3]	5,382.4	2,484.8	3,767.0
Invested tax incentives			
Rouanet Law	1,936.3	2,059.5	2,852.8
Audiovisual Law	0.0	1,098.0	400.0
ICMS (state Value-Added Tax) in Minas Gerais	1,500.0	2,101.6	2,000.0
ICMS (state Value-Added Tax) in São Paulo	0.0	814.3	540.7
1% Income Tax to CMDCA[4]	160.2	227.0	0.0
1% Income Tax to Condeca[5]	388.0	445.0	1,015.0
TOTAL GERAL	**38,174.0**	**53,007.2**	**54,738.0**

1. The amounts invested in support and sponsorships are also taken into consideration in this matrix, but they are split among the benefited stakeholders.

2. The amount for 2007 was recalculated, excluding the total amount related to the sharing of benefits.

3. For further information, please see the chapter Quality of Relationships.

4. CMDCA: Municipal Councils for the Rights of Children and Adolescents. In 2008, 1% Income Tax was transferred to Condeca.

5. Condeca: State Council for the Rights of Children and Adolescents.

Crer para Ver (Believing is Seeing)

Education is the primary force for structural change in society. For this reason, since 1995, we have been developing *Crer para Ver*, a program to improve the quality of education in Brazilian public schools. It is based on the participation of our consultants, who sell without profit products exclusively developed for the *Crer para Ver* line.

The funds raised without profit to Natura or remuneration to consultants make many projects possible. In 2008, we launched new products for the line in the Brazilian portfolio, such as the post-it kit, set of pencils, and shopping bags, which are an alternative to plastic bags.

In Brazil we raised a total of R$ 3,767,000, R$ 3,381,000 of which were invested in educational initiatives. That difference is explained by the fact that the total amount raised in one year goes to a fund that invests in many projects supported by the program in the following years. In 2008, we launched the *Crer para Ver* program in some countries in Latin America, such as Argentina.

The total annual investment in projects of the *Crer para Ver* program dropped in 2008 due to the end of the campaign whereby consultants encourage enrollment with the Education of Youngsters and Adults (EJA), a program of the Ministry of Education (MEC). This program had achieved maturity and stability; encouraging a return to school is already part of our consultants' routine. Between 2006 and 2008, our team sent over 170,000 people back to school.

Investment in Education for the Benefit of the Government in Brazil (R$ thousands)

	2006	2007	2008
Funds raised from the *Crer para Ver* program	5,382.4	2,487.8	3,767.0
Total amount from the projects developed and supported by the *Crer para Ver* program	3,104.0	4,330.0	3,381.0

To learn more about the projects of the *Crer para Ver* program, please visit www.natura.net/relatorio

Support and Sponsorships

Our support and sponsorships work covers three fronts: sustainable development, strengthening of civil society organizations, and Brazilian culture. At the cultural level, we continued with the Natura Musical project, which supports initiatives that showcase Brazil's musical heritage. The projects are chosen through invitations to bid, based on tax incentive laws. In 2008, Natura Musical sponsored 31 projects all over Brazil, in addition to the other 79 projects supported since its launch in 2005.

Our support and sponsorship guidelines are a way of aligning investments in institutional projects with the beliefs that guide our corporate behavior. We also guide our sustainable development work toward conscious consumption initiatives, social inclusion, and incentives for urban green areas. We try to select initiatives that provide society with a closer and more integrated experience with nature in urban areas, so as to promote awareness of interdependence and knowledge of biodiversity.

We sponsor make-up workshops, given by volunteer consultants to physically and emotionally fragile women. Until 2007, the workshops took place only in hospitals that treated cancer patients. From 2008 we included low-income communities in Rio de Janeiro at the cultural centers of the AfroReggae Group. The objective is to promote exchanges, self-knowledge, and interaction between people.

We continue to support entities and associations that represent our sector and contribute to sustainable development. Accordingly, we support the Brazilian Association of Corporate Communication in offering courses to journalists on the Global Reporting Initiative (GRI) guidelines, and the GRI itself in its mission to develop globally accepted standards for sustainability reports through a process of stakeholder engagement. We have also supported the Ethos Institute since its foundation in 1998, as well as its campaigns and pacts in favor of the dissemination of corporate social responsibility in Brazil, among which are the Corporate Pact for Integrity and against Corruption.

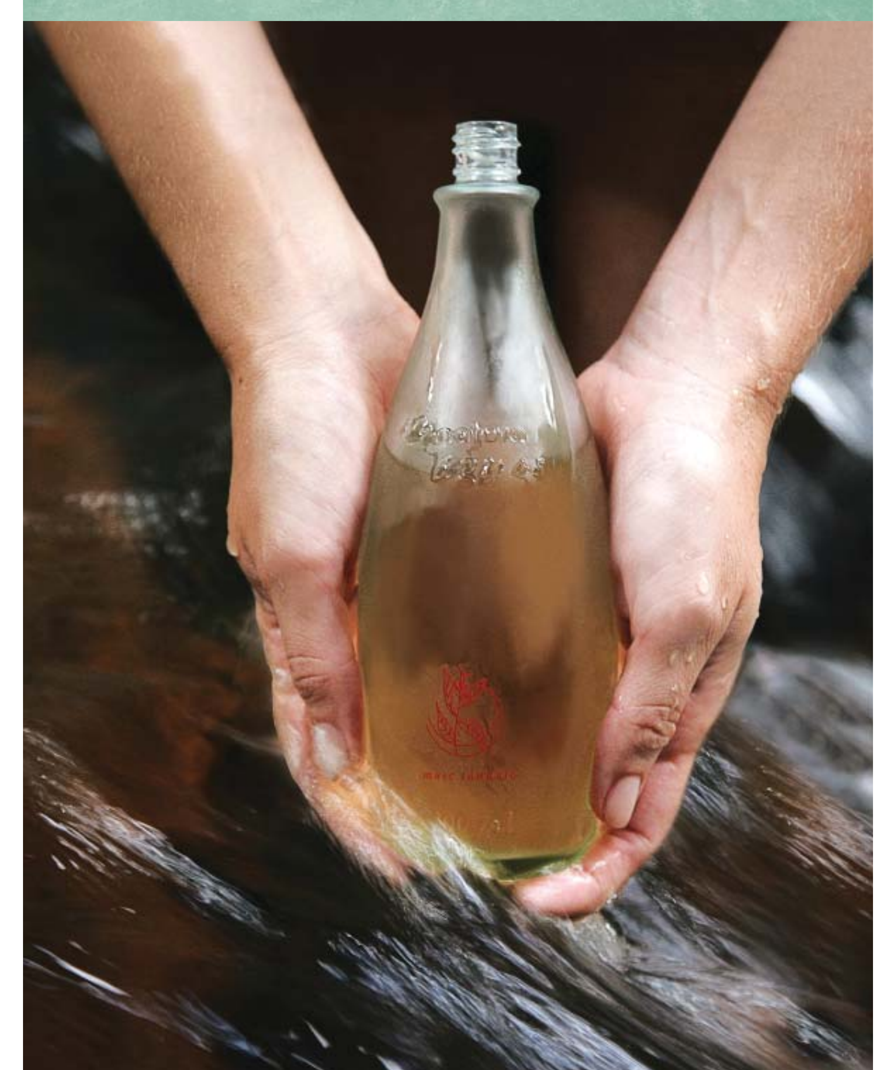
Invested Natura Funds[1] (R$)

	2006	2007	2008
Sustainable development	2,190,179	2,519,801	2,782,000
Women's entrepreneurship[2]	164,886	-	-
Strengthening of civil society organizations	1,442,420	1,270,777	1,771,879
Appreciation of Brazilian culture focused on music	741,047	780,785	1,327,403

1. Natura also invests funds by means of incentive laws; see investment matrix on page 47

2. In 2007, the guidelines for support and sponsorships were revised and, in order to align them with Natura's strategic options, the Women's Entrepreneurship guideline was extinguished.

To learn more about the main projects supported in 2008, please visit www.natura.net/relatorio



Environmental Performance

In 2008, we took important steps to improve our environmental performance. One of the most important was the Carbon Neutral project, a program responsible for reducing our greenhouse gas (GHG) emissions by 33% between 2007 and 2011. We also started to offset carbon emissions by means of support for five reforestation and renewable energy projects. As part of the sustainable management of waste, we focus on recycling projects, including post-consumption recycling. We also implemented new water and energy consumption reduction policies in our units.

Carbon Neutral

The crises arising from climate change require a change in consumption and production patterns. Companies that understand the challenges of their times will make a difference in the future. For this reason, we implemented in 2007 the Carbon Neutral project to reduce and offset GHG emissions in all stages of our production chain – from the extraction of raw and packaging materials, to internal processes and transportation of products, through to their disposal.

The great innovation of this project lies on the fact that Natura committed to a complete plan on three work fronts (inventory, reduction, and offsetting), involving all of its production chain. We are committed to reducing relative emissions by 33% between 2007 and 2011 in relation to total emissions in 2006. In 2008, we achieved the planned internal target and eliminated 3.0% of our emissions, totaling 9.0% in two years.

To realize these reductions and offsets, we put into practice an inventory to quantify our emissions in all stages of the production chain, based on the standards of the Greenhouse Gas Protocol Initiative and the standard of the Brazilian Association of Technical Standards NBR ISO 14064-1, which establishes principles for the conception, development, management, and preparation of company reports on GHG levels. In 2008, we progressed in our monitoring on a four month basis to measure results achieved, and had the annual results verified by independent experts.

In 2008, we were responsible for the emissions of 188,051 metric tons of CO_2 equivalent, a rate that is 5.03% higher than 2007, when it was 179,040 metric tons. Our previous report had a different figure: 183,619 metric tons. The change is a result of a revision of consumption data, inclusion of new emission processes, improvement of calculation methods, and an update of emission factors based on international standards.

Thus following the GHG Protocol, the base year was recalculated, thereby maintaining the same basis for comparison over the years, and the emissions for 2006 and 2007 published in this report have been restated.

Total CO_2e (metric tons)[1]

Relative emissions
(kg of CO_2e/kg of product billed)

1. CO2e (or CO2 equivalent): measure used to express the greenhouse gas emissions based on the global warming potential of each gas.

We undertook in our company initiatives to reduce GHG emissions in all stages of our production chain, such as the use of organic alcohol in formulas, the encouragement of transportation of products by ship, the change in the policies for paying for fuel for our fleet in order to stimulate the use of alcohol, the optimization of packaging, and the expansion of the use of recycled materials.

As it is not possible to reduce all our emissions, we made a commitment to neutralize them and introduce to our customers carbon neutral products. In order to offset the GHGs in 2007, we selected, by means of invitation to bid, five offsetting projects, from different regions of Brazil, two of which are agroforestry efforts to reforest devastated areas and three are renewable energy actions.

Reclaiming the landscape and agroforestry systems – Pontal de Paranapanema (state of São Paulo). In partnership with the Ecologic Research Institute, it aims to reforest and generate income for settled families. Our commitment is to sequester 60,000 metric tons of CO_2 in 30 years.

Recovery and preservation of natural resources in rural settlements - Region of Cantão (state of Tocantins). Developed by the Ecológica Institute, this project is focused on the recovery of devastated areas and encouragement of the sustainable use of natural resources. Our commitment is to sequester 60,000 metric tons of CO_2 in 20 years.

Use of renewable biomass in the ceramics industry – São Miguel do Guamá (state of Pará), Cristolândia (state of Tocantins) and Paraíso do Tocantins (state of Tocantins). In partnership with Ecológica Assessoria, it replaces the thermal energy arising from the burning of wood from native forests in the ceramics industry by renewable energy such as rice husks and sawdust provided by legal lumber companies. Our commitment is to sequester 60,000 metric tons of CO_2.

Cooperatives of Small Hydroelectric Plants – Ijuí, Erechim and Santa Rosa (state of Rio Grande do Sul) The three plants generate and distribute clean energy to rural areas. Our commitment is to sequester 14,000 metric tons of CO_2.

Replacement of fuel oil by biomass with sustainable handling – Jaraguá do Sul (state of Santa Catarina). In partnership with AMC Têxtil, this project replaces the fossil fuel used in the textile industry by wood chips, a waste product from the process of transforming biomass extracted by means of sustainable handling. Our commitment is to sequester 30,000 metric tons of CO_2.

In 2008, we held a major event to mark the opening of the invitation to bid for the 2009 projects, launched on the Environment Day, June 5, at Natura's head office in Cajamar. On the same day we launched our reformulated website, with all the requirements and explanations about the invitation to bid, which was open for three months.

We received 61 proposals. They were all internally evaluated with the help of a specialized consulting firm. The best proposals were discussed by the technical team of Natura in a panel of specialists, with external guests helping in a semifinal evaluation. The selection should also consider five projects that reflect the geographic needs and that are different from the projects supported in 2008.

The Carbon Neutral project yielded many positive results, such as the invitation to Natura by the United Nations Environment Programme to participate in the Climate Neutral Network, a global virtual forum on climate change. In Brazil, we received the Época Climate Change Award of the Época Magazine, which chose us as the company with the best carbon emissions reduction strategy in Brazil. For the second consecutive year, our socioenvironmental data are being validated by Det Norske Veritas.

To learn more about the details of the carbon offsetting projects we support, please visit www.natura.net/carbononeutro

Our NOx and SOx gas emissions are not significant and, for this reason, we did not monitor their emissions. Neither have we used substances that destroy the ozone layer.

Biodiversity

One of the main vectors of innovation is the sustainable use of biodiversity. This approach leads to the creation and development of new products, using native and exotic species and ecological models of plant production, our program for the certification of inputs and partnerships with rural suppliers, such as traditional communities and family farmers who may contribute to preserving biodiversity. We work to establish a new regulatory framework for the access to Brazilian biodiversity to protect the national genetic heritage and ensure favorable conditions for research and development.

After months of study, we prepared and approved, at the end of 2008, the Policy of Sustainable Use of Biodiversity and Traditional Knowledge, which will be fully implemented in 2009. The policy seeks to comply with the precepts of the Convention on Biological Diversity signed by Brazil during the 1992 Earth Summit.

This document establishes the use of biodiversity as a vector of sustainable development, the appreciation of ethical and transparent relationships with the many stakeholders, the application of the well-founded principle of prior consent, the harmonious use of traditional knowledge and scientific rigor in the development of products, stakeholder engagement, establishment of networks, appreciation of cultural heritage and traditional knowledge as elements of local and global socioenvironmental sustainability, minimization of impacts, sustainable handling, certification, and the sharing of benefits, appreciation of work, and fair price based on value chain analysis.

Certifications

To ensure that the inputs used as raw materials in our products are extracted in a sustainable way that benefits the extracting communities, we prepared the Program for the Certification of Plant Raw Materials in 2008. Its objective is to promote sustainable cultivation and handling by means of the certification of plantation areas and native forests.

The program is an important instrument for developing civic awareness because it includes groups of family farmers and traditional communities in Natura's business chain, generating income and stimulating local organization. Based on the uniqueness of each region and production area, it adopts three different certification models - organic, forestry, and sustainable farming - while observing the criteria of the Instituto Biodinâmico (Biodynamic Institute), the Forest Stewardship Council and the Sustainable Agriculture Network.

We achieved the target set for 2008 to certify another four ingredients, among which is Palo Santo, certified in Ecuador by Ecocert Equador. The other three are organic certificates in partnership with the certifying agency IDB. Therefore, we ended the year with 26 certified ingredients. From the total number of certified ingredients, two have been excluded: the essential oil of rosewood, which is now synthetic, and the tonka bean, which will not continue to be supplied due to difficulties in obtaining production volumes.

Certified Ingredients

	2006	2007	2008
Total certified ingredients (unit)	22	24	26
Percentage of total certified species	63%	51%	54%

** Only plant inputs in the form of waxes, oils, extracts, or essential oils are considered.*

Two species used in the production of inputs acquired by Natura – the Brazil nut (Bertholletia excelsa) and yerba mate (Ilex paraguariensis) – are on the list of endangered species compiled by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) and the International Union for the Conservation of Nature and Natural Resources. In order to reduce possible impacts on the populations of these species, we acquire these inputs from areas certified by the FSC, which not only attests to their compliance with legislation, but also with other socioenvironmental criteria.

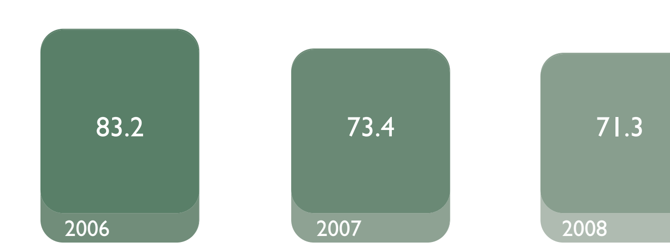
In 2008, we financed a study, in partnership with the Brazilian Company of Agriculture and Cattle Raising, on the populational and genetic structure of these two species, enhancing knowledge that may be used for their preservation.

Environmental Impact of Products

In order to evaluate the environmental impacts of the packaging of Natura's products, we have since 2001 been using Life Cycle Assessment (LCA), a tool that quantifies the environmental impacts of products in the stages of extraction of raw materials, production, use, and final disposal. In 2008, we continued to progress in the reduction of environmental impacts related to Natura's packaging, which are measured by our LCA indicator per kilogram of billed product. We achieved our reduction goal thanks to three factors:

- Reduction of related masses and better eco-efficiency of commercial support materials, such as the Natura Magazine, which was reformulated in 2008;
- Design of packaging that includes a constant focus on the reduction of impacts in the development of new products. We changed, for example, the specification of the Natura bag, which at the beginning of 2008 started to be produced from 100% post-consumption recycled paper;
- Positive effects of the product mix sold, with the faster growth of products with less impact, such as the soap bars.

Environmental Impact of Packaging per Quantity of Products (mPt/kg)



With respect to the sale of refills, we ended 2008 with a better result than the target of 18.5%.

Percentage of Refills on Billed Items (%)

	2006	2007	2008
Brazil	19.8	21.3	19.86
Argentina	17.1	21.1	20.69
Chile	9.0	16.1	16.11
Mexico	7.9	11.2	11.63
Peru	15.5	21.3	21.37
France[1]	9.6	9.9	9.3
Colombia[2]	n/a	8.1	12.12
Venezuela[2]	n/a	6.0	8.09

1. The historical data on refills in France were changed because the previous calculation method was different from the one adopted by the other operations. In 2008, the calculation was standardized based on the guidelines that are already used in Brazil and other countries in Latin America.
2. The Colombian and Venezuelan operations started up in 2007.

Materials Used Arising from Recycling (%) [1 2]

1. The indicator takes into consideration packaging materials and materials for distribution (magazines, distribution boxes, and bags) that are recycled post-consumption.
2. The criteria for the determination of this indicator were reviewed, which is the reason why the historical data were changed.

Water and Effluents

In 2008, we reduced the consumption of water per unit billed by 8.91%. Therefore, we had a reduction of 2.05% absolute consumption, achieving the target proposed in the previous year. As we consider water a highly important resource, not only for Natura, but also for society at large, we plan to intensify our efforts in this field from 2009 onwards.

We developed a number of approaches to save this natural resource. At the plants, for example, we optimized consumption by means of an awareness raising effort in the process of washing reactors. We also implemented an emergency service to manage, in the short-term, water leakages.

At the Itapecerica da Serra unit, we requested the São Paulo Water Company to install individual meters to allow us to separate our water supply system from that of the neighboring district. Water saving, as well as energy saving, was included as a global target in the company's collective and individual evaluation for profit sharing. The Water and Energy committees, created to meet the targets, work on a multidisciplinary basis to develop studies, projects, and technologies for the purpose of obtaining greater energy and water efficiency in our processes, by means that do not impair the quality of our products.

All the water we use is extracted from the water table, from whence we withdraw a maximum of 80% of what we are permitted to use, respecting the natural reestablishment of the resource.

Water Consumption

	2006	2007	2008
Water consumption in the units of Cajamar and Itapecerica da Serra (cubic meters)	141,883	114,694	112,342
Water consumption in other Natura units in Brazil (cubic meters)[1]	NA	2,757	11,894
Total consumption of water (cubic meters)	**141,883**	**117,451**	**124,236**
Water consumption per unit billed (L /unit)[2]	0.53	0.42	0.38

1. Refers to advanced centers, office in Alphaville and Natura House Brazil. This information started to be gathered in 2007.
2. In the previous years, this indicator was reported in liters per unit sold, which is the reason why the historical data was changed.

Total Volume of Water Recycled and Reused

	2006	2007	2008
Recycled and reused water (cubic meters)	40,209	29,773	35,824
Reuse percentage on total water treated at the effluent treatment station (%)	42	36	38

1. Refers to Cajamar and Itapecerica da Serra.

In 2008, 280 liters of sodium hydroxide were spilled at our unit in Cajamar, leaking from a container with a damaged valve that was delivered by one of our suppliers. We conducted an environmental assessment of the possible environmental damages and did not find any indications of pollutants in the river drainage system. In order to avoid problems like this we developed an action plan for improvements at the chemical products loading and unloading areas, as well as to assess the risk in other potentially vulnerable areas.

To learn more about the effluent management data, please visit www.natura.net/relatorio

Energy

By means of a multidisciplinary committee created in 2008, we intensified the monitoring of electric energy consumption by area, establishing priorities, and implementing new conscious consumption technologies. During the year, we held the awareness week, Saving with Full Energy, which involved around 3,000 employees. Another important factor was the drop in the average temperature for the year, allowing for a reduction in the use of air conditioning, a big energy consumer. We had a reduction of 16.88% in the total consumption of energy per unit billed in 2008.

Total Energy Consumption (joules)

	2006	2007	2008
Energy consumption in the units of Cajamar and Itapecerica da Serra (joules)	131.7×10^{12}	135.9×10^{12}	126.38×10^{12}
Other Natura units in Brazil[1]	NA	8.2×10^{12}	13.4×10^{12}
Total energy matrix (joules)	131.7×10^{12}	144.1×10^{12}	139.8×10^{12}
Energy consumption - Energy matrix per billed unit (kjoules/unit)[2]	469.5	510.2	424.1

1. Refers to advanced centers, plant in Benevides, office in Alphaville and Natura House Brazil. This information started to be gathered in 2007.

2. In the previous years, this indicator was reported in kjoules per unit sold, which is the reason why the historical data was changed.

To learn more about the energy management data, please visit www.natura.net/relatorio

Waste

The solid waste generated at Natura is managed by a systematized process covering the stages of separation, classification, storage, collection, transportation, and final destination. These activities are planned and developed prioritizing actions for the reduction, reuse and recycling of waste in order to reduce the environmental impacts of these processes. Although total waste generation has been accompanying Natura's growth - in 2008, for example, it increased 8% from the previous year - production per unit billed has been falling, down 6.95% in 2008 to 22.4 grams per unit from 24.1 in 2007.

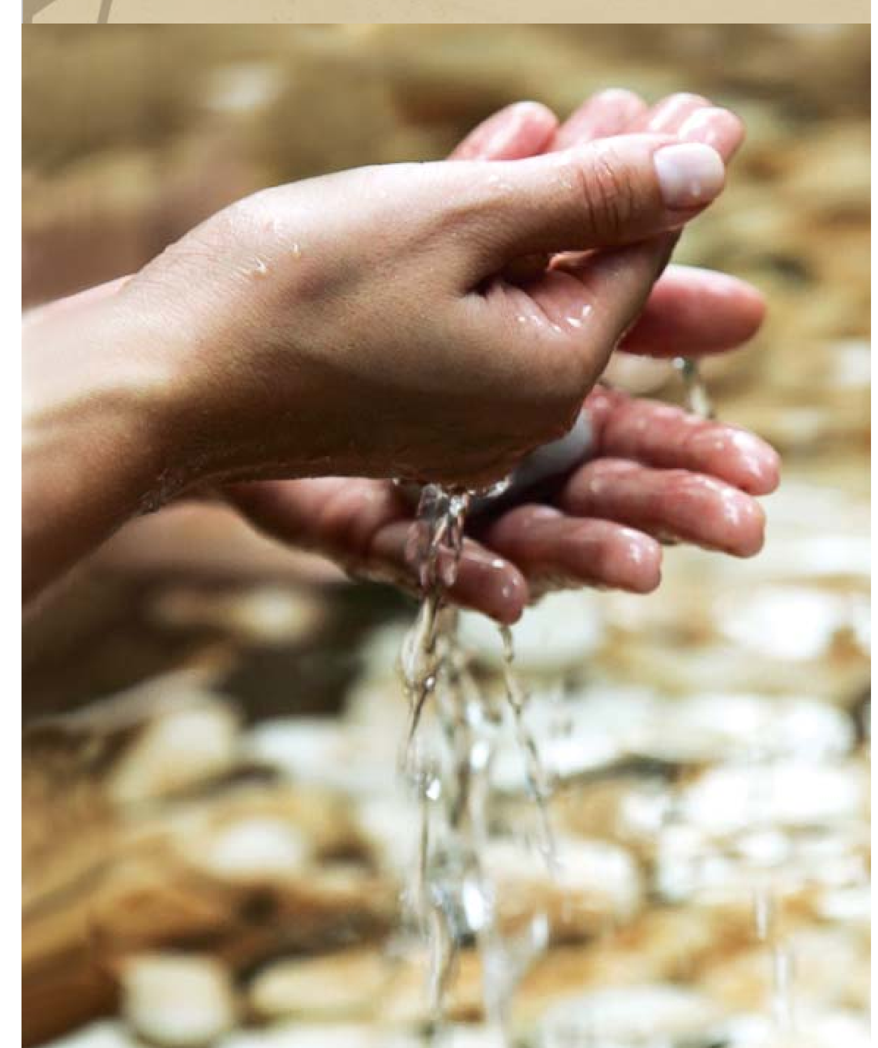
We incorporate waste management policies and procedures into all units, multiplying the sustainable ways of managing solid waste. In 2008, we prepared in partnership with the Supplier Quality Management the requirements for distribution centers and transportation companies, which include procedures for the proper management of waste in these units. Additionally, we improved the composting process that is internally conducted at the Natura Cajamar unit, where the waste from the preparation of food is turned into organic composts used as fertilizer in the unit gardens.

Our commitment to recycling of the waste we generate has been consolidated over the years. In 2008, we developed more robust processes for the separation of materials from obsolete cosmetic products to ensure that more waste goes for composting. The efforts to change the final disposal methods and the training of employees on the importance of the proper separation of waste, of recycling, and reducing the consumption of materials have been showing below-expectation results. The percentage of waste recycled was 0.3 percentage points below the target set for the year. We also established a Waste Committee, a multidisciplinary group whose purpose is to develop projects for the reduction, reuse, and recycling of waste, as well as awareness-raising actions and training in the collection and proper disposal of solid waste.

Total Weight of Waste per Unit Billed[1] (grams/unit)

1. In the previous years, this indicator was reported per units sold, which is the reason why the historical data was changed.

To learn more about the waste management data, please visit www.natura.net/relatorio



Economic Performance

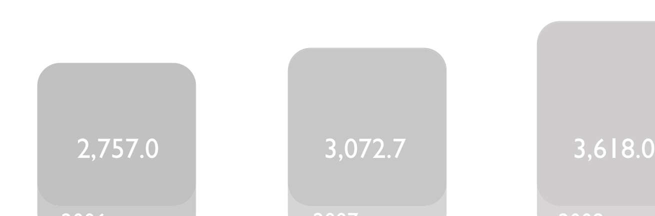
Consolidated net revenues totaled R\$ 3.6 billion, 17.7% higher than in 2007. Net income of R\$ 542.2 million was 17.3% higher than in the previous year and EBITDA totaled R\$ 859.9 million, growing 22.5% in relation to 2007. The EBITDA margin of 23.8% was above the guidance for the minimum of 23% disclosed at the beginning of the year, and which remains for 2009 and 2010. At the end of 2008, our cash balance amounted to R\$ 350.5 million and our net indebtedness corresponded to 0.11 times EBITDA for the year.

Consolidated Net Revenues

In the fourth quarter of 2008, consolidated net revenues totaled R\$ 1.145 billion, growing 22.0% in relation to 2007. In Brazil, net revenues increased 20.1% and abroad, the increase was 63.6% in Brazilian reais (43.5% in weighted local currency).

In 2008, consolidated net revenues totaled R\$ 3.618 billion, growing 17.7% in relation to 2007. In Brazil, net revenues increased 16.3% and abroad, the increase was 45.9% in Brazilian reais (45.9% in weighted local currency). The share of revenues from the foreign market in total revenues increased from 4.7% in 2007 to 5.9% in 2008.

Consolidated Net Revenues (R\$ millions)



Costs and Expenses

The Cost of Sales dropped from 32.3% in 2007 to 31.9% in 2008 due mainly to a better management of manufacturing costs, lower incidence of losses of products and promotions, and lower average income tax rate in the Brazilian operations.

Selling expenses, as a percentage of net revenues, were stable at 33.8% in the fourth quarters of 2008 and 2007. Expenses increased due to the expansion of the sales force in foreign operations and the regionalization process of the commercial area in the Brazilian operations. These expenses were offset by productivity gains in the provision of services to customers in Brazil and by the reduction of the unit cost of the magazine, which is our sales catalogue.

Selling expenses, as a percentage of net revenues, increased from 31.5% in 2007 to 32.5% in 2008, due to the increase in marketing expenses in Brazil, as planned and disclosed in our action plan, in addition to the strong growth of the sales force in the foreign operations.

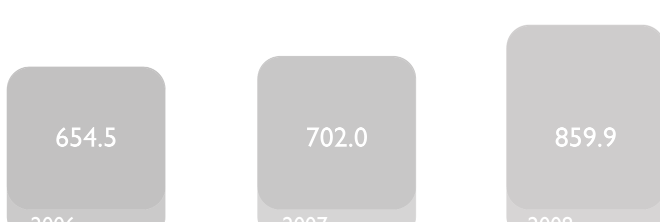
Administrative expenses, as a percentage of net revenues, dropped 210 percentage points from 13.1% in the fourth quarter of 2007 to 11.0% in the fourth quarter of 2008. This reduction, influenced mainly by events in the Brazilian operations, was partially offset by higher expenses with foreign operations, which is a reflection of the expenses with the structure established to support the studies and planning for the United States and a higher provision for profit sharing in 2008.

In the year, administrative expenses, as a percentage of net revenues, dropped from 12.7% in 2007 to 11.6% in 2008, basically due to the same factors mentioned above.

EBITDA and Net Income

Consolidated EBITDA totaled R$ 259.6 million in the fourth quarter of 2008 compared with R$ 199.4 million in the fourth quarter of 2007, a growth of 30.1%. The EBITDA margin grew from 21.3% in the fourth quarter of 2007 to 22.7% in the fourth quarter of 2008. In 2008, EBITDA totaled R$ 859.9 million, up 22.5% from the R$ 702.0 million seen in 2007. The margin was higher than the minimum we established as guidance for the three years between 2008 and 2010, totaling 23.8% in the year

Consolidated EBITDA (R$ millions)



Part of Natura's risk management policy is to keep its results, projected for a period of at least six months, as independent as possible from foreign exchange variations. Our hedging model, which takes into consideration foreign exchange variations on the inputs, foreign investments, and balances in other currencies, has positively influenced net financial income and expenses in the fourth quarter of 2008 and 2008 as a whole.

Consolidated net income totaled R$ 162.6 million in the fourth quarter of 2008 compared with R$ 135.6 million in the fourth quarter of 2007, a growth of 20.0%. The lower growth rate in net income in relation to EBITDA in the fourth quarter of 2008 is mainly due to higher income tax expenses, which resulted from the linearization methodology of the annual effective rate, which was higher than projected.

In the year, consolidated net income was R$ 542.2 million compared with R$ 462.3 million in 2007, representing a growth of 17.3% and a net margin of 15.0% in both years.

The higher income tax expense in 2008 was mainly due to: 1) non-declaration of interest on capital; 2) increase in the losses of subsidiaries in relation to income before income tax; and 3) lower representativeness of the reversal of the provision for goodwill.

Investments (Property, plant and equipment)

Investments in property, plant and equipment in 2008 totaled R$ 102.7 million and were mainly in the expansion of the production capacity and logistics and information technology. For 2009, the planned investments total R$ 140.0 million.

Pro Forma Results per Operation Block

Since the second quarter of 2007, we have been presenting the pro forma results in Brazilian reais of the following blocks: Brazil, operations under consolidation, and operation under implementation. The profit margin accrued from the exports from Brazil to foreign operations was deducted from the Cost of Sales of the respective operations, showing the real impact of these subsidiaries on the company's consolidated result. Accordingly, the pro forma Statement of Income Brazil shows only total sales in the domestic market.

As from the first quarter of 2008, we began to present the pro forma results of foreign operations when we started having results from Latin American (LATAM) operations and other markets. In the LATAM operations, we highlight two operation blocks: under consolidation (Argentina, Chile and Peru); and under implementation (Mexico, Colombia and Venezuela).

Pro Forma EBITDA per Operation Block (R$ millions)

	2007	2008
Brazil	759.9	929.6
Argentina, Chile and Peru	(5.1)	(1.4)
Mexico, Venezuela and Colombia	(28.0)	(37.9)
France and USA	(16.5)	(42.8)
Foreign exchange effect on the translation of foreign investments	(8.3)	12.5
Total	**702.0**	**859.9**

In France and the United States, we had operating losses (EBITDA) of R$ 16.6 million in the fourth quarter of 2008 compared with R$ 6.6 million in the fourth quarter of 2007, influenced by the expenses of the analysis and planning project in the United States and the still negative results in France. In 2008, these losses amounted R$ 42.8 million for the same reasons mentioned above.

Pro Forma Financial Highlights Brazil (R$ millions)

	2007	2008
Total number of consultants - end of period* (in thousands)	632.4	730.6
Product units for resale (in thousands)	265.9	299.1
Gross revenues	4,115.9	4,642.0
Net revenues	2,926.9	3,405.3
Gross profit	1,987.9	2,332.1
Gross margin (%)	67.9%	68.5%
Selling expenses	922.7	1,107.8
Administrative expenses	371.5	394.1
Management compensation	9.5	13.9
Other income (expenses). net	(31.3)	(3.4)
Financial income (expenses). net	9.6	(11.2)
Operating income	678.0	858.9
Net income	527.8	628.0
EBITDA	759.9	929.6
EBITDA margin (%)	26.0%	27.3%

** Number of consultants at the end of sales Cycle 17.*

In the operations under consolidation (Argentina, Chile and Peru), net revenues were R$ 55.6 million in the fourth quarter of 2008, showing a weighted growth of 34.7% in local currency (55.7% in Brazilian reais) from the fourth quarter of 2007. In 2008, these operations show net income of R$ 164.4 million, representing a weighted growth of 39.6% in local currency (35.6% in Brazilian reais) from 2007.

EBITDA from these operations broke even again in the fourth quarter of 2008 at R$ 0.6 million (positive) compared with R$ 2.9 million (negative) in the fourth quarter of 2007. In 2008, EBITDA also practically broke even (R$ 1.4 million negative) with a significant increase in the margin from -4.2% in 2007 to -0.9%. The increased gross profit from these operations was used in marketing expenses and increasing the sales force. There were 90,000 in these operations at the end of the year, showing a strong increase of 29.6% in relation to the same period the previous year.

Pro Forma Financial Highlights – Operations under Consolidation (Argentina, Chile, Peru) (R$ millions)

	2007	2008
Total number of consultants – end of period* (in thousands)	69.4	90.0
Product units for resale (in thousands)	14.2	17.9
Gross revenues	157.4	214.7
Net revenues	121.2	164.4
Gross profit	76.3	101.5
Gross margin (%)	62.9%	61.8%
Selling expenses	65.6	85.0
Administrative expenses	17.0	19.6
Financial income (expenses). net	(0.1)	5.9
Operating income	(6.2)	(9.0)
Net income	(9.7)	(13.3)
EBITDA	(5.1)	(1.4)
EBITDA margin (%)	-4.2%	-0.9%

In the operations under implementation (Mexico, Venezuela and Colombia), net revenues were R$ 15.0 million in the fourth quarter of 2008 compared with R$ 7.5 million in the same period the previous year. In 2008, net revenues from these operations were R$ 44.0 million compared with R$ 21.7 million in 2007. There were 28,200 consultants in these operations at the end of the year.

Pro Forma Financial Highlights - Operations under Implementation (Mexico, Venezuela, Colombia) (R$ millions)

	2007	2008
Total number of consultants - end of period* (in thousands)	16.4	28.2
Product units for resale (in thousands)	1.8	5.0
Gross revenues	24.8	50.4
Net revenues	21.7	44.0
Gross profit	14.3	26.5
Gross margin (%)	65.9%	60.3%
Selling expenses	33.3	50.4
Administrative expenses	9.8	14.7
Financial income (expenses). net	(0.2)	0.3
Operating income	(28.6)	(38.8)
Net income	(28.0)	(37.9)
EBITDA	(5.1)	(1.4)
EBITDA margin (%)	-128.8%	-86.2%

Cash flows

The generation of free cash totaled R$ 499.1 million in 2008 compared with R$ 171.3 million in 2007. Internal cash generation in 2008 amounted to R$ 630.2 million, up 17.3% from 2007. This total includes R$ 29.7 million of operating working capital.

For a better understanding of the reduction in the working capital for 2008, it is necessary to take into consideration the events that took place in 2007: 1) extraordinary reduction in accounts receivable of R$ 122.0 million at December 31, 2007, due to the more flexible credit policy adopted for Christmas sales; and (2) effect of R$ 25.0 million in the balance of inventories due to lower-than-estimated revenues for that period.

There were also temporary effects of R$ 24.0 million in taxes recoverable (net of temporary effects of taxes payable), arising from the change in the tax substitution system in some states, in addition to the structural effects of: 1) R$ 15.0 million in taxes payable due to the extension in the period for the payment of ICMS in the state of São Paulo; 2) R$ 32.0 million in inventories due to the physical decentralization and better coverage of Foreign Operations; and 3) R$ 28.0 million in salaries payable arising from the change in the variable compensation policy. Including these effects, working capital evolved in line with the company's growth and business strategy.

Investments in property, plant and equipment in 2008 totaled R$ 102.7 million and were mainly in the expansion of the production capacity and logistics and information technology. Investments in property and equipment in 2009 will total R$ 140.0 million.

Pro Forma Consolidated Cash Flows – (R$ millions)

	2007	2008	Change %
Net income for the period	**462.3**	**542.2**	**17.3**
(+) Depreciation and amortization	74.9	88.0	17.4
Internal cash flow generation	**537.2**	**630.2**	**17.3**
Operating working capital*	(207.2)	29.7	
Other assets and liabilities**	(34.6)	(58.1)	
Operating cash generation	**295.4**	**601.8**	**103.7**
Acquisitions of property. plant and equipment	(124.1)	(102.7)	
Free cash generation* **	**171.3**	**499.1**	**191.4**

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

*** Assets – Advances to employees and suppliers, income tax and short-term deferred social contribution, other credits and long-term receivables. Liabilities – other short-term and long-term accounts payable and provisions for tax, civil and labor risks.*

**** (Internal cash generation) +/- (changes in working capital and long-term receivables and liabilities). (Acquisitions of property, plant and equipment).*

Financial Statements

Natura Cosméticos S.A.

Financial Statements for the Years Ended December 31, 2008 and 2007 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, 2008 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, 2008 and 2007
(In thousands of Brazilian reais - R$))

ASSETS

	Note	Company 2008	Company 2007 (Restated)	Consolidated 2008	Consolidated 2007 (Restated)
CURRENT ASSETS					
Cash and banks	5	87,513	105,571	350,497	405,392
Trade accounts receivable	6	428,421	512,094	470,401	535,528
Inventories	7	60,300	29,246	333,632	251,079
Recoverable taxes	8	45,942	2,022	122,364	49,368
Related parties	10	18,518	12,456	-	-
Deferred income tax and social contribution	9.a	43,367	25,812	77,024	52,327
Unrealized gains on derivative transactions	22.d	35,393	-	38,062	-
Advances to employees and suppliers		6,192	2,305	6,941	3,569
Other receivables		34,096	11,606	64,247	25,513
Total current assets		**759,742**	**701,112**	**1,463,168**	**1,322,776**
NONCURRENT ASSETS					
Long-term assets:					
Recoverable taxes	8	7,521	2,370	20,823	22,284
Deferred income tax and social contribution	9.a	17,407	16,647	36,958	34,318
Escrow deposits	16	37,187	35,119	41,017	38,603
Advances to employees and suppliers		-	785	2,071	4,531
Temporary cash investments	5 e 16.g	-	-	5,250	4,848
Advance for future capital increase	10	45	25	-	-
Investments	11	864,142	766,439	-	-
Property, plant and equipment	12	40,573	27,866	494,008	474,442
Intangible assets	12	6,300	6,548	52,612	63,817
Total noncurrent assets		**973,175**	**855,799**	**652,739**	**642,843**
TOTAL ASSETS		**1,732,917**	**1,556,911**	**2,115,907**	**1,965,619**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Company 2008	Company 2007 (Restated)	Consolidated 2008	Consolidated 2007 (Restated)
CURRENT LIABILITIES					
Loans and financing	14	5,293	120,785	190,550	288,959
Domestic suppliers		51,066	43,092	182,617	173,574
Foreign suppliers		148	148	3,571	2,076
Suppliers - related parties	10	250,555	145,037	-	-
Salaries, profit sharing and related charges		55,062	33,776	130,706	87,068
Taxes payable	15	64,361	85,141	177,802	118,511
Dividends and interest on capital	10 e 19.b	311,854	237,898	311,854	237,898
Accrued freight		24,963	17,231	25,560	18,044
Reserve for tax, civil and labor contingencies	16	15,791	-	15,791	13,420
Allowance for losses on derivative transactions	22.d	-	3,813	-	6,351
Other payables		23,364	19,456	29,085	21,436
Sundry accruals		-	835	-	888
Total current liabilities		**802,457**	**707,212**	**1,067,536**	**968,225**
NONCURRENT LIABILITIES					
Loans and financing	14	177,972	116,847	289,480	259,992
Reserve for tax, civil and labor contingencies	16	33,592	33,270	51,144	51,021
Allowance for investment losses	11	701	10,060	-	-
Other payables		7,020	5,401	9,324	7,342
Total noncurrent liabilities		**219,285**	**165,578**	**349,948**	**318,355**
MINORITY INTEREST		-	-	1	1
SHAREHOLDERS' EQUITY					
Capital	19.a	391,423	390,618	391,423	390,618
Capital reserves	19.e	140,470	154,403	140,470	154,403
Profit reserves	19.f	174,489	170,318	161,736	165,235
Valuation adjustments to shareholders' equity		5,161	(8,403)	5,161	(8,403)
Treasury shares	19.c	(368)	(2,701)	(368)	(2,701)
Accumulated losses		-	(20,114)	-	(20,114)
Total shareholders' equity		**711,175**	**684,121**	**698,422**	**679,038**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,732,917**	**1,556,911**	**2,115,907**	**1,965,619**

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

Statements os Income
For the years ended December 31, 2008 and 2007
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Company 2008	Company 2007 (Restated)	Consolidated 2008	Consolidated 2007 (Restated)
GROSS SALES					
To domestic market		4,575,865	4,083,301	4,635,665	4,111,505
To foreign market		-	-	275,274	188,884
Other sales		1	56	1,294	1,225
GROSS OPERATING REVENUE		**4,575,866**	**4,083,357**	**4,912,233**	**4,301,614**
Taxes on sales, returns and rebates		(744,927)	(914,744)	(1,294,214)	(1,228,915)
NET OPERATING REVENUE		**3,830,939**	**3,168,613**	**3,618,019**	**3,072,699**
Cost of sales		(1,597,855)	(1,232,280)	(1,154,669)	(992,253)
GROSS PROFIT		**2,233,084**	**1,936,333**	**2,463,350**	**2,080,446**
OPERATING (EXPENSES) INCOME					
Selling		(1,017,117)	(847,329)	(1,259,273)	(1,033,195)
Administrative and general		(485,748)	(469,632)	(404,529)	(383,745)
Employee profit sharing		(20,332)	(10,541)	(56,927)	(28,664)
Management compensation	18	(10,087)	(6,414)	(13,853)	(9,539)
Equity in subsidiaries	11	(9,125)	(11,775)	-	-
Other operating income (expenses), net	24	30,738	(4,081)	28,353	3,973
INCOME FROM OPERATIONS BEFORE FINANCIAL (EXPENSES) INCOME		**721,413**	**586,561**	**757,121**	**629,276**
Financial expenses	23	(84,111)	(31,876)	(119,149)	(58,279)
Financial income	23	66,343	27,595	109,707	51,039
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**703,645**	**582,280**	**747,679**	**622,036**
Income tax and social contribution	9.b	(177,864)	(122,210)	(229,568)	(156,627)
NET INCOME		**525,781**	**460,070**	**518,111**	**465,409**
EARNINGS PER SHARE - R$		**1,2254**	**1,0730**	**1,2075**	**1,0855**

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

Statements os Changes in Shareholders' Equity (Company)

For the years ended December 31, 2008 and 2007

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

	Note	Capital	Capital reserves: Share premium	Capital reserves: Tax incentive reserve – Investment grants	Capital reserves: Additional paid-up capital	Profit reserves: Legal	Profit reserves: Retention	Valuation adjustments to shareholders' equity	Treasury shares	Accumulated losses	Total
BALANCES AS OF DECEMBER 31, 2006 - AS PER LAW No. 6,404/76		**233,862**	**120,770**	**14,587**	**-**	**18,650**	**263,830**		**(724)**	**-**	**650,975**
Acquisition of treasury shares	19.c	-	-	-	-	-	-	-	(22,701)	-	(22,701)
Sale of treasury shares due to exercise of stock options		-	(13,273)	-	-	-	-	-	20,724	-	7,451
Share payment by shareholders		-	92	-	-	-	-	-	-	-	92
Capital increase through subscription of shares	19.a	2,817	-	-	-	-	-	-	-	-	2,817
Capital increase through capitalization of profit reserve	19.f	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	19.b	-	-	-	-	-	-	-	-	(375,890)	(375,890)
Interest on capital - R$0,0778 per outstanding share	19.b	-	-	-	-	-	-	-	-	(39,247)	(39,247)
Profit retention reserve	19.h	-	-	-	-	-	41,777	-	-	(41,777)	-
BALANCES AS OF DECEMBER 31, 2007 - AS PER LAW No. 6,404/76		**390,618**	**107,589**	**17,378**	**-**	**18,650**	**151,668**	**-**	**(2,701)**	**-**	**683,202**
Adjustments for the first-time adoption of Law No. 11,638/07 and Provisional Act No. 449/08:											
Adjustment to fair value of derivatives:											
Prior years	3	-	-	-	-	-	-	-	-	(18)	(18)
Year ended December 31, 2007	3	-	-	-	-	-	-	-	-	1,900	1,900
Cumulative adjustment from translation of financial statements of foreign subsidiaries-											
Year ended December 31, 2007	3	-	-	-	-	-	-	(8,403)	-	8,403	-
Stock options plans - grant of stock options:											
Prior years	3	-	-	-	9,193	-	-	-	-	(9,193)	-
Year ended December 31, 2007	3	-	-	-	3,405	-	-	-	-	(3,405)	-
Stock options plans - exercise of stock options--											
Year ended December 31, 2007	3	-	9,145	-	(9,145)	-	-	-	-	-	-

Statements os Changes in Shareholders' Equity (Company)

continuation

	Note	Capital	Capital reserves: Share premium	Capital reserves: Tax incentive reserve – Investment grants	Capital reserves: Additional paid-up capital	Profit reserves: Legal	Profit reserves: Retention	Valuation adjustments to shareholders' equity	Treasury shares	Accumulated losses	Total
Equity in subsidiaries:											
Prior years	3	-	-	-	12,845	-	-	-	-	(14,066)	(1,221)
Year ended December 31, 2007	3	-	-	-	3,993	-	-	-	-	(3,096)	897
Deferred income tax and social contribution::											
Prior years	3	-	-	-	-	-	-	-	-	7	7
Year ended December 31, 2007	3	-	-	-	-	-	-	-	-	(646)	(646)
BALANCES AS OF DECEMBER 31, 2007 - ADJUSTED AS PER LAW No. 11,638/07 AND PROVISIONAL ACT No. 449/08		**390,618**	**116,734**	**17,378**	**20,291**	**18,650**	**151,668**	**(8,403)**	**(2,701)**	**(20,114)**	**684,121**
Absorption of accumulated losses with profit retention reserve		-	-	-	-	-	(20,114)	-	-	20,114	-
Acquisition of treasury shares	19.c	-	-	-	-	-	-	-	(21,124)	-	(21,124)
Sale of treasury shares due to exercise of stock options		-	(20,837)	-	-	-	-	-	23,457	-	2,620
Capital increase through subscription of shares	19.a	805	-	-	-	-	-	-	-	-	805
Cumulative adjustment from translation of financial statements of foreign subsidiaries	11	-	-	-	-	-	-	13,564	-	-	13,564
Changes in stock option plans:											
Grant of stock options	20	-	-	-	5,088	-	-	-	-	-	5,088
Exercise of stock options	20	-	5,956	-	(5,956)	-	-	-	-	-	-
Net income		-	-	-	-	-	-	-	-	525,781	525,781
Allocation of net income:											
Recognition of tax incentive reserve		-	-	1,816	-	-	-	-	-	(1,816)	-
Interim dividends - R$0,4382 per outstanding share	19.b	-	-	-	-	-	-	-	-	(188,000)	(188,000)
Proposed dividends - R$0,5934 per outstanding share	19.b	-	-	-	-	-	-	-	-	(254,215)	(254,215)
Proposed interest on capital - R$0,1138 per outstanding share	19.b	-	-	-	-	-	-	-	-	(57,465)	(57,465)
Profit retention reserve	19.f	-	-	-	-	-	24,285	-	-	(24,285)	-
BALANCES AS OF DECEMBER 31, 2008 - AS PER LAW No. 11,638/07 AND PROVISIONAL ACT No. 449/08		**391,423**	**101,853**	**19,194**	**19,423**	**18,650**	**155,839**	**5,161**	**(368)**	**-**	**711,175**

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

Statements of Cash Flows
For the years ended December 31, 2008 and 2007
(In thousands of Brazilian reais - R$)

	Note	Company 2008	Company 2007 (Restated)	Consolidated 2008	Consolidated 2007 (Restated))
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		525,781	460,070	518,111	465,409
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	11	9,564	8,523	89,608	76,347
Inflation and exchange rate fluctuations, except those related to tax, civil and labor contingencies		32,544	(5,829)	46,217	(15,909)
Allowance for losses on swap and forward contracts	22	(35,393)	22,935	(94,014)	25,281
Reserve for tax, civil and labor contingencies, including adjustment for inflation	16	17,539	(18,770)	5,633	(4,776)
Deferred income tax and social contribution	9.a	(17,843)	(3,900)	(33,582)	(22,938)
Proceeds from sale and disposal of property, plant and equipment and intangible assets		7,589	819	7,729	8,190
Equity in subsidiaries	11	9,125	3,412	-	-
Interest on loans		5,178	3,027	30,363	23,586
Expenses on stock options plans		2,055	3,405	5,088	7,399
Other adjustments to income, including allowance for inventory losses		3,320	998	1,506	9,630
Minority interest		-	-	-	(3)
		559,459	**474,690**	**576,659**	**572,216**
(Increase) decrease in assets:					
Current assets:					
Trade accounts receivable		83,673	(155,913)	65,127	(164,112)
Inventories		(31,054)	(1,585)	(84,059)	(28,107)
Other receivables		(28,537)	(8,482)	(26,110)	(5,527)
Noncurrent assets (long-term assets)::					
Escrow deposits		(16,821)	(67,792)	(15,276)	(68,144)
Recoverable taxes		(5,151)	(380)	1,461	(1,303)
Other receivables		764	1,443	2,465	878
		2,874	**(232,709)**	**(56,392)**	**(266,315)**
Increase (decrease) in liabilities:					
Current liabilities:					
Suppliers		113,477	(22,149)	9,029	(31,141)
Salaries, profit sharing and related charges, net		17,399	22	35,364	(1,141)
Taxes payable, net		(44,540)	51,176	59,291	64,049
Payment of contingencies		(1,012)	(424)	(1,094)	(442)
Other payables		11,647	4,037	17,784	(551)
Noncurrent liabilities-					
Other payables		1,621	2,181	2,532	2,994
		98,592	**34,843**	**122,906**	**33,768**
Net cash provided by operating activities		**660,925**	**276,824**	**643,173**	**339,669**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment and intangible assets	12	(25,428)	(16,402)	(102,678)	(124,131)
Investments	11	(139,646)	(64,495)	-	-
Dividends received from subsidiaries		34,800	-	-	-
Other investments		-	-	-	630
Net cash used in investing activities		**(130,274)**	**(80,897)**	**(102,678)**	**(123,501)**
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of loans and financing - principal		(380,800)	(393,964)	(556,421)	(570,267)
Repayments of loans and financing - interest		(2,950)	(1,824)	(18,053)	(14,241)
Funding - loans and financing		283,485	596,596	429,392	913,537
Payments of swap and forward contracts	22	(4,847)	(21,133)	9,376	(21,790)
Payment of dividends and interest on capital	19.b	(425,898)	(391,052)	(425,898)	(391,052)
Capital increasel	19.a	805	2,817	805	2,817
Acquisition of treasury shares		(21,124)	(22,701)	(21,124)	(22,701)
Sale of treasury shares due to exercise of stock options	19.c	2,620	7,451	2,620	7,451
Share payment by shareholders		-	92	-	92
Net cash used in financing activities		**(548,709)**	**(223,718)**	**(579,303)**	**(96,154)**
Effects of exchange rate changes on cash and banks		-	-	(16,087)	10,222
INCREASE (DECREASE) IN CASH AND BANKS		**(18,058)**	**(27,791)**	**(54,895)**	**130,236**
Cash and banks at beginning of year		105,571	133,362	405,392	275,156
Cash and banks at end of year		87,513	105,571	350,497	405,392
INCREASE (DECREASE) IN CASH AND BANKS		**(18,058)**	**(27,791)**	**(54,895)**	**130,236**
SUPPLEMENTAL CASH FLOWS INFORMATION					
Income tax and social contribution paid		179,044	122,010	232,708	156,527

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

Statements of Value Added
For the years ended December 31, 2008 and 2007
(In thousands of Brazilian reais - R$)

	Note	Controladora 2008		Controladora 2007 (Restated)		Consolidado 2008		Consolidado 2007 (Restated)	
REVENUES		**4,504,925**		**4,022,979**		**4,827,346**		**4,237,900**	
Sales of products and services		4,569,267		4,075,403		4,897,396		4,291,770	
Allowance for doubtful accounts - reversal (recognition)		(64,159)		(53,109)		(67,482)		(54,382)	
Nonoperating		(183)		685		(2,568)		512	
INPUTS PURCHASED FROM THIRD PARTIES		**(3,004,808)**		**(2,525,201)**		**(2,609,142)**		**(2,329,712)**	
Cost of sales and services		(1,786,227)		(1,431,092)		(1,543,018)		(1,362,574)	
Materials, electric power, outside services and other		(1,218,581)		(1,094,109)		(1,066,124)		(967,138)	
GROSS VALUE ADDED		**1,500,117**		**1,497,778**		**2,218,204**		**1,908,188**	
RETENTIONS		**(9,564)**		**(8,523)**		**(87,972)**		**(74,916)**	
Depreciation and amortization	12	(9,564)		(8,523)		(87,972)		(74,916)	
VALUE ADDED GENERATED BY THE COMPANY		**1,490,553**		**1,489,255**		**2,130,232**		**1,833,272**	
VALUE ADDED RECEIVED IN TRANSFER		**57,218**		**13,920**		**109,582**		**51,039**	
Equity in subsidiaries	11	(9,125)		(11,775)		-		-	
Financial income - includes inflation and exchange rate changes		66,343		25,695		109,582		51,039	
TOTAL VALUE ADDED TO DISTRIBUTE		**1,547,771**		**1,503,175**		**2,239,814**		**1,884,311**	
DISTRIBUTION OF VALUE ADDED		**(1,547,771)**	**100%**	**(1,503,175)**	**100%**	**(2,239,814)**	**100%**	**(1,884,311)**	**100%**
Employees		(167,807)	11%	(141,485)	9%	(556,371)	25%	(390,264)	21%
Taxes and contributions		(764,649)	49%	(877,065)	58%	(1,028,763)	46%	(948,253)	50%
Financial expenses and rentals		(91,350)	6%	(27,711)	2%	(136,569)	6%	(83,539)	4%
Dividends		(442,215)	29%	(375,890)	25%	(442,215)	20%	(375,890)	20%
Interest on capital		(57,465)	4%	(39,247)	3%	(57,465)	3%	(39,247)	2%
Retained earnings (*)		(24,285)	2%	(41,777)	3%	(18,431)	1%	(47,118)	3%

(*) Unrealized profit on subsidiaries has been eliminated.

Supplemental statement of value added information

Of the amounts recorded under caption "Taxes and contributions" in2008 and 2007, the amounts of R$ 407,250 and R$ 506,085, respectively, refer to State VA Tunder the taxpayers' substitution regime (ICMS-ST) levied on the estimated profit margin defined by the State Finance Secretariats obtained from sales made by Natura beauty consultants to final consumers

For the analysis of this tax impact on the statement of value added, these amounts should be deducted from those recorded under captions "Sales of products and services" and "Taxes and contributions", since sales revenues do not include the estimated profit attributable to Natura beauty consultants on the sale of products, in the amounts of R$ 2,023,795 and R$ 1,722.090 in 2008 and 2007, respectively, considering an estimated profit margin of 30%.

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

Notes To The Consolidated Financial Statements

For The Years Ended December 31, 2008 And 2007

(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 in general and personal hygiene products. The Company also holds equity interests in other companies in Brazil and abroad.

The Extraordinary Shareholders' Meeting held on March 31, 2008 approved the transfer to the Company of the negative shareholders' equity of the subsidiary Nova Flora Participações Ltda. based on an independent appraisers' report. This transfer did not change the operations described in the previous paragraph.

The negative shareholders' equity of the subsidiary Nova Flora Participações Ltda. transferred to the Company was R$10,059 as of December 31, 2007, and is composed as follows:

ASSETS		LIABILITIES	
CURRENT ASSETS		**CURRENT LIABILITIES**	
Cash and banks	27	Domestic suppliers	18
Deferred income tax		Reserve for civil contingencies	13,421
and social contribution	4,563	Other payables	833
Total current assets	4,590	Total current liabilities	14,272
		NONCURRENT LIABILITIES	
		Allowance for investment losses	352
		Advance for future	
		capital increase	25
		Total noncurrent liabilities	377
		SHAREHOLDERS' DEFICIT	
		Capital	3,695
		Accumulated losses	(13,754)
		Total shareholders' deficit	(10,059)
TOTAL ASSETS	4,590	**TOTAL LIABILITIES**	4,590

In recording adjustments resulting from the transfer of the negative shareholders' equity, balances and transactions between the merged company and the Company have been eliminated, and investment and shareholders' deficit have been considered as required by Brazilian accounting practices.

Additionally, on March 31, 2008, concurrently with the transfer, the Company's shareholders decided to approve two capital increases in the subsidiary Nova Flora Participações Ltda. in the total amount of R$16,735, represented by 16,735 new shares with par value of R$1.00 each, which were fully paid up in local currency. Therefore, capital was increased from R$3,695 to R$20,430.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared and are being presented in conformity with Brazilian accounting practices and the standards established by the Brazilian Securities and Exchange Commission (CVM), in accordance with Corporate Law, including the changes introduced by Law No. 11,638/07 and Provisional Act No. 449/08, as described in note 3.

The preparation of financial statements requires Management to make estimates and assumptions to report certain assets, liabilities and other transactions, such as reserve for tax, civil and labor contingencies, allowances for losses on receivables and inventories, and realization of deferred income tax and social contribution, which represent Company's and its subsidiaries' Management's best estimates. Actual results could differ from those estimates.

Significant accounting practices applied are as follows:

a) Cash and banks

Include cash, bank deposits and highly liquid temporary investments, stated at cost plus income earned through the balance sheet dates, which does not exceed their fair or realizable value.

b) Financial instruments

(i) Classification and measurement

The Company and its subsidiaries classify their financial assets under the following categories: (i) financial assets measured at fair value through profit or loss; and (ii) financial assets and liabilities held-to-maturity. The classification depends on the purpose for which the financial assets and liabilities were acquired. The Company's and its subsidiaries' Management classifies their financial assets and liabilities when they are contracted.

Financial assets measured at fair value through profit or loss

This category includes only derivatives financial instruments, classified as held- -for-trading. The assets under this category are classified in current assets, and gains and losses arising from fluctuations in fair value are recorded under the captions "Financial income" or "Financial expense".

Financial assets and liabilities held-to-maturity

In the case of the Company and its subsidiaries, these comprise basically temporary cash investments and bank loans and financing. They are measured at cost, plus income earned according to contractual terms and conditions, in the case of temporary cash investments, and at amortized cost using the effective interest rate method, in the case of bank loans and financing, and are recorded in the statement of income on the accrual basis.

(ii) Derivatives

Are, initially, recognized at cost on the date they are contracted and subsequently remeasured at fair value, and changes in fair value are recorded in the statement of income.

Derivatives are usually measured by the Company's treasury area based on the information on each contracted transaction and the related market information at the balance sheet dates, such as interest rate and foreign exchange coupon. When applicable, such information is compared with the positions reported by the trading desks of each involved financial institution.

Even though the Company and its subsidiaries use derivatives for hedging purposes, it does not apply hedge accounting.

The fair value of derivatives is disclosed in note 22.

c) Trade accounts receivable and doubtful accounts

Stated at their present value, less the allowance for doubtful accounts, which is recognized based on an analysis of risks on collection of receivables, in an amount considered sufficient to cover possible losses, as described in note 6.

As receivables are usually settled within a period of less than 30 days, the carrying amounts represent substantially their fair values at the balance sheet date.

d) Inventories

Stated at the average cost of acquisition or production, adjusted to market value and potential losses, when applicable. Details are disclosed in note 7.

e) Investments

Investments in subsidiaries are accounted for under the equity method, as shown in note 11.

Exchange gains or losses on the translation of financial statements of foreign subsidiaries, for equity accounting and consolidation of financial statements purposes, are allocated to the caption "Valuation adjustments to shareholders' equity", in shareholders' equity, and reclassified to the statement of income upon the sale of the investment, if applicable.

f) Foreign currency transactions

Are translated to Brazilian reais at the exchange rates prevailing on the transaction dates. Balance sheet figures are translated at the exchange rates prevailing at the balance sheet dates. Exchange gains and losses arising from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

g) Property, plant and equipment and intangible assets

Recorded at acquisition and/or construction cost, adjusted for inflation through December 31, 1995, plus interest capitalized during the construction period, when applicable. Depreciation and amortization are calculated under the straight-line method, considering the rates shown in note 12

Pursuant to the exemption provided in paragraph 54 of Accounting Pronouncements Committee Standard (CPC) 13 - First-time Adoption of Law No. 11,638/07 and Provisional Act No. 449/08, the Company and its subsidiaries will conduct the first periodic analysis of the economic useful lives of the assets, effective January 1, 2009.

Additionally, those rights in tangible assets that are used in the operations of the Company and its subsidiaries, arising from capital lease transactions, are recorded as financed purchases, and a fixed asset and a financing liability are recognized at the start of each transaction, depreciated based on the estimated useful lives of the assets. Software licenses acquired are capitalized and amortized based on the rates described in note 12, and expenses related to software maintenance are recognized as expenses when incurred.

h) Expenses on product research and development

Recognized as expenses when incurred.

i) Deferred charges

Represented by goodwill arising from the merger of shares of Natura Empreendimentos S.A. into Natura Participações S.A., less the provision to maintain payment capacity for future dividends, as described in note 13.

j) Impairment assessment

Property, plant and equipment, intangible assets and other noncurrent assets are annually tested to identify evidences of impairment, or also significant events or changes in circumstances that indicate that their carrying amounts cannot be recovered. When applicable, when there is a loss, arising from situations where the carrying amount of an asset exceeds its recoverable amount, defined as the higher of value in use and net selling price, this loss is recognized in the statement of income.

k) Current and noncurrent liabilities

Stated at known or estimated amounts, plus, when applicable, related charges and inflation and exchange rate changes incurred through the balance sheet dates.

l) Income tax and social contribution

Income tax is calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$240. Social contribution is calculated at the rate of 9% on taxable income. Deferred income tax and social contribution recorded in current and noncurrent assets. arise from temporary differences represented by temporarily nondeductible expenses recorded in income.

Pursuant to CVM Resolution No. 273/98 and CVM Instruction No. 371/02, deferred taxes are recorded at probable realizable values. Details are disclosed in note 9.

m) Loans and financing

Loans are initially recognized at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, i.e., plus charges, interest and inflation and exchange rate changes incurred through the balance sheet dates, as shown in note 14.

n) Reserve for tax, civil and labor contingencies

Adjusted for inflation through the balance sheet dates to cover probable losses, based on the nature of contingencies and the opinion of the Company's and its subsidiaries' attorneys. For financial statement presentation purposes, these reserves are stated net of related escrow deposits. The basis and nature of the reserve for tax, civil and labor contingencies are described in note 16.

o) Derivative transactions (swaps and forwards)

The nominal values of swap and forward transactions are not recorded in the balance sheets. Unrealized net gains or losses on these transactions, measured at fair value, are recorded on the accrual basis of accounting, as mentioned in notes 22.b) and 22.d).

p) Financial income and expenses

Represented by interest and inflation and exchange rate changes on cash investments, escrow deposits, loans and financing, and derivative transactions consisting of swaps and forwards, as mentioned in note 23.

q) Interest on capital

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

r) Earnings per share

Calculated based on the number of shares at the balance sheet dates, excluding treasury shares.

s) Stock option plans

The Company offers to its employees and executives share-based compensation plans, settled with Company's shares, under which the Company receives services in return for stock options. The fair value of the options granted is recognized as an expense in the statement of income during the vesting period, and options are vested after certain specific conditions are fulfilled. At the balance sheet dates, the Company's Management reviews its estimates on the number of options vested based on the conditions fulfilled and, when applicable, recognizes in the statement of income as a contra entry to shareholders' equity the effect arising from the revision of the initial estimates.

t) Results of operations

Income and expenses are recorded on the accrual basis.

Income from tax incentives, received in the form of a monetary asset, is recognized in the statement of income when received. There are no established conditions to be met by the Company that might affect the recognition of income in the statement of income.

3. FIRST-TIME ADOPTION OF THE CHANGES IN BRAZILIAN ACCOUNTING PRACTICES

The enacted Law No. 11,638/07 and Provisional Act No. 449/08 altered, revoked and added new provisions to the Brazilian Corporate Law (Law No. 6,404/76), especially with respect to chapter XV. Said Law and Provisional Act are effective for fiscal years ended on or after December 31, 2008 and apply to all entities established as corporations, including public-traded companies and large companies.

These changes were designed primarily to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the regulatory agencies and CVM to issue new accounting standards and procedures, consistent with such international accounting standards.

Additionally, as a result of the enactment of said Law and Provisional Act, in 2008 the Accounting Pronouncements Committee (CPC) issued several accounting pronouncements mandatory for the closing of the financial statements for the year ended December 31, 2008.

The main changes in accounting practices introduced by Law No. 11,638/07 and articles 36 and 37 of Provisional Act No. 449/08 applicable to the Company and its subsidiaries and adopted in the preparation of the financial statements for the years ended December 31, 2008 and 2007 were as follows:

a) Replacement of the statement of changes in financial position by the statement of cash flows, prepared in accordance with CPC 03 - Statement of Cash Flows. Up to December 31, 2007, the Company presented this statement as supplemental information.

b) Inclusion of the statement of value added, prepared in accordance with CPC 09 - Statement of Value Added. Up to December 31, 2007, the Company presented this statement as supplemental information.

c) Creation of a new account group, "Intangible assets", which includes goodwill, for purposes of balance sheet presentation. The Company already presented the balance of intangible assets classified under this caption.

d) Requirement for the periodic test for impairment of amounts recorded in property, plant and equipment, intangible assets and deferred charges to ensure, as regulated by CPC 01 - Impairment of Assets (required only for the financial statements for the year ended December 31, 2008). This change did not generate any impacts to be recognized in the financial statements for the year ended December 31, 2008.

e) Requirement to record under the caption "Property, plant and equipment" those rights in tangible assets that are maintained or used in the operations of the Company's and its subsidiaries' business, including those rights received as a result of transactions classified as capital leases, as regulated by CPC 06 - Leases.

f) 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; and (ii) at the lower of acquisition or historical cost, adjusted for contractual interest and other contractual provisions, and realizable value for other investments, for held-to-maturity securities, as regulated by CPC 14 - Financial Instruments. However, this change generated impacts only in the measurement of derivatives, as temporary cash investments held by the Company and its subsidiaries are classified as "Held-to-maturity" and thus continued to be measured at amortized cost, as mentioned in note 22.

g) Profit distributed to debentureholders, employees and management, even as financial instruments, and employees' pension funds and health care plans, which does not qualify as expenses, shall be recorded as expenses, according to their nature. This change also affects the management's and employees' share-based compensation, as regulated by CPC 10 - Share-based Payment.

h) Discontinuation of the presentation of the caption "Nonoperating income (expenses)" in the statement of income, as regulated by Provisional Act No. 449/08.

i) Elimination of items "c" and "d" of paragraph 1 of article 182 of Law No. 6,404/76 that permitted recording: (i) the premium received on issue of debentures; and (ii) donations and government investment grants directly as capital reserves in shareholders' equity. Change applicable to the Company only as regards the recognition of tax incentives, where the Company started to recognize the amounts of such tax incentives directly in the statement of income, which are subsequently allocated to the caption "Tax incentive reserve - Investment grants" in shareholders' equity, as regulated by CPC 07 - Government Grants and Government Assistance.

j) Creation of a new account group, "Valuation adjustments to shareholders' equity", in order to record certain fair value adjustments, mainly for financial instruments, 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. Change applicable to the Company only as regards the recognition of the effects of exchange rate changes arising from the translation of financial statements of foreign subsidiaries for equity accounting and consolidation of financial statements purposes.

Considering the changes introduced by Law No. 11,638/07 and Provisional Act No. 449/08, the effects on the net income for the year ended December 31, 2007 and prior years, classified as "Accumulated losses" in shareholders' equity, previously determined in conformity with the accounting practices set forth by Law No. 6,404/76, are as follows:

	Company		
	2007	Prior years	Total
As per accounting practice - Law No. 6,404/76`	456,914	-	456,914
Adjustments due to changes in accounting practices:			
Fair value of derivatives	1,900	(18)	1,882
Cumulative adjustment from translation of financial statements of foreign subsidiaries	8,403	-	8,403
Stock option plans - expenses on grant of stock options	(3,405)	(9,193)	(12,598)
Equity in subsidiaries (*)	(3,096)	(14,066)	(17,162)
Deferred income tax and social contribution	(646)	7	(639)
Total adjustments, net of taxes	3,156	(23,270)	(20,114)
As per accounting practice - Law No. 11,638/07 and Provisional Act No. 449/08	460,070	(23,270)	436,800

(*) Refer to adjustments, net of taxes, arising from changes in accounting practices, made based on equity in direct and indirect subsidiaries, related to: (a) fair value of derivatives (applicable to Indústria e Comércio de Cosméticos Natura Ltda. and Natura Logística e Serviços Ltda.); (b) stock option plans (applicable to Indústria e Comércio de Cosméticos Natura Ltda., Natura Logística e Serviços Ltda., Natura Inovação e Tecnologia de Produtos Ltda. and foreign subsidiaries); and (c) capital leases (applicable only to Natura Logística e Serviços Ltda.).

	Consolidated		
	2007	Prior years	Total
As per accounting practice - Law No. 6,404/76	462,255	-	462,255
Adjustments due to changes in accounting practices:			
Fair value of derivatives	2,838	(675)	2,163
Cumulative adjustment from translation of financial statements of foreign subsidiaries	8,403	-	8,403
Stock option plans - expenses on grant of stock options	(7,399)	(22.038)	(29,437)
Capital leases	421	(1,194)	(773)
Deferred income tax and social contribution	(1,107)	637	(470)
Total adjustments, net of taxes	3,156	(23,270)	(20,114)
Minority interest	(2)	-	(2)
As per accounting practice - Law No. 11,638/07 and Provisional Act No. 449/08	465,409	(23,270)	442,139

4. CONSOLIDATION CRITERIA

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

	Ownership interest - %	
	2008	2007
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	99.96	99.94
Natura Brasil Cosmética Ltda. - Portugal	98.00	98.00
Nova Flora Participações Ltda.	-	99.99
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Europa SAS	100.00	100.00
Natura Cosméticos y Servicios de Mexico, S.A. de C.V.	99.99	99.99
Natura Cosméticos de Mexico, S.A. de C.V.	99.99	99.99
Natura Distribuidora de Mexico, S.A. de C.V.	99.99	100.00
Natura Cosméticos C.A. - Venezuela	99.99	99.99
Natura Cosméticos Ltda. - Colombia	99.99	99.99
Natura Cosmetics USA Co.	100.00	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	99.99	-
Natura Cosméticos España S.L. - Spain	100.00	-
Natura (Brasil) International B.V. - The Netherlands	100.00	-
Indirect ownership:		
Natura Logística e Serviços Ltda.	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	-	100.00
Ybios S.A. (proportional consolidation - joint control))	33.33	33.33
Natura Innovation et Technologie de Produits SAS - França	99.99	-
Natura Brasil Inc. (EUA – Delaware)	100.00	-
Natura International Inc (EUA – NY)	100.00	-
Natura Worlwide Trading Company (Costa Rica)	100.00	-

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 2. Investments in subsidiaries have been eliminated in the proportion of the investor's interest in the shareholders' equity and net income of the subsidiaries. Intercompany balances and transactions and unrealized profits have also been eliminated. The minority interest in the Company's subsidiaries is shown separately.

The financial statements of foreign subsidiaries have been 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, 2008 and 2007, reported by the Company, differ by R$12,753 and R$5,083, respectively, from those recorded in the consolidated financial statements due to the elimination of unrealized profits of subsidiaries and the Company. For the same reason, net income balances as of December 31, 2008 and 2007, reported by the Company, differ by R$7,670 and R$5,339, respectively, from the balances in the consolidated financial statements.

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

a) Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia, Natura Europa SAS, Natura Cosméticos de Mexico, S.A. de C.V. and Natura Cosméticos C.A. - Venezuela, which amounts are mentioned in note 10.

b) Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos C.A. - Venezuela, Natura Cosméticos Ltda. - Colombia, Natura Cosmetics USA Co. (in preoperating stage as of December 31, 2008) 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.

c) Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development, and market research. It is wholly owner of Natura Innovation et Technologie de Produits SAS - France, a research and technology satellite center opened in 2007 in Paris.

d) Natura Europa SAS: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general and personal hygiene products.

e) Natura Cosméticos de Mexico, S.A. de C.V.: engaged in the import and sale of cosmetics, fragrances in general and personal hygiene products to Natura Distribuidora de Mexico, S.A. de C.V.

f) Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: engaged in the provision of administrative and logistics services to Natura Cosméticos de Mexico, S.A. de C.V. and Natura Distribuidora de Mexico, S.A. de C.V.

g) Natura Cosméticos España S.L. - Spain, Natura (Brasil) International B.V. - The Netherlands, Natura Brasil Inc. (USA - Delaware), Natura International Inc. (USA - New York) and Natura Worldwide Trading Company (Costa Rica): companies in preoperating stage and their activities will be an extension of the activities developed by Natura Cosméticos S.A.

h) Flora Medicinal J. Monteiro da Silva Ltda.: previously engaged in the sale of its own brand of phytotherapic and phytocosmetic products. Since 2005 this company has been dormant. After the merger of Nova Flora Participações Ltda. on March 31, 2008, Flora Medicinal J. Monteiro da Silva Ltda. became a direct subsidiary of Natura Cosméticos S.A.

i) Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil. See details in note 10.

j) 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.

k) Natura Innovation et Technologie de Produits SAS - France: primarily engaged in research in the safety and efficacy of active compounds, skin care and new packaging materials using "in vitro" testing, an alternative to testing on animals.

5. CASH AND BANKS

	Company		Consolidated	
	2008	2007	2008	2007
Cash and banks	19,785	15,347	54,123	49,398
Investments:				
Bank certificates of deposit (CDBs)	67,728	89,316	301,624	348,004
Investment funds	-	908	-	12,838
	87,513	105,571	355,747	410,240
Current	87,513	105,571	350,497	405,392
Noncurrent (note 16.(g) - tax contingencies)	-	-	5,250	4,848
	87,513	105,571	355,747	410,240

As of December 31, 2008, interest rate yields for CDBs ranged from 100.0% to 103.1% of the interbank deposit rate (CDI) (100.0% to 102.0% as of December 31, 2007). In the consolidated, their share in the total investment portfolio as of December 31, 2008 was 100.0% (96.4% as of December 31, 2007). In the year ended December 31, 2008, the weighted-average yield of mutual fund investments was 94.8% of CDI for the year.

CDBs are classified under caption "Cash and banks" because they are financial assets that can be redeemed immediately without penalty for early withdrawal.

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2008	2007	2008	2007
Trade accounts receivable	467,868	546,372	516,865	575,552
Allowance for doubtful accounts	(39,447)	(34,278)	(46,464)	(40,024)
	428,421	512,094	470,401	535,528

Below is the aging of the trade accounts receivable:

	Company		Consolidated	
	2008	2007	2008	2007
Current	390,196	496,701	434,061	522,409
Up to 30 days past-due	51,043	23,182	56,175	26,654
31 to 60 days past-due	8,437	7,390	8,437	7,390
61 to 90 days past-due	5,736	4,965	5,736	4,965
91 to 180 days past-due	12,456	14,134	12,456	14,134
	467,868	546,372	516,865	575,552

Changes in the allowance for doubtful accounts for the year ended December 31, 2008 are as follows:

Company

Balance in 2007	Additions (a)	Reversals	Write-offs (b)	Balance in 2008
(34,278)	(69,436)	21,772	42,495	(39,447)

Consolidated

Balance in 2007	Additions (a)	Reversals	Write-offs (b)	Balance in 2008
(40,024)	(75,170)	25,039	43,691	(46,464)

(a) Allowance recognized as mentioned in note 2.c).

(b) Refers to accounts over 180 days past-due written off due to failure to collect.

7. INVENTORIES

	Company		Consolidated	
	2008	2007	2008	2007
Finished products	59,417	27,713	254,643	198,890
Raw materials and packaging materials	-	-	84,131	52,850
Promotional materials	3,746	2,677	19,651	21,257
Work in process	-	-	11,098	7,944
Allowance for inventory losses	(2,863)	(1,144)	(35,891)	(29,862)
	60,300	29,246	333,632	251,079

The increase recorded in the balance of finished products as of December 31, 2008 is substantially justified by the opening, in 2008, of a Distribution Center in the city of Canoas, State of Rio Grande do Sul, which totaled R$18,374 as of that date.

Changes in the allowance for inventory losses for the year ended December 31, 2008 are as follows:

Company

Balance in 2007	Additions, líquidas(a)	Write-offs (b)	Balance in 2008
(1,144)	(1,718)	-	(2,863)

Consolidado

Balance in 2007	Additions, líquidas(a)	Write-offs (b)	Balance in 2008
(29,862)	(18,004)	11,975	(35,891)

(a) Refers basically to the recognition of the reserve for discontinuance, expiration and quality losses, according to the actual need to cover expected losses on the realization of inventories and the policy established by the Company and its subsidiaries.

(b) Refers to write-offs of products discarded b y the Company and its subsidiaries.

8. RECOVERABLE TAXES

	Company		Consolidated	
	2008	2007	2008	2007
ICMS (State VAT) on purchases of inputs (b)	40,087	1,037	80,439	14,584
ICMS on purchases of fixed assets	2,727	3,170	13,118	18,811
COFINS (tax on revenue) on purchases of fixed assets	-	-	9,217	16,193
ICMS - ST (a)	8,792	-	8,792	-
PIS (tax on revenue) on purchases of fixed assets	-	-	1,955	3,516
Taxes - foreign operations	-	-	20,482	14,418
PIS and COFINS (taxes on revenue) on purchases of inputs	1,857	185	4,214	576
PIS/COFINS and CSLL (social contribution on net profit) - withheld at source	-	-	2,302	1,568
IRPJ (corporate income tax)	-	-	1,691	1,069
CSLL (social contribution on net profit)	-	-	969	520
Other	-	-	8	397
	53,463	4,392	143,187	71,652
Current	45,942	2,022	122,364	49,368
NonCurrent	7,521	2,370	20,823	22,284

(a) Refers to State VAT under the taxpayers' substitution regime (ICMS - ST) credits from the State of Santa Catarina that were challenged in court and which were deposited in escrow in the period from March to December 2007. In January 2008, the Company entered into an Agreement with the State Government of Santa Catarina to use a 30% Value-Added Margin (MVA) to calculate the ICMS - ST on sales made by the Company in that State.

As a result of the above-mentioned Agreement, a total of R$29,938 deposited in escrow up to December 2007 was converted to revenue for the State. Of this amount, R$11,436 is being refunded to the Company by the State of Santa Catarina in 24 monthly readjusted installments. This is occurring through offsets against ICMS - ST due beginning as of April 2008.

As a result of the disaster that resulted from flooding in the State of Santa Catarina, the Company voluntarily decided to suspend offsets in the months from November 2008 to January 2009 in order to contribute to the State's recovery.

For maintaining said Agreement, the Company assumed certain commitments whereby the following items agreed to will be applied in transactions conducted by Natura beauty consultants in Santa Catarina: (i) in the period from January 1, 2007 to June 30, 2008, a 30% MVA; (ii) starting in October 2008, after approval by the State of Santa Catarina's tax authorities, a 35% MVA, calculated based on the study prepared by Fundação Getúlio Vargas - FGV; and (iii) ICMS paid will be increased by at least 5% in 2008, compared to 2007, being the Company compliant with this commitment.

On December 10, 2008, the State of Santa Catarina published Decree No. 1,985, which requires use of a 35% MVA, determined based on the survey conducted by Fundação Getúlio Vargas - FGV, contracted by the Brazilian Association of Direct Sales Companies (ABEVD), for the period from July 2008 to June 2009. .

(b) The increase recorded as of December 31, 2008 refers mainly to ICMS - ST which was withheld from the Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. in transactions with products intended for customers located in States other than the State of São Paulo and the Federal District.

The Company and its subsidiary have been offsetting 75% of the monthly credits determined for ICMS, while the remaining portion is kept for offset within six months after administrative verification by the São Paulo State Finance Department in accordance with the special regime granted to the Company and its subsidiary in September 2008.

ICMS - ST credits, which amounted to R$40,087 - Company and R$80,439 - consolidated, as of December 31, 2008, will be regularly offset according to the system described in the above paragraph.

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred income tax (corporate income tax - IRPJ) and social contribution (social contribution on net profit - CSLL) result from temporary differences (Company and subsidiaries). These credits are recorded in current and noncurrent assets, in view of their expected realization. The amounts are as follows:

	Company		Consolidated	
	2008	2007	2008	2007
Circulante:				
Current-				
Temporary differences:				
Allowance for doubtful accounts (note 6)	13,412	11,655	13,412	11,655
Allowance for inventory losses (note 7)	973	389	11,173	9,382
Non-inclusion of ICMS in the PIS and COFINS basis (note 15)	431	701	11,344	4,780
Reserve for tax, civil and labor contingencies (note 16)	5,369	-	5,369	4,563
Effects of unrealized profits on inventories of the Company and its subsidiaries	-	-	7,038	3,087
Allowance for losses on swap and forward contracts (notes 22.b) and 22.d))	5,305	1,297	5,213	2,160
Unrealized impacts of lease contracts - Law No. 11,638/07	-	-	(62)	263
Provision for ICMS - ST - Paraná (note 15)	5,216	1,931	5,216	1,931
Other provisions	12,661	9,839	18,321	14,506
Deferred income tax and social contribution	43,367	25,812	77,024	52,327
Noncurrent:				
Temporary differences:				
Reserve for tax, civil and labor contingencies (note 16)	15,993	15,398	33,797	32,858
Other provisions	1,414	1,249	3,161	1,460
Deferred income tax and social contribution	17,407	16,647	36,958	34,318

As required by CVM Resolution No. 273/98 and CVM Instruction No. 371/02, Management estimates, based on projections of future taxable income, that the recorded tax credits will be fully realized within five years.

The amounts recorded in noncurrent assets will be realized as follows:

	2008	2007
2009	-	21,557
2010	24,539	8,768
2011	8,695	3,690
2012 and thereafter	3,724	303
	36,958	34,318

b) Current

Reconciliation of income tax and social contribution:

	Controladora		Consolidado	
	2008	2007	2008	2007
Income before income tax and social contribution	703,645	582,280	747,679	622,036
Income tax and social contribution at the rate of 34%	(239,239)	(197,975)	(254,211)	(211,492)
Reversal of provision to maintain payment capacity for future dividends (note 13)	49,933	49,933	49,933	49,933
Technological research and innovation tax benefit - Law No. 11,196/05 (*)	14,021	13,348	14,021	13,348
Tax incentives (donations)	2,516	2,871	3,495	4,134
Equity in subsidiaries (note 11)	(3,103)	(4,004)	-	-
Unrecognized tax credit on tax losses generated by foreign subsidiaries	-	-	(43,314)	(24,095)
Tax benefit for interest on capital	-	13,344	-	13,344
Transition Tax System (RTT) (Provisional Act No. 449/08) - adjustment as per Law No. 11,638/07	(4,774)	-	(5,482)	-
Other permanent differences	(2,782)	273	5,990	(1,799)
Income tax and social contribution expenses	(177,864)	(122,210)	(229,568)	(156,627)
Income tax and social contribution - current	(190,804)	(126,110)	(254,581)	(174,416)
Income tax and social contribution - deferred	12,940	3,900	25,013	17,789
Effective rate - %	25,3	21,0	30,7	25,2

(*) Refers to the tax benefit established by Law No. 11,196/05, which allows direct deduction of 60% of total expenses on technological research and innovation when calculating taxable income and the social contribution tax base, following rules established in this Law.

10. RELATED PARTIES

Balances receivable from and payable to related parties are as follows:

	Company		Consolidated	
	2008	2007	2008	2007
Current assets:				
Natura Inovação e Tecnologia de Produtos Ltda. (a)	7,542	5,909	-	-
Natura Logística e Serviços Ltda. (b)	10,976	5,714		
Nova Flora Participações Ltda.	-	833	-	-
	18,518	12,456	-	-
Advance for future capital increase- Flora Medicinal J. Monteiro da Silva Ltda. (c)	45	25	-	-
	45	25	-	-
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. (d)	213,940	110,913	-	-
Natura Logística e Serviços Ltda. (e)	21,153	17,411	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (f)	15,462	16,713	-	-
	250,555	145,037	-	-
Dividends and interest on capital payable	311,854	237,898	311,854	237,898

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	2008	2007	2008	2007
Indústria e Comércio de Cosméticos Natura Ltda.	2,075,190	1,556,816	-	-
Natura Cosméticos S.A.	-	-	1,965,413	1,486,139
Natura Cosméticos S.A. - Peru	-	-	32,824	19,238
Natura Cosméticos S.A. - Argentina	-	-	31,477	23,660
Natura Cosméticos S.A. - Chile	-	-	22,290	11,988
Natura Cosméticos S.A. - México	-	-	14,727	10,145
Natura Cosméticos Ltda. - Colômbia	-	-	4,645	1,408
Natura Cosméticos C.A. - Venezuela	-	-	2,023	1,872
Natura Europa SAS	-	-	1,423	1,545
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	277	817
Natura Logística e Serviços Ltda.	-	-	81	4
Natura Cosmetics USA.	-	-	10	-
	2,075,190	1,556,816	2,075,190	1,556,816

	Services rendered		Services engaged	
	2008	2007	2008	2007
Administrative structure: (g)				
Natura Logística e Serviços Ltda.	287,.278	277,981	-	-
Natura Cosméticos S.A. - Brasil	-	-	217,255	209,806
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	45,812	45,775
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	24,211	22,400
	287,278	277,981	287,278	277,981
Product and technology research and development: (h)				
Natura Inovação e Tecnologia de Produtos Ltda.	164,021	169,181	-	-
Natura Cosméticos S.A. - Brasil	-	-	164,021	169,181
	164,021	169,181	164,021	169,181
Research and "in vitro" testing: (i)				
Natura Innovation et Technologie de Produits SAS - França	3,606	3,331	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	3,606	3,331
	3,606	3,331	3,606	3,331
Lease of properties and common charges: (j)				
Indústria e Comércio de Cosméticos Natura Ltda.	6,126	5,728	-	-
Natura Logística e Serviços Ltda.	-	-	3,559	3,319
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,430	1,334
Natura Cosméticos S.A. - Brasil	-	-	1,137	1,075
	6,126	5,728	6,126	5,728
Total services rendered and engaged	2,536,221	2,013,037	2,536,221	2,013,037

(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) Refers to remittances to Flora Medicinal J. Monteiro da Silva Ltda. by Nova Flora Participações Ltda., a company merged into Natura Cosméticos S.A. on March 31, 2008, as mentioned in note 1.

(d) Payables for the purchase of products.

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

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

(g) General administrative and logistics services rendered.

(h) Product and technological development and market research services rendered.

(i) Research and "in vitro" testing services rendered.

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

11. INVESTMENTS

	Company	
	2008	2007
Investments in subsidiaries	864,142	766,439

Investments in 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.	Flora Medicinal J. Monteiro da Silva 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	Natura Cosméticos Ltda. Holanda	Natura Cosméticos Ltda. Espanha	Total
Capital	526,155	83,509	2,532	60,632	6,654	-	33,503	5,008	34,567	87,066	105	32,755	17,011	-	-	889,497
Ownership interest	99,99%	99,99%	99,94%	99,96%	99,99%	100,00%	99,99%	99,99%	100,00%	99,99%	98,00%	100,00%	99,99%	100,00%	100,00%	-
Shareholders' equity of subsidiaries	753,185	15,812	(4,374)	26,077	2,908	-	(700)	27,597	16,783	26,492	(1)	(2,289)	3,314	-	-	864,804
Interest in shareholders' equity	753,110	15,810	(4,371)	26,067	2,908	-	(700)	27,594	16,783	26,489	(1)	(2,289)	3,314	-	-	864,714
Net income (loss) for the year ended December 31, 2008, net of translation effects	95,219	(9,519)	(5,392)	(10,726)	(10,343)	-	(348)	6,040	(21,497)	(23,793)	-	(32,850)	(13,697)	-	-	(26,906)
Book value of investments: :																
Balances as of December 31, 2008	691,999	5,835	1,206	14,193	3,552	-	-	19,934	12,074	15,738	-	526	1,382	-	-	766,439
Equity in subsidiaries	95,911	(9,188)	(4,567)	(8,683)	(7,289)	-	(348)	7,660	(17,891)	(24,349)	-	(27,664)	(12,717)	-	-	(9,125)
Exchange rate change and other adjustments on translation of foreign investments	-	992	(1,011)	4,847	105	-	-	-	3,711	1,027	-	3,630	263	-	-	13,564
Dividends paid	(34,800)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,800)
Capital increase	-	18,171	-	15,710	6,540	-	-	-	18,889	34,073	-	20,235	14,386	51	9	128,064
Balances as of December 31, 2008	753,110	15,810	(4,372)	26,067	2,908	-	(348)	27,594	16,783	26,489	-	(3,273)	3,314	51	9	864,142
Allowance for losses:																
Balances as of December 31, 2007	-	-	-	-	-	(10,059)	-	-	-	-	(1)	-	-	-	-	(10,060)
Merger of Nova Flora Participações Ltda.	-	-	-	-	-	10,059	(348)	-	-	-	-	-	-	-	-	9,711
Allowance for losses	-	-	-	-	-	-	(352)	-	-	-	-	-	-	-	-	(352)
	-	-	-	-	-	-	(700)	-	-	-	(1)	-	-	-	-	(701)
Saldos em 31 de dezembro de 2008	753,110	15,810	(4,372)	26,067	2,908	-	(700)	27,594	16,783	26,489	(1)	(3,273)	3,314	51	9	863,441

(*)Consolidated information on the following companies:

Natura Cosméticos - México: 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.

Natura Europa SAS - Natura Innovation et Technologie de Produits SAS - França; Natura Brasil SAS

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

		Company					
		2008			2007		
PROPERTY, PLANT AND EQUIPMENT	Annual depreciantion rate - %	Adjusted for inflation cost	Accumulated depreciation	Net book value	Adjusted for inflation cost	Accumulated depreciation	Net book value
Vehicles	20 a 33	27,686	11,317	16,369	22,716	9,493	13,223
Leasehold improvements	20 a 33	9,726	3,860	5,866	9,263	2,115	7,148
Machinery and equipment	10	4,963	1,119	3,844	4,136	677	3,459
Furniture and fixtures	10	4,258	2,178	2,080	4,011	1,889	2,122
IT equipment	20	5,768	3,823	1,945	5,064	3,190	1,874
Property, plant and equipment in progress	-	5,473	-	5,473	-	-	-
Advances to suppliers	-	4,996	-	4,996	40	-	40
		62,870	**22,297**	**40,573**	**45,230**	**17,364**	**27,866**

		Company					
		2008			2007		
INTANGIBLE ASSETS	Annual amortization rate - %	Adjusted for inflation cost	Accumulated amortization	Net book value	Adjusted for inflation cost	Accumulated amortization	Net book value
Softwares	20	12,215	5,915	6,300	10,856	4,308	6,548

		Consolidated					
		2008			2007		
PROPERTY, PLANT AND EQUIPMENT	Annual depreciantion rate - %	Adjusted for inflation cost	Accumulated depreciation	Net book value	Adjusted for inflation cost	Accumulated depreciation	Net book value
Machinery and equipment	10	246,849	99,192	147,657	221,679	74,967	146,712
Buildings	4	144,685	41,727	102,958	144,685	36,018	108,667
Facilities	10 a 33	97,903	50,630	47,273	92,721	42,238	50,483
Land	-	33,662	-	33,662	33,662	-	33,662
Molds	33	76,911	56,841	20,070	67,269	40,626	26,643
Vehicles	20 a 33	45,010	16,744	28,266	35,560	13,315	22,245
IT equipment	20	62,674	37,955	24,719	53,856	28,652	25,204
Furniture and fixtures	10	25,760	10,559	15,201	23,187	8,115	15,072
Leasehold improvements (b)	20 a 33	25,134	9,917	15,217	15,625	4,173	11,452
Property, plant and equipment in progress	-	45,934	-	45,934	9,824	-	9,824
Advances to suppliers	-	9,564	-	9,564	21,263	-	21,263
Other	-	7,970	4,483	3,487	6,066	2,851	3,215
		822,056	**328,048**	**494,008**	**725,397**	**250,955**	**474,442**

The increase recorded in property, plant and equipment in progress is distributed among several projects currently pursued by the Company and its subsidiaries initialed in 2008, such as enhancement of operating process, improvements of Distribution Centers and facilities renewals, among others.

		Consolidated					
		2008			2007		
INTANGIBLE ASSETS	Annual amortization rate - %	Adjusted for inflation cost	Accumulated amortization	Net book value	Adjusted for inflation cost	Accumulated amortization	Net book value
Business lease - Natura Europa SAS (a)	-	6,732	-	6,732	5,420	-	5,420
Softwares	20	84,669	39,475	45,194	82,893	25,231	57,662
Trademarks and patents	10 a 25	2,233	1,547	686	1,967	1,232	735
		93,634	41,022	52,612	90,280	26,463	63,817

(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 because it is an intangible, marketable asset that does not suffer any decrease in value over time. The change in the balance between December 31, 2007 and 2008 is basically due to the effects of exchange rate changes.

(b) Amortization rates consider the property lease agreement terms, which range from three to five years.

The estimated aggregate amortization expense for the following years is as follows:

	Amount
2009	14,559
2010	14,559
2011	14,300
2012 and thereafter	2,462
	45,880

Changes in property, plant and equipment

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Balance at beginning of year	27,866	26,190	474,442	445,546
Additions:				
Leasehold improvements	459	1,390	2,607	2,887
Machinery and equipment	502	348	19,500	28,477
Property, plant and equipment in progress/ advances to suppliers	10,215	2,984	27,451	13,292
Vehicles	11,759	9,648	19,072	14,739
Molds	-	-	10,158	21,004
Facilities	-	-	5,515	7,950
IT equipment	665	403	5,389	8,013
Furniture and fixtures	284	648	2,414	4,615
Other	-	-	10,441	9,740
Total	23,884	15,421	102,547	110,717
(-) Write-offs, net	(3,277)	(6,820)	(3,731)	(18,384)
(-) Depreciation	(7,900)	(6,925)	(79,250)	(63,437)
Balance at end of year	40,573	27,866	494,008	474,442

Changes in intangible assets

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Balance at beginning of year	6,548	3,550	63,817	51,389
Additions:				
Business lease - Natura Europa SAS	-	-	-	-
Softwares	1,544	981	7,593	13,414
Trademarks and patents	-	-	-	-
Intangible assets under development	-	3,614	-	11,924
Total	1,544	4,595	7,593	25,338
(-) Write-offs, net	(128)	-	(8,440)	-
(-) Amortization	(1,664)	(1,597)	(10,358)	(12,910)
Balance at end of year	6,300	6,548	52,612	63,817

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 held in the then subsidiary Natura Empreendimentos S.A., amounting to R$1,028,041, and a corresponding provision to maintain payment capacity for future dividends 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 amounts are supported by a valuation report issued by independent appraisers:

The amounts are as follows:

	Company	
	2008	**2007**
Goodwill on investments	318,203	465,066
Provision to maintain payment capacity for future dividends	(318,203)	(465,066)
	-	-

As the provision to maintain payment capacity for future dividends covers the full amount, all of the Company's shareholders will receive tax benefits related to the amortization of goodwill. Goodwill is being amortized over a seven-year period, starting as of March 2004. Moreover, R$146,863 was amortized in the year ended December 31, 2008.

14. LOANS AND FINANCING

Type	Company 2008	Company 2007	Consolidated 2008	Consolidated 2007	Maturity	Charges	Guarante
BNDES - EXIM (1)	-	-	136,962	110,175	February 2009, January 2010, May 2010 and February 2011	Interest of 2.57% p.a. + TJLP (b) for 80% of the financing and interest of 9.76% p.a. + exchange rate change (dollar) for 20% of the financing maturing in February 2009. Interest of 2.39% p.a. + TJLP (b) for 80% of debt and interest of 8.44% p.a. + exchange rate change for 20% of debt maturing in January 2010 Interest of 2.60% p.a. + TJLP (b) for 80% of debt and interest of 8.98% p.a. + exchange rate change for 20% of debt maturing in May 2010 Interest of 2.43% p.a. + TJLP (b) for 80% of debt and interest of 8.31% p.a. + exchange rate change for 20% of debt maturing in February 2011	Guarantee of Natura . Cosméticos S.A.
Resolution No. 2,770 (a)	154,384	88,484	154,384	88,484	January 2010	Exchange rate change + 2.11 % p.a.	Guarantee of Indústria e Comércio de Cosméticos Natura Ltda.
Compror (buyer financing)	-	118,482	-	137,677	January 2008	Interest of 102.8% of CDI (c)	Guarantee of Natura Cosméticos S.A..
Export notes (NCE)	-	-		41,190	April 2008	Interest of 104% of CDI (c)	Promissory note and guarantee of Natura Cosméticos S.A.
FINEP (Financing Agency for Studies and Projects)	-	-	50,156	51,915	March 2013	TJLP (b) maturing in March 2013	Guarantee of Natura Cosméticos S.A. and bank guarantee
Agro-industry Credit Note	-	-	54,173	48,787	April and June 2009	Interest of 100.6% of CDI (c) + IOF (d) and TR (e) + 8.66% p.a. + IOF (d)	Guarantee of Natura . Cosméticos S.A
BNDES (Brazilian Bank for Economic and Social Development Fund)	28,881	30,666	39,792	45,543	April de 2010 and July 2014	Interest of 4.5% p.a. + TJLP (b) + UMBNDES (f) for maturity in April 2010 For financing maturing in July 2014: (i) TJLP (b) + interest of 2.8% p.a. for 85% of financing; (ii) exchange rate change (dollar) + interest of 8.54% p.a. for 9% of financing; and (iii) TJLP (b) + interest of 2.3% p.a. for 6% of financing.	Mortgage (g) Bank guarantee
BNDES – FINAME (Government Agency for Machinery and Equipment Financing)	-	-	11,126	14,246	September de 2012	Interest of 4.5% p.a. + TJLP (b)	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
International transaction Peru	-	-	23,049	-	May 2009	Interest of 8.56% p.a.	Bank guarantee
Banco do Brasil - FAT Fomentar (Workers Assistance Fund)	-	-	5,890	6,682	February 2014	Interest of 4.4% p.a. + TJLP (b).	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes .
Capital lease	-	-	3,880	4,252	Until September 2012	Interest of 99.5% to 102.99% of CDI (h)	CETIP h
FINEP - grant	-	-	618		January 2011	None	None
Total	**183,265**	**237,632**	**480,30**	**548,951**			
Current	5,293	120,785	190,550	288,959			
Noncurrent	177,972	116,847	289,480	259,992			

(a) Loans and financing for which swap contracts (CDI) were entered into.
(b) TJLP: long-term interest rate.
(c) CDI: interbank deposit rate.
(d) IOF: tax on financial transactions.
(e) TR: managed prime rate.
(f) UMBNDES: Brazilian Bank for Economic and Social Development Fund (BNDES) monetary unit. Local currency financing from the BNDES are collateralized by the Cajamar unit.
(g) Mortgages: relate to real estate of the Cajamar unit.
(h) DI-CETIP: daily index calculated based on the average DI, disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP) - average "DI" rate.

Maturities of noncurrent portions are as follows:

	2008	2007
2009	-	100,831
2010	225,226	109,583
2011	29,837	18,541
2012	20,384	17,543
2013	10,351	9,754
2014	3,682	3,740
	289,480	**259,992**

15. TAXES PAYABLE

	Company 2008	Company 2007	Consolidated 2008	Consolidated 2007
ICMS (State VAT) Company and ST (b)	108,738	109,959	164,774	109,892
PIS/COFINS (taxes on revenue) (injunction) (a)	1,268	2,061	33,365	14,060
IRPJ (corporate income tax)	9,155	8,439	17,483	10,478
CSLL (social contribution on net profit)	3,907	3,794	5,771	4,534
IRRF (withholding income tax)	5,269	3,863	8,861	7,335
PIS/COFINS and CSLL (Law No. 10,833/03)	2,842	3,696	3,821	4,784
COFINS	127	119	3,229	4,458
Taxes - foreign operations	-	-	5,072	5,313
IPI (Federal VAT)	-	-	903	2,285
ISS (tax on services)	217	214	1,077	983
PIS	29	26	637	947
Other	-	-	-	472
	131,552	132,171	244,993	165,541
(-) Escrow deposits (b)	(67,191)	(47,030)	(67,191)	(47,030)
Total taxes payable, net of escrow deposits	**64,361**	**85,141**	**177,802**	**118,511**

(a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the noninclusion of ICMS in the PIS and COFINS tax bases. In June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in the tax bases, starting April 2007. The reserve recognized as of December 31, 2008 refers to the unpaid amounts of PIS and COFINS from April 2007 to September 2008, adjusted for inflation based on the SELIC (Central Bank overnight rate).

(b) From theses balances, the amount of R$67,191 as of December 31, 2008 (R$47,030 as of December 31, 2007), Company and consolidated, refers to the ICMS - ST for the State of Paraná, which is being challenged in court, as also mentioned in note 16.(a) "Contingent liabilities - possible losses". The Company has made monthly escrow deposits for the unpaid amounts.

16. RESERVE 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 outside legal counsel, Management believes that the reserve for tax, civil and labor contingencies is sufficient to cover eventual losses. The reserve, net of escrow deposits, are as follows:

	Company 2008	Company 2007	Consolidated 2008	Consolidated 2007
Tax	23,069	23,054	37,712	40,312
Civil	21,212	5,429	22,300	17,903
Labor	5,102	4,787	6,923	6,226
	49,383	33,270	66,935	64,441
Current	15,791	-	15,791	13,420
Noncurent	**33,592**	**33,270**	**51,144**	**51,021**

TAX CONTINGENCIES

The reserve for tax contingencies relates to the following lawsuits:

Company

	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
Deductibility of CSLL (Law No. 9,316/96) (c)	6,670	-	-	-	337	7,007
Late-payment fines on federal taxes in arrears (b)	6,065	-	(2,348)	-	786	4,503
Adjustment for inflation of federal taxes using the UFIR (IRPJ/CSLL/ILL) (d)	5,001	-	-	-	76	5,077
IPI - tax collection lawsuit (g)	4,423	-	-	-	285	4,708
INSS debt annulment action (h)	3,862	-	-	-	251	4,113
Tax notification - IRPJ-1990 (j)	2,862	-	-	-	181	3,043
Tax notification - IRPJ and CSLL - attorneys' fees (i)	2,860	-	-	-	87	2,947
Attorneys' fees and others	6,607	16	(11)	-	1,255	7,867
Total reserve for tax contingencies	38,350	16	(2,359)	-	3,258	39,265
Escrow deposits	(15,296)	-	-	-	(900)	(16,196)
Total reserve for tax contingencies net of escrow deposits	23,054	16	(2,359)	-	2,358	23,069

Consolidated

	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
IPI (Federal VAT) zero rate (a)	31,034	-	-	-	3,158	34,192
Late-payment fines on federal taxes in arrears (b)	7,207	1,176	(3,024)	-	884	6,243
Deductibility of CSLL (Law No. 9,316/96) (c)	6,670	-	-	-	337	7,007
Adjustment for inflation of federal taxes using the UFIR (IRPJ/CSLL/ILL) (d)	5,127	-	-	-	76	5,203
Tax notification IPI - attorneys' fees (e)	4,792	-	(4,846)	-	54	-
IPI credit on purchases of fixed asset and consumption material (f)	4,433	-	-	-	289	4,722
IPI - tax collection lawsuit (g)	4,423	-	-	-	285	4,708
INSS debt annulment action (h)	3,862	-	-	-	251	4,113
Tax notification - IRPJ and CSLL - attorneys' fees (i)	2,866	-	-	-	94	2,960
Tax notification - IRPJ-1990 (j)	2,862	-	-	-	181	3,043
Failure to include ICMS in tax bases for PIS and COFINS - attorneys' fees (k)	2,291	10	(33)	-	185	2,453
Semiannual PIS - Decree Laws No. 2,445/88 and No. 2,449/88 (l)	1,836	-	-	-	134	1,970
Attorneys' fees and other	10,517	6	(80)	-	2,400	12,843
Total reserve for tax contingencies	87,920	1,192	(7,983)	-	8,328	89,457
Escrow deposits	(47,608)	-	-	-	(4,137)	(51,745)
Total reserve for tax contingencies net of escrow deposits	40,312	1,192	(7,983)	-	4,191	37,712

(a) Refers to IPI tax credits on raw materials and packaging materials purchased at a zero tax rate or with a tax exemption. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed for and obtained an injunction granting entitlement to the credit. A sentence dismissing the injunction and judging the Company's request invalid was rendered on September 25, 2006. The Company filed an appeal for review of the merit and reestablishment of the injunction's effects. To suspend payment of the tax, the Company made escrow deposits for the disputed amount in October 2006. The total amount deposited in escrow, adjusted as of December 31, 2008, is R$34,192 (R$31,034 as of December 31, 2007).

(b) Refers to fine levied for late payment of federal taxes. The reserves reversed in December 2008 are the result of the current understanding of the Superior Court of Justice (STJ) set forth in Abstract No. 360.

(c) Refers to CSLL 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 and income tax bases. A portion of this reserve, in the amount of R$4,962 (R$4,601 as of December 31, 2007), has been deposited in escrow.

(d) Refers to the adjustment for inflation of federal taxes (IRPJ/CSLL/ILL) related to 1991 using the UFIR (fiscal reference unit), discussed in a mandate. The amount involved is deposited in escrow.

(e) Refers to attorneys' fees to defend tax notifications issued against the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. by the Brazilian Federal Revenue Service in November 2005, which challenges the tax base for IPI on transactions with related companies. The subsidiary was notified of the lower court decisions issued by the Second Judgment Panel of the Federal Revenue's Regional Office in Ribeirão Preto in June 2006, which unanimously cancelled tax requirements related to IPI on these transactions. The appeal filed by the Treasury was denied by unanimous vote, which upheld the original decision that cancelled the tax requirement, on August 15, 2007. Awaiting formalization and publication of the decision. On December 18, 2007, the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. was notified of the decision that denied the appeal related to one of the tax notifications, which was then discontinued.

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

(g) Refers to a tax collection lawsuit intended to collect IPI for July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law No. 7,798/89. The lawsuit is in the 3rd Region Federal Court (São Paulo) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are collateralized by a restricted investment held by the subsidiary Natura Inovação e Tecnologia de Produtos Ltda., in the amount of R$5,250 as of December 31, 2008 (R$4,848 as of December 31, 2007), which is recorded in a specific account in noncurrent assets.

(h) Refers to social security contribution (INSS) required by tax notifications issued by the National Institute of Social Security as a result of an audit. The Company, as taxpayer with joint liability for tax payment, is required to pay INSS on services provided by third parties. These amounts are disputed in a tax debt annulment action and they are deposited in escrow. The amounts required in the tax notification cover the period from January 1990 to October 1999. In 2007, the Company reversed the amount of R$1,903, relating to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, according to binding precedent No. 08 of the Federal Supreme Court (STF).

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

(j) Refers to a tax notification issued by the Brazilian Federal Revenue Service requiring 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 No. 2,413/88, on which the Company based its tax payments at that time.

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

(l) Refers to the offset of PIS paid in the period from 1988 to 1995 against Federal taxes due in 2003 and 2004 as permitted by Decree Laws No. 2,445/88 and No. 2,449/88. The reversal made by the Company in 2007 in the amount of R$14,910 is due to the final decision favorable to the Company, rendered in August 2007. The remaining reserve refers to the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., which is awaiting the examination of proceedings by the Board of Tax Appeals.

CIVIL CONTINGENCIES

Changes in the reserve for civil contingencies for the year ended December 31, 2008 are as follows:

Company	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
Various civil lawsuits (a)	5,146	4,044	(5,259)	(848)	1,439	4,522
Attorneys' fees - environmental civil lawsuit (d)	-	1,013	-	-	28	1,041
Civil lawsuits and attorneys' fees - Nova Flora Participações Ltda. (b) and (c)	485	14,821	(11)	-	560	15,855
Total reserve for civil contingencies	5,631	19,878	(5,270)	(848)	2,027	21,418
Civil lawsuit escrow deposits	(202)	-	-	-	(4)	(206)
Total reserve for civil contingencies, net of escrow deposits	5,429	19,878	(5,270)	(848)	2,023	21,212
Current	-					15,791
Noncurrent	5,429	-	-	-	-	5,421

Consolidated	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
Various civil lawsuits (a)	5,456	4,738	(5,622)	(1,005)	1,418	4,985
Attorneys' fees - environmental civil lawsuit (d)	-	1,013	-	-	28	1,041
Civil lawsuits and attorneys' fees - Nova Flora Participações Ltda. (b) and (c)	15,649	14,421	(14,432)	-	2,304	17,942
Total reserve for civil contingencies	21,105	20,172	(20,054)	(1,005)	3,750	23,968
Civil lawsuit escrow deposits	(3,202)	(86)	1,754	-	(134)	(1,668)
Total reserve for civil contingencies, net of escrow deposits	17,903	20,086	(18,300)	(1,005)	3,616	22,300
Current	13,420	-	-	-	-	15,791
Noncurrent	4,483	-	-	-	-	6,509

(a) As of December 31, 2008, the Company and its subsidiaries were parties in 1,148 lawsuits and proceedings (1,587 as of December 31, 2007) in the civil courts, special civil court and PROCON (consumer protection agency), filed by Natura beauty consultants, consumers, suppliers and former employees, mostly related to compensation claims.

(b) The Company is a party in civil lawsuits filed by a former shareholder of the subsidiary Flora Medicinal J. Monteiro da Silva Ltda., which seek amounts and settlement of liabilities allegedly owed as a result of the former shareholder's withdrawal. In November 2007, the Court of Justice of Rio de Janeiro judged the appeals filed against the decision issued by the lower court, setting the amount of the liabilities. The decision issued by the Court of Justice of Rio de Janeiro was challenged in a motion for clarification denied in January 2008, when the Company filed a special appeal.

(c) Beginning March 31, 2008 and after the merger of Nova Flora Participações Ltda., the Company became liable for the civil lawsuits of the former subsidiary. The Company is a party in other three civil lawsuits filed by a former shareholder of Flora Medicinal J. Monteiro da Silva Ltda., the nature and likelihood of a favorable outcome for which are described below:

• Lawsuit for arbitration of capital reimbursement: lawsuit in which the former shareholder alleges being entitled to amounts resulting from his withdrawal from the Company. In January 2008, the former shareholder filed with the Superior Court of Justice a special appeal against the decision issued by the Court of Justice of Rio de Janeiro, which upheld the lower court's decision and denied the former shareholder's claim. The amounts involved cannot be reliably measured. The attorneys are of the opinion that the likelihood of an unfavorable outcome is remote.

• Lawsuit for collection of business plan: lawsuit in which the former shareholder alleges being entitled to receivables resulting from his withdrawal from the Company. The court expert's work started in March 2008. The São Paulo Court District is responsible for this lawsuit. The amounts involved cannot be reliably measured. The attorneys are of the opinion that the likelihood of an unfavorable outcome is remote.

• Lawsuit for payment allocation: refers to ICMS credits deposited by the former shareholder on account of tax payment in installment as agreed to by Flora Medicinal J. Monteiro da Silva Ltda. Judgment by the Superior Court of Justice of the bill of review filed by the former shareholder against the decision that rejected his special appeal has been awaited since September 2007. The Court of Justice of Rio de Janeiro overruled the lower court's decision and denied the claim made by the former shareholder. The attorneys are of the opinion that an unfavorable outcome is possible.

(d) Refers to attorneys' fees for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of the State of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset denominated "murumuru" ("Astrocaryum murumuru Mart".) .

LABOR CONTINGENCIES

As of December 31, 2008, the Company and its subsidiaries are parties to 685 labor lawsuits filed by former employees and third parties (588 as of December 31, 2007) claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. Reserves are periodically reviewed to reflect the best current estimate based on the progress of lawsuits and history of losses on labor claims.

Changes in the reserve for labor contingencies for the year ended December 31, 2008 are as follows:

Company	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
Total reserve for labor contingencies	5,604	148	(712)	(54)	1,454	6,440
Escrow deposits for labor lawsuits	(817)	(521)	-	-	-	(1,338)
Total reserve for labor contingencies, net of escrow deposits	4,787	(373)	(712)	(54)	1,454	5,102

Consolidated	2007	Additions	Reversals	Payments	Adjustment for inflation	2008
Total reserve for labor contingencies	7,323	152	(767)	(54)	1,904	8,558
Escrow deposits for labor lawsuits	(1,097)	(538)	-	-	-	(1,635)
Total reserve for labor contingencies, net of escrow deposits	6,226	(386)	(767)	(54)	1,904	6,923

Escrow deposits

Escrow deposits, which represent the Company's and its subsidiaries' restricted assets, relate to amounts deposited before the courts until litigation is resolved. Balances of escrow deposits for which there are no recognized reserve for contingencies totaled R$37,187 - Company and R$41,017 - consolidated as of December 31, 2008 (R$35,119 and R$38,603, respectively, as of December 31, 2007) and the same are classified in caption "Escrow deposits" in noncurrent assets.

Contingent liabilities - possible losses

The Company and its subsidiaries are parties to tax, civil and labor lawsuits, for which no reserve for losses has been recognized, as the risk of loss is regarded as possible by Management and its internal and outside legal counsel. These tax liabilities are as follows:

	Company 2008	Company 2007	Consolidated 2008	Consolidated 2007
Tax				
Declaratory Action - ICMS - ST of State of Paraná (a)	14,670	10,715	14,670	10,715
Declaratory Action - ICMS - ST of State of Santa Catarina (c)	-	9,965	-	9,965
Offset of 1/3 of COFINS - Law No. 9,718/98 (b)	4,713	4,466	4,713	4,466
INSS debt annulment action (c)	4,235	3,976	4,235	3,976
Tax notification - transfer pricing on loan agreements with foreign related company (d)	1,127	1,047	1,127	1,047
Tax debt notification - GFIP (e)	825	718	825	718
Tax notification - ICMS - ST (f)	703	593	703	593
Request for offset of taxes of the same type - IRPJ (corporate income tax) and IRRF (withholding income tax) (g)	490	450	490	450
Tax notification - IRPJ and CSLL - debentures (h)	11,949	-	11,949	-
Other	19,360	2,602	21,943	4,797
	58,072	**34,532**	**60,655**	**36,727**
Civil	5,666	6,077	18,351	18,283
Labor	34,044	30,927	51,647	46,115
	97,782	**71,536**	**130,653**	**101,125**

(a) Lawsuit filed by the Company challenging the changes in ICMS - ST calculation basis introduced by Paraná Decree No. 7,018/06. The total discussed in the lawsuit, related to the period from January 2007 to December 2008, is fully deposited in escrow, as mentioned in note 15.

(b) Law No. 9,718/98 increased the COFINS rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution payable in the same year. However, in 1999 the Company and its subsidiaries filed a mandate and were granted an injunction suspending 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 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, which was made in the first half of 2001. However, the Brazilian 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 proceeding is awaiting ruling at the lower administrative court.

(c) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax notification 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 tax notification cover the period from January 1995 to October 1999.

(d) Refers to a tax notification whereby the Brazilian 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 subsequently dismissed. In June 2008, the Company filed an appeal against the unfavorable decision with the Board of Tax Appeals, which is awaiting ruling by this judgment body.

(e) Demand of fine for failure to complete the GFIP (FGTS Payment and Social Security Information Form), an accessory social security obligation, with independent contractors' social security contributions and indemnities. The Company is discussing this collection at the administrative level.

(f) Tax collection notice for ICMS - ST, demanded by the State of Goiás, due to alleged underpayment by the Company. The Company has filed its defense at the administrative level and is awaiting judgment.

(g) Refers to the nonapproval of the offset of IRPJ credits related to the fourth quarter of 1999 against IRRF debts for the second quarter of 2000.The Company filed 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 Brazilian Federal Revenue Service.

(h) Tax notification issued against the Company in August 2003 whereby the Brazilian Federal Revenue Service is requiring the income tax and social contribution due on the yield of the debentures issued by the Company in base period 1999.

Contingent assets

The Company and its subsidiaries have the following significant contingent assets:

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 established by Law No. 9,718/98.The amounts involved in the lawsuits, adjusted for inflation through December 31, 2008, total R$19,170 (R$18,111 as of December 31, 2007).The lawsuits are awaiting judgment.The attorneys' opinion is that the likelihood of a 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 the 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 involved, adjusted for inflation through December 31, 2008, total R$112,534 (R$103,025 as of December 31, 2007).The attorneys' opinion is that the likelihood of a favorable outcome is probable.

As a final and unappealable decision has not been rendered, the Company and its subsidiaries 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 their employees and officers, tied to the achievement of operational targets and specific objectives, established and approved at the beginning of each year. As of December 31, 2008, the following amounts were recorded as profit sharing: R$25,539 (R$12,556 as of December 31, 2007) and R$64,158 (R$35,827 as of December 31, 2007), Company and consolidated, respectively, under the caption "Salaries, profit sharing and related charges", as a contra entry to "Employee profit sharing" and "Management compensation" in the statement of income for these years. .

18. MANAGEMENT COMPENSATION

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

2008	Compensation	Variable		Stock option grants	
				Stock option balance (quantity)	Average exercise price
	Fixed	(a)	Total	(b)	(c)
Board of Directors	2,636	1,332	3,968	-	-
Officerss	3,263	2,856	6,119	391,827	19,58
Total	5,899	4,188	10,087	391,827	

2007	Compensation	Variable		Stock option grant	
				Stock option balance (quantity)	Average exercise price
	Fixed	(a)	Total	(b)	(c)
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	

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

2008	Compensation	Variable		Stock option grant	
				Stock option balance (quantity)	Average exercise price
	Fixed	(a)	Total	(b)	(c)
Executives	7,563	4,012	11,575	717,656	16,89

2007	Compensation	Variable		Stock option grant	
				Stock option balance (quantity)	Average exercise price
	Fixed	(a)	Total	(b)	(c)
Executives	14,873	4,034	18,907	2,702,650	16,78

(a)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 previous year in view of the final assessment of the targets established for the Board Members, Officers and Executives.

(b) Refers to the balance of unexercised vested and unvested options as of the balance sheet date.

(c) Refers to the weighted-average exercise price of the option at the time of the stock option plans, adjusted for inflation based on the Extended Consumer Price Index (IPC-A) through the balance sheet date.

19. SHAREHOLDERS' EQUITY

a) Capital

As of December 31, 2007, the Company's capital was R$390,618. On March 7, 2008, 100,000 common shares without par value were subscribed for R$3.30 (R$330). On December 31, 2008, 55,698 common shares without par value were subscribed for an average price of R$8.52 (R$475). As a result, capital increased from R$390,618, corresponding to 428,929,051 subscribed and paid-up common shares, as of December 31, 2007, to R$391,423, corresponding to 429,084,749 subscribed and paid-up common shares. Authorized capital of 12,381,074 common shares remained unchanged.

b) Dividend and interest on capital payment policy

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

• Increase in the amounts arising 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 interim dividends upon approval by the Board of Directors.

On August 10, 2007, the Company paid dividends and interest on capital in the amounts of R$138,138 and R$39,247, respectively, relating to income for the first quarter of 2007, as approved by the Board of Directors on July 25, 2007, and, on April 8, 2008, the Company paid dividends and interest on capital in the amount of R$237,752, relating to the remaining balance for 2007, as approved at the Annual Shareholders' Meeting held on March 31, 2008, totaling R$375,890.

On August 12, 2008, the Company paid dividends in the amount of R$188,000, relating to income for the first half of 2008, as approved by the Board of Directors on July 23, 2008, subject to approval at the Annual Shareholders' Meeting that will appreciate the financial statements for the year ended December 31, 2008.

In addition, on February 18, 2009, the Board of Directors appreciated a proposal to be submitted to the Annual Shareholders' Meeting to be held on March 31, 2009, for the payment of dividends and interest on capital - gross, related to income for 2008, in the total amounts of R$254,215 and R$57,465, respectively, which, together with the R$188,000 paid in August 2008, correspond to 95.4% of net income for 2008.

Dividends were calculated as follows:

	Company	
	2008	2007
Net income for the year (*)	525,781	456,914
Tax incentive reserve - investment grant	(1,816)	-
Calculation basis for minimum dividends	523,965	456,914
Mandatory minimum dividends	30%	30%
Annual minimum dividend	157,190	137,074
Proposed dividends	442,215	375,890
Interest on capital	57,465	39,247
IRRF on interest on capital	(8,620)	(5,887)
Total dividends and interest on capital, net of IRRF	491,060	409,250
Amount exceeding the mandatory minimum dividend	333,870	272,176
Dividends per share - R$	1,0316	0,8767
Interest on capital per share - net - R$	0,1138	0,0778
Total dividends and interest on capital per share - net - R$	1,1454	0,9545

(*) In 2007, calculated pursuant to accounting practices set forth by Law No. 6,404/76.

c) Treasury shares

As of December 31, 2008, the common shares held in treasury, which have been used in the exercise of options related to stock option plans for purchase or subscription of shares, totaled 20,955 (161,303 as of December 31, 2007), at an average unit price of R$17.5426 (R$13.6705 as of December 31, 2007). The decrease in the number of treasury shares in comparison to December 2007 is explained by the 801,338 options exercised under the stock option plans. .

d) Share premium

Refers to the premium generated on the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R$100,000, which was carried out on March 2, 2004.

e) Legal reserve

Since the balance of the legal reserve plus the capital reserves provided for by article 182, paragraph 1, of Law No. 6,404/76 exceeded 30% of capital, the Company, pursuant to the provisions of article 193 of said law, decided not to recognize a legal reserve on net income earned in 2006, 2007 and 2008.

f) Profit retention reserve

As of December 31, 2008, the profit retention reserve was recognized pursuant to article 196 of Law No. 6,404/76, for use in future investments, in the amount of R$24,285. The retention related to 2008 is based on the capital budget that will be submitted for approval at the Annual Shareholders' Meeting to be held on March 23, 2009.

As prescribed by article 199 of Law No. 6,404/76, the balance of profit reserves, except for the reserve for contingencies and unrealized profit reserve, cannot exceed capital. Therefore, at the Extraordinary Shareholders' Meeting held on April 2, 2007, the capitalization in the amount of R$153,939 was approved, 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 during 2005 and 2006.

20. STOCK OPTION PLANS

Once a year the Board of Directors meets for the purpose of naming the directors and managers who will receive the options and the total number to be distributed, in compliance with the terms of the plan.

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 maximum term for exercising the options is two years after the end of the fourth eligibility year.

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

	2008		2007	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
As of January 1	15.46	5,476	9.89	6,701
Granted	19.33	1,800	23.64	1,305
Cancelled	16.77	(1,077)	19.64	(297)
Exercised	18.33	(1,466)	21.66	(2,253)
As of December 31	19.24	4,733	15.46	5,456

Of the 4,733,000 outstanding options as of December 31, 2008 (5,456,000 options in 2007), 1,276,000 (1,815,000 in 2007) are exercisable.

The options exercised in 2008 resulted in the issuance of 1,466,000 shares (2,253,000 shares in 2007), generating an impact on shareholders' equity of R$5,956 (2,253,000 shares in 2007, generating an impact on shareholders' equity of R$9,145), Company.

The expense related to the fair value of options granted, recognized in the statement of income for the years ended December 31, 2008 and 2007 according to the elapsed vesting period, was R$2,055 and R$3,405, respectively, Company, and R$5,088 and R$7,399, respectively, consolidated.

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

As of December 31, 2008:

Gran date	Outstanding options: Exercise price - R$	Outstanding options: Outstanding options	Outstanding options: Remaining contract life (in years)	Outstanding options: Exercise price - R$	Exercisable options: Exercisable options	Exercisable options: Exercise price - R$
April 10, 2003	3.47	203,772	0.28	3.47	203,772	3.47
April 10, 2004	8.54	764,606	1.28	8.54	764,606	8.54
March 16, 2005	18.33	615,049	2.21	18.33	307,525	18.33
March 29, 2006	27.31	731,485	3.24	27.31	-	-
April 24, 2007	25.76	979,940	4.32	25.76	-	-
April 22, 2008	19.01	1,437,866	5.31	19.01	-	-
		4,732,718			1,275,903	

As of December 31, 2007:

Gran date	Outstanding options: Exercise price - R$	Outstanding options: Outstanding options	Outstanding options: Remaining contract life (in years)	Outstanding options: Exercise price - R$	Exercisable options: Exercisable options	Exercisable options: Exercise price - R$
April 10, 2002	5.85	238,940	0.28	5.85	238,940	5.85
April 10, 2003	3.28	1,016,810	1.28	3.28	1,016,810	3.28
April 10, 2003	8.06	1,117,810	2.28	8.06	558,905	8.06
March 16, 2005	17.31	831,670	3.21	17.31	-	-
March 29, 2006	25.79	981,660	4.23	25.79	-	-
April 24, 2007	24.33	1,269,955	5.32	24.33	-	-
		5,456,845			1,814,655	

The weighted-average fair value of the options granted during the year ended December 31, 2008, calculated based on the binomial pricing model, was R$6.57 (R$9.73 in 2007) per option. The significant data included in the model were: weighted-average price of each share of R$18.66 (R$24.60 in 2007) on grant date, exercise price as presented above, volatility of 43.22% (42.82% in 2007), dividend yield of 4.27% (3.70% in 2007), an expected option life of three to four years, according to each case, and a risk-free annual interest rate of 10.98% (11.64% in 2007).

As of December 31, 2008, the market price of each Company share was R$18.99 (R$17.00 in 2007).

21. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution pension plan for all employees of the Company and its subsidiaries in Brazil. Under 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. The contributions made by the Company and its subsidiaries totaled R$3,076 in the year ended December 31, 2008 (R$3,808 in 2007).

22. FINANCIAL INSTRUMENTS

a) General conditions

The Company and its subsidiaries enter into transactions involving financial instruments, all of which are recorded in balance sheet accounts, for the purpose of reducing their exposure to currency and interest rate risks, as well as maintaining their investment capacity and growth strategy. These transactions include financial investments, loans, financing and derivative instruments.

Risks and the financial instruments are managed through the definition of policies and strategies and implementation of control systems, defined by the Company's Finance Committee and Board of Directors, which establish foreign exchange exposure limits, allocate funds in financial institutions. The compliance of the treasury area's positions in financial instruments, including derivatives, in relation to these policies, is presented and assessed on a monthly basis by the Finance Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

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

Even though the Company and its subsidiaries use derivatives for hedging purposes, it does not apply hedge accounting.

Cash investments

Cash investments reflect market conditions at the balance sheet dates. The "Cash Investment Policy" set forth by the Company's Management chooses the financial institutions with which contracts may be entered into, in addition to establishing limits regarding percentages in the allocation of funds and absolute amounts to be invested in each of them.

Loans and financing

Loans and financing are recorded based on the contractual interest rates of each transaction, as shown in note 14.

Almost in their entirety, 97.6% on December 30, 2008 and 96.3% on December 30, 2007, foreign-currency denominated loans and financing have been hedged against foreign exchange fluctuations since their related contracts were entered into.

Policies related to derivative financial instruments

1) Foreign exchange risks

As a result of the various types of foreign-currency financial obligations assumed by the Company and its subsidiaries, the Company implemented a "Foreign Currency Hedging Policy", setting forth exposure levels pegged to these risks. The amounts in foreign currency of the balances receivable and payable of commitments already made and recorded in the financial statements arising from the operations of the Company and its subsidiaries, as well as future cash flows, with an average term of six months, not yet recorded in the balance sheet, arising from: (i) purchases of production inputs; (ii) imports of machinery and equipment; and (iii) contributions to the result of each subsidiary abroad in their respective currencies, are taken into account. The derivative transactions are solely aimed at mitigating foreign exchange risks associated to positions in the balance sheet plus anticipated cash flows in foreign currency.

The Company and its subsidiaries enter into derivative transactions called swap and NDFs (Non-Deliverable Forwards) to hedge against foreign exchange risks.

2) Interest rate risks

The policy adopted by the Company's and its subsidiaries' Management regarding their interest rate exposure is to maintain the indices used to adjust their interest rates payable and receivable pegged to floating rates. Cash investments and loans and financing, except those adjusted by the long-term interest rate (TJLP), are adjusted by the interbank deposit rate (CDI) at floating rates.

The Company and its subsidiaries contract derivatives called swaps in order to mitigate the risks of loan and financing transactions entered into with an adjustment index other than the floating rate CDI.

The Company and its subsidiaries have no derivative financial instruments for speculative purposes.

b) Foreign exchange exposure

As of December 31, 2008 and 2007, the main account groups denominated in foreign currency are as follows:

	Consolidated 2008	Consolidated 2007
Assets:		
Trade accounts receivable (1)	2.887	629
Derivative instruments (2)	236.432	154.916
Total assets	239.319	155.545
Liabilities::		
Loans and financing (3)	(192.092)	(112.248)
Trade accounts payable (4)	(3.571)	(2.076)
Total liabilities	(195.663)	(114.324)
Total exposure (5)	43.616	41.221

(1) Trade accounts receivable: reflect the balances receivable related to the Company's exports, not considering its foreign subsidiaries.

(2) Derivative instruments: outstanding swap and forward contracts, shown below, with maturities between January 2009 and February 2011, were entered into with the banks Alfa (3%), Banco do Brasil (31%), ABN AMRO Real (65%) and UBS Pactual (1%) and are broken down as follows:

Type of transaction	Consolidated: Adjusted contracted amount 2008	Adjusted contracted amount 2007	Balance receivable (payable) 2008	Balance receivable (payable) 2007
"Financial swaps (2.1)	173,359	108,233	37,695	(6,244)
"Financial forwards (2.1)	14,022	-	(112)	-
"Operating forwards (2.2)	49,051	46,683	479	(107)
	236,432	**154,916**	**38,062**	**(6,351)**

Balances receivable (payable) refer to the net adjustment receivable or payable, calculated at fair value, as of December 31, 2008 and 2007, of the outstanding derivatives entered into by the Company and its subsidiaries, in force in the related periods.

(2.1) In order to hedge against the financial exposures generated by foreign- -currency denominated loans and financing, the Company and its subsidiaries have been entering into swap and forward contracts aimed at mitigating the foreign exchange risks to which these loans and financing are subject. Swap transactions consist of the swap of the foreign exchange fluctuation for an adjustment based on a percentage of the floating rate CDI. Forward transactions set a future exchange parity between the real and the foreign currency, based on the parity on contract date, adjusted by a given fixed interest rate.

2.2) Forward transactions are contracted to hedge against the so-called operating foreign exchange exposures, related to future cash flows.

(3) Loans and financing: refer to the balances payable of loans and financing denominated in foreign currency. As of December 31, 2008, of R$192,092, R$154,384 is denominated in yens (Yen$5,807,729) and R$37,708 in U.S. dollars (US$16,136,000).

(4) Trade accounts payable: refer to the balances payable in foreign currency owed to suppliers.

(5) Total exposure: as of December 31, 2008 and 2007, the Company's receivable exposure to foreign currency amounts to R$43,616 and R$41,221, respectively.

c) Interest rate exposure

As of December 31, 2008 and 2007, the Company's receivable (payable) exposure to interest rates is as follows::

	Consolidated 2008	Consolidated 2007
Cash investments pegged to the CDI (1)	301,624	360,841
Loans and financing pegged to the CDI (2)	(28,310)	(204,135)
Currency to CDI swaps and forwards (3)	(187,529)	(108,115)
TR to CDI swaps (4)	(25,827)	(23,402)
Net CDI exposure (5)	59,958	25,189
Loans and financing pegged to the TJLP (6)	(206,833)	(204,898)

(1) Cash investments: reflect the balances invested in bank certificates of deposit (CDBs) at floating rates. 3.6% of the balance as of December 31, 2007 was invested in investment funds.

(2) Loans and financing: balances of transactions entered into with the financial market directly pegged to floating rate CDI.

(3) Currency swaps and forwards: balance of loan and financing transactions denominated in foreign currency with the related derivative transactions, as shown in item b)(2)(2.1).

(4) TR swaps: the Company and its subsidiaries have entered into swap transactions aimed at hedging against the exposure of liabilities pegged to the fluctuation of TR (managed prime rate) related to the amount of R$28,310 that account for part of the contracts of the credit facility called Agro-industry Credit Note. As of December 31, 2008, as shown in note 14, the Company has R$54,173 in Agro-industry Credit Notes.

Outstanding TR swap contracts, with maturities in June and July 2009, were entered into with Banco Bradesco and are broken down as follows:

Type of transaction	Consolidated: Adjusted contracted amount 2008	Adjusted contracted amount 2007	Balance receivable (payable) 2008	Balance receivable (payable) 2007
"TR financial swaps	25,827	23,402	(378)	(231)

The balances payable refer to the net adjustment payable, calculated at fair value, as of December 31, 2008 and 2007, of the outstanding derivatives entered into by the Company and its subsidiaries in force in the respective periods,

(5) Net CDI exposure: as of December 31, 2008 and 2007, the Company has receivable exposures in relation to the floating rate CDI in the amounts of R$59,958 and R$25,189, respectively.

(6) Loans and financing pegged to the TJLP: reflect the balances of loans and financing transactions contracted with the BNDES, FINEP, FINAME and FAT Fomentar, as stated in note 14.

Except for the TJLP, the Company's receivable and payable exposures are pegged to the same floating interest rate, with no mismatch.

The Company's Management considers the exposure risk to the TJLP as low. The amounts involved are R$206,833 and R$204,898 as of December 31, 2008 and 2007, respectively.

The net balances receivable and payable arising from currency and foreign exchange swap and interest rate forward transactions are recorded under the captions "Unrealized gains on derivative transactions" and

“Allowance for losses on derivative transactions”, respectively, in current assets and current liabilities.

Financial derivative transactions entered into by the Company and its subsidiaries do not require guarantee margins.

d) Fair values

Cash investments

The amounts of cash investments recorded in the financial statements are similar to their realizable values, as transactions are carried out using floating interest rates and have immediate liquidity.

Loans and financing

The amounts of loans and financing recorded in the financial statements, except for those pegged to TJLP, account for most of the liabilities, as they are pegged to a floating interest rate, in this case, the fluctuation of CDI.

The amounts of financing pegged to the TJLP are similar to the liabilities recorded in the financial statements because the TJLP has a correlation with the CDI and is a floating rate.

Derivatives

Gains and losses on swap and forward derivative transactions outstanding as of December 31, 2008 and 2007, considering their carrying amounts and fair values, are as follows:

	Consolidated			
	2008		2007	
Gains (losses) on swap and forward transactions	Carrying amount	Fair value	Carrying amount	Fair value
Financial swaps	51,669	38,073	(8,170)	(6,013)
TR financial swaps	(264)	(378)	(40)	(231)
Financial forwards	(52)	(112)	-	-
Operating forwards	649	479	(304)	(107)
	52,002	**38,062**	**(8,514)**	**(6,351)**

As mentioned in notes 2.b)(ii) and 2.o), derivatives are now measured at fair values, and the balance of unrealized gains as of December 31, 2008, in the amount of R$38,062, differs materially from the balance of gains earned through that date, in the amount of R$52,002, as measured based on the yield curve. Considering that financial swaps consist basically of currency hedges, the notional values of which are equal to the values of financial liabilities indexed to foreign currencies, and the fact that the Company's Management intends to hold both the debt instruments and derivative instruments to their maturity dates, the difference presented is classified as temporary, until the final maturity of the transactions, and no financial losses resulting therefrom are expected.

At the end of each year, the Company and its subsidiaries consult the financial institutions through which the derivative instruments were entered into and adjust their respective values based on the current market conditions of the derivative financial instruments.

e) Breakdown of derivative transactions

(1) Derivatives

The information on derivatives entered into by the Company and its subsidiaries as of December 31, 2008 and 2007, arising from foreign-currency denominated loans and financing, is as follows:

					Accumulated effect up to 12/31/08 at fair value	
Description	Notional value (reference) 2008	2007	Fair value 2008	2007	Amount receivable (received)	Amount payable (paid)
Swap contracts-						
Asset position:						
Long position-dollar	22,899	21,802	19,675	20,356	3,159	-
Long position-yen	90,000	90,000	141,284	90,993	34,914	-
TR	22,313	23,313	25,608	22,903	-	(378)
	135,212	135,115	186,567	134,252	38,073	(378)
Liability position-						
Floating CDI rate: :						
Long position-dollar	22,899	21,802	16,517	22,662	-	-
Long position-yen	90,000	90,000	106,370	94,700	-	-
TR	22,313	23,313	25,986	23,134	-	-
	135,212	135,115	148,873	140,496	-	-
Forward contracts-						
Long position-dollar	13,594	-	14,006	-	-	-
Liability position-						
Fixed rate	13,594	-	14,118	-	-	(112)

(2) Operating derivatives

The information on operating derivatives as of December 31, 2008 and 2007 entered into by the Company and its subsidiaries to hedge against the exposure arising from future cash flows is as follows:

					Accumulated effect up to 12/31/08 at fair value	
Description	Notional value (reference) 2008	2007	Fair value 2008	2007	Amount receivable (received)	Amount payable (paid)
Forward contracts:						
Long position-dollar	45,314	21,554	46,687	25,522	14	-
Long position-euro	1,777	25,562	2,292	21,256	465	-
	47,091	47,116	48,979	46,778	479	-
Liability position-						
Fixed rate: :						
Long position-dollar	45,314	21,554	46,673	21,380	-	-
Long position-euro	1,777	25,562	1,827	25,505	-	-
	47,091	47,116	48,500	46,885	-	-

f) Sensitivity analysis

For the derivatives shown in item e)(1) above, the Company's Management understands that no sensitivity analysis should be performed, as there are equivalent liabilities recorded in the balance sheet, offsetting the transactions, as shown in the following table:

Total loans and financing in foreign currency	192,092
Adjusted value of contracted financial derivatives	(187,381)
Foreign exchange risk	4,711

Similarly, the Company believes that the operating derivatives shown in item e)(2) should not be taken into account in the sensitivity analysis, as they were settled on January 6, 2009.

Therefore, the sensitivity analysis will not be performed for the foreign exchange derivatives position as of December 31, 2008 by the Company and its subsidiaries.

The Company and its subsidiaries have no derivatives for speculative purposes.

g) Credit risk

The sales of the Company and its subsidiaries are made to a large number of Natura beauty consultants and this risk is managed through a strict credit granting process. The result of this management is reflected under the allowance for doubtful accounts, as shown in note 6.

The Company and its subsidiaries are also subject to credit risks related to the financial instruments entered into while managing their businesses. The risk of default on transactions with the financial institutions with which they operate, which are considered prime banks by the market, is considered low.

23. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2008	2007	2008	2007
Financial income:				
Interest on cash investments	7,985	7,911	35,912	27,330
Inflation and exchange gains (a)	442	13,561	5,247	15,241
Gains on swap and forward transactions (b)	48,279	2,205	55,952	348
Other financial income	9,637	3,918	12,596	8,120
	66,343	27,595	109,707	51,039
Financial expenses:				
Interest on financing	(14,581)	(5,731)	(37,958)	(26,454)
Inflation and exchange losses (a)	(63,945)	(57)	(71,463)	(2,727)
Losses on swap and forward transactions (b)	-	(25,140)	-	(26,812)
Other financial expenses	(5,585)	(948)	(9,728)	(2,286)
	(84,111)	**(31,876)**	**(119,149)**	**(58,279)**

The purpose of the account breakdowns below is to explain the results of currency hedging transactions entered into by the Company, as well as their contra entries recorded under financial income (expenses), shown in the table above:

	Consolidated	
	2008	2007
(a)		
Inflation and exchange gains	5,247	15,241
Inflation and exchange losses	(71,463)	(2,727)
	(66,216)	12,514
(a) Breakdown		
Exchange rate changes on loans and financing	(72,387)	14,451
Adjustment for inflation on financing	(796)	(1,125)
Exchange rate changes on imports	(919)	(28)
Exchange rate changes on accounts payable in subsidiaries abroad	(6,399)	1,112
Exchange rate changes on export receivables	14,285	(1,896)
	(66,216)	12,514
(b)		
Gains on swap and forward transactions	55,952	348
Losses on swap and forward transactions	-	(26,812)
	55,952	(26,464)
(b) Breakdown		
Exchange rate changes on swaps	71,577	(14,926)
Exchange rate changes on forwards	13,160	(3,337)
Swap and forward derivatives adjusted to fair value	(13,942)	2,101
Income from foreign exchange coupon swaps	4,415	1,601
Financial costs of swaps	(16,140)	(11,498)
Financial costs of forwards	(3,118)	(405)
	55,952	(26,464)

24. OTHER OPERATING INCOME (EXPENSES)

	Company		Consolidated	
	2008	2007	2008	2007
Other operating income:				
Gain on sale of property, plant and equipment	722	685	281	512
Untimely used PIS and COFINS credits (*)	30,921	-	30,921	-
Other	-	-	-	3,461
Other operating expenses-				
Other	-	(4,766)	(2,849)	-
Other operating income (expenses), net	30,738	(4,081)	28,353	3,973

(*) In the second quarter of 2008, the Company recorded untimely used PIS and COFINS credits arising from expense, costs and charges related to its revenues, incurred from May 2004 to December 2007, in the amounts of R$5,516 and R$25,405 for PIS and COFINS, respectively, totaling R$30,921. Such credits were generated based on the new interpretation made by the Company of certain provisions of Law No. 10,865/04, which definitely changed the taxation system of such taxes on the revenues earned by the Company. The untimely used PIS and COFINS credits were fully offset against other federal taxes in July and August 2008.

25. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts deemed sufficient by Management, taking into consideration the nature of their activities and the opinion of their insurance advisors. As of December 31, 2008, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/ inventories	Any damages to buildings, acilities and machinery and equipment	688.519
Vehicles	Fire, theft and collision for 1,529 vehicles	51.728
Loss of profits	Nonrealization of profits arising from damages to facilities, buildings and production machinery and equipment	925.121

Independent Auditors' Report

To the Management and Shareholders of Natura Cosméticos S.A
São Paulo - SP - Brazil

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Natura Cosméticos S.A. and subsidiaries as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity (Company), cash flows and value added 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 applicable 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 Company's and its subsidiaries' 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 position of Natura Cosméticos S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations, the changes in its shareholders' equity (Company), their cash flows, and the value added in their operations for the years then ended, in conformity with Brazilian accounting practices.

4. As mentioned in note 3, in view of the changes in Brazilian accounting practices, effective since the beginning of 2008, the individual (Company) and consolidated financial statements for the year ended December 31, 2007, presented for comparative purposes, have been adjusted and are being restated as prescribed by Accounting Standard and Procedure (NPC) 12 - Accounting Policies, Changes in Accounting Estimates and Errors.

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

São Paulo, February 18, 2009

Deloitte.

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

CRC nº 2 SP 011609/O-8

Altair Tadeu Rossato

Engagement Partner - CRC nº 1 SP 182515/O-5

DNV Assurance Statement Summary
Natura Sustainability Report 2008

1. Context and responsibilities

Det Norske Veritas (DNV) has carried out an independent verification of the Portuguese version of Natura Cosméticos SA (Natura) Sustainability Report 2008 ('the Report'). The Board of Natura is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting that information. DNV's responsibility regarding this verification is to Natura only, in accordance with the scope of work agreed. DNV disclaims any liability or responsibility to a third party for decisions, whether investment or otherwise, based upon this Assurance Statement summary, or its full version available in Portuguese at www.natura.net/relatorio.

2. Independence

DNV was not involved in the preparation of any statements or data included in the Report, except for this Assurance Statement summary and its full version available in Portuguese at www.natura.net/relatorio. Moreover, in 2008, DNV did not work with Natura or its stakeholders on any engagements which could compromise the independence or impartiality of our findings, conclusions or recommendations.

3. Scope and limits of the verification

The scope of the verification included information provided in the Report for the period of 12 months ending on December, 31st 2008. In particular, the scope of work included the verification of:

- Sustainability related policies, strategies, objectives and achievements in 2008 described in the Report;
- Sustainability management systems, practices and performance at group level, focusing on the management of sustainability along the value chain, with a focus on supply chain and innovation matters;
- Adoption of Natura' sustainability-related policies, practices and procedures by one of Natura's international businesses (Argentina);
- Sustainability-related initiatives and projects described in the Report;
- Processes and activities undertaken with a view to identifying and assessing material sustainability issues;
- Processes and activities carried out in order to identify, analyze and respond to stakeholders' expectations in relation to the content of the Report and the company' sustainability strategy;
- Systems, processes and tools to collect, aggregate, control/assure the quality of data and report sustainability-related information;
- Accuracy, completeness, comparability and neutrality of statements and sustainability performance data, in particular those related to carbon emissions;
- Adherence to the principles of materiality, completeness, accuracy, reliability, neutrality, clarity and comparability set out in the Global Reporting Initiative Sustainability Reporting Guidelines, 2006 (GRI G3). This also included a check of the application level declared by Natura.

The findings, conclusions and recommendations which resulted from the verification of information related to GHG emissions, included in the section "Carbon Neutrality" of the Report, are provided in the full version of the Assurance Statement, available in Portuguese at www.natura.net/relatorio.

This verification aimed to provide assurance relating to the sustainability information and data presented in the Report. DNV's scope of work did not include an assessment of the adequacy, effectiveness or efficiency of Natura's strategy or management of sustainability issues. It also excluded the verification of sustainability management, performance or reporting practices by Natura's suppliers or any other third parties mentioned in this Report.

4. Approach and methodology

This verification was carried out between January and March 2009, by suitably qualified and experienced professionals, following DNV's Protocol for Verification of Sustainability Reports. DNV's Verification Protocol has been developed in accordance with the most widely accepted reporting and assurance standards, including AccountAbility's AA1000 Assurance Standard (2008) and the GRI Sustainability Reporting Guidelines, 2006 (GRI G3).

The methods used in this verification included:

- Visits to selected sites in Brazil (headquarters and factory at Cajamar, Casa Natura Campinas) and Argentina (administrative offices in Buenos Aires);
- Interviews with more than 35 directors and managers responsible for various areas and processes at the above mentioned sites;
- Analysis of developments in the company's commitments, activities and resources allocated to sustainability;
- Review of sustainability-related reports, data and data management systems;
- Testing of a sample of sustainability data and data management systems (for collection, aggregation, quality control/assurance and reporting);
- Review of internal and external communications regarding Natura's commitment, approach and performance on sustainability.

5. Main conclusions

Based on the work undertaken as part of this verification, in DNV has drawn the following main conclusions:

- Natura Sustainability Report 2008 provides an accurate and fair representation of the policies, strategies, management systems, initiatives and projects carried out by the company over the reporting period;
- The Report meets the content and quality requirements of the GRI Sustainability Reporting Guidelines, 2006 (GRI G3);
- Natura adopted a structured approach to defining materiality and ensuring inclusivity and responsiveness in its Report, in line with AA1000AS principles;
- The 2008 version of the Report shows improvement compared to the previous version in terms of its structure, accuracy and clarity of the reported information, as well as quality of the translation of the original version into English.

Detailed information on DNV's verification process, conclusions and recommendations is provided in the full Assurance Statement available in Portuguese at www.natura.net/relatorio.

Antonio Ribeiro

Antonio Ribeiro
Lead verifier

Jasmin Eymery

Jasmin Eymery
Verifier

Det Norske Veritas, São Paulo, 01 June 2009

About the Report

For the ninth edition of the Natura Annual Report, which refers to the period between January 1 and December 31, 2008, we adopted once again the G3 version of the Global Reporting Initiative (GRI) guidelines at the A+ application level, the highest level for reporting economic, social and environmental performances.

We gathered information on all of our operations, including Argentina, Chile, Colombia, Mexico, Peru, Venezuela and France, with most attention to the activities carried out in Brazil, where our production are centralized and, thus where our social and environmental impacts are stronger. The economic results include all operations. We also offer information on our relationships in Brazil with our main stakeholders: those who we define as brand builders – employees, consultants, consumers, suppliers and supplier communities – and the other three stakeholder groups that we consider directly interested in this publication – surrounding communities, government and shareholders.

For the second consecutive year, the socioenvironmental information was verified by means of the independent auditors Det Norske Veritas (DNV), which also verified the greenhouse gas inventory data. The economic and financial information, on the other hand, was audited by Deloitte Touche Tohmatsu Auditores Independentes. We publish the opinions of both external auditors.

In order to allow for a broader access to the Natura Annual Report 2008, we have used different formats and communication channels:

- Book for opinion makers – the main printed publication, with the most relevant information on our performance in Portuguese, English and Spanish.
- Internet – presents the complete content in Portuguese and English. Access our electronic address www.natura.net/relatorio.
- Newspaper for employees – with the topics of interest to our internal stakeholders in Portuguese and Spanish.
- Magazine for consultants – it gathers specific information for our sales force, in Portuguese only.

The content of each means of communication is determined by a materiality assessment, which seeks to identify the relevant topics for our report by crossing two axles: Natura's strategy and the interests of the main stakeholders. Three sources of information have contributed to this analysis: the contacts received by Natura's Ombudsman´s Office in 2008, the corporate process for the engagement of stakeholders, and the consultation with specialists, which was held in Brazil in December.

On December 5, at the Natura House in Campinas, state of São Paulo, we gathered some 50 people, including employees, consultants, suppliers, consumers and investors of Natura. The participants were invited to identify opportunities in their relationship with Natura and the commitments that, in their opinion, should be made by the Natura Community (the company and its stakeholders). These demands were disseminated to managers and taken into consideration in the strategic planning process in 2009.

To make improvements in our sustainability reporting, we also organized a consultation with specialists to obtain a more critical opinion and suggestions on how to improve the content of the Annual Report 2007. These specialists were: Enrique Svirsky, founding partners of the Instituto Socioambiental (Socioenvironmental Institute); Nelmara Arbex, training director of GRI; Regina Queiroz, researcher of the Instituto Observatório Social (Social Observatory Institute); Ricardo Voltolini, journalist and director of the consulting company Idéia Sustentável; Roberta Kuruzu, executive director of the Brazilian Association of Direct Selling Companies; and Roberto Gonzáles, from the Association of Capital Market Investment Analysts and Professionals.

We also took into consideration the recommendations of the study "Road to Credibility", conducted by the British consulting firm SustainAbility and the Brazilian Foundation for Sustainable Development (FBDS), in which we appeared as a leading company in sustainability reporting in Brazil.

Commitments with External Initiatives

Throughout the Annual Report we have listed many entities of which we are a member and we also support several global and national initiatives that reflect our corporate behavior and are in line with our actions and beliefs.

In addition to the commitments highlighted in the 2007 annual report, such as the Sustainable Amazon Forum (FAS), Global Compact, Union for Ethical BioTrade, Ethos Institute, Empresa Amiga da Criança (Child-Friendly Company), this year, we highlight our support for the Our São Paulo Movement, a civil society initiative in São Paulo motivated to manage the problems of urban life; and the Sustainable Connections project, promoted by FAS and the Our São Paulo Movement whose objective is to debate and publicize the responsibilities of companies in São Paulo on issues related to the Amazon, in addition to adhering to the Business and Biodiversity Initiative, an initiative led by the German Ministry of the Environment and supported by GTZ for the purpose of engaging the private sector behind the objectives of the Convention on Biological Diversity (CBD).

We present in the table below the main suggestions from the more than 100 suggestions for improvement we received on our sustainability reporting and the answers we have given in this edition:

Stakeholder	Request	Natura's Answer
Specialists	There is little information on third parties, particularly, on the commitment of suppliers to sustainability issues. Show the value chain.	We have included a map of our value chain on page 11.
Specialists	Present more specific and quantitative targets and explain how they were determined.	The targets will be determined after the completion of the strategic planning and published in the online version in May 2009.
Specialists	Discuss the direct sales model.	Please read chapter Social Value Creation on page 44.
Specialists	Report on the process used to identify relevant topics.	Priority topics are presented on page 10 and the process is explained in this chapter.
Stakeholder Panel	Present plans to improve Natura's communication with consultants. .	See chapter Consultants on page 31.
Stakeholder Panel	Describe more completely the post-consumption recycling process.	The post-consumption recycling process is still a pilot program and it is presented in the online version.

For further information on this report, please directly contact the team responsible for its preparation via e-mail: relatorioanual@natura.net

Global Compact Principles

Since July 2000, Natura has been a subscriber of the Global Compact, a UN initiative that brings together companies, workers and civil society to promote sustainable growth and civic awareness. We are also part of the Global Compact Brazilian Committee (CBPG), created from the partnership between the Ethos Institute and the UN Development Programme established in 2003. The CBPG is made up of companies, UN agencies in Brazil, legal entities, academia and civil society organizations that develop work related to topics such as human and labor rights, the environment and combating corruption.

For further information on this initiative, please visit www.globalcompact.org

Global Compact Principles	GRI relevant indicators	GRI indirectly relevant indicators
Human Rights Principles		
Principle 1 – Respect and protect human rights.	HR1; HR2; HR3; HR4; HR5; HR6; HR7; HR8; HR9	LA4; LA13; LA14; SO1
Principle 2 – Prevent human rights violations.	HR1; HR2; HR8	
Principles of Working Rights		
Principle 3 – Support freedom of association in the workplace.	HR5; LA4; LA5	
Principle 4 – Abolish forced labor.	HR7	HR1; HR2; HR3
Principle 5 – Abolish child labor.	HR6	HR1; HR2; HR3
Principle 6 – Eliminate discrimination in the workplace.	HR4; LA2; LA13; LA14	HR1; HR2; EC5; EC7; LA13
Principles of Environmental Protection		
Principle 7 – Support a preventive approach to environmental challenges.	Environmental Performance Chaptel	EC2
Principle 8 – Promote environmental responsibility.	EN2; EN5; EN6; EN7; EN10; EN13; EN14; EN18; EN21; EN22; EN26; EN27; EN30	EC2; EN1; EN3; EN4; EN8; EN9; EN11; EN12; EN15; EN16; EN17; EN19; EN20; EN23; EN24; EN25; EN28; EN29; PR3; PR4
Principle 9 – Encourage environmentally friendly technologies.	EN2; EN5; EN6; EN7; EN10; EN18; EN26; EN27	
Anti-Corruption Principle		
Principle 10 – Fight against corruption in all of its forms, including extortion and bribery.	SO2; SO3; SO4	SO5; SO6

WE ARE A STAKEHOLDER OF THE GLOBAL REPORTING INITIATIVE (GRI) AND SUPPORT ITS MISSION TO DEVELOP GLOBALLY ACCEPTED GUIDELINES FOR SUSTAINABILITY REPORTS THROUGH A PROCESS OF STAKEHOLDER ENGAGEMENT.

GRI Index

In order to locate our performance indicators according to the GRI standard, please refer to the table below. The general indicators are available in the online version at **www.natura.net/relatorio**. Further information on the GRI model can be obtained from the **www.globalreporting.org** website.

Economic Performance		Page
Economic Management Approach		**44**
EC1	Direct economic value generated and distributed	35 and 44
EC2	Financial implications, risks and opportunities resulting from climate changes	10 and 49
EC3	Coverage of the benefit pension plan obligations	On-line
EC4	Significant financial aid received from the government	On-line
Market Presence		
EC5	Lowest salary compared to the local minimum salary	29
EC6	Policies, practices and expenses with local suppliers	39
EC7	Procedures for local contracting and proportion of top management members recruited in the local community	On-line
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EC8	Investments in infrastructure and services	43
EC9	Description of indirect economic impacts	35 and 44

Environmental Performance		
Environmental Management Approach		**49**
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EN2	Percentage of materials used from recycling	54
Energy		
EN3	Direct energy	On-line
EN4	Indirect energy use	On-line
EN5	Energy saved through efficiency	On-line
EN6	Initiatives for suppliers of energy efficient products	On-line
EN7	Reduction of indirect energy use	On-line
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EN8	Total water removal	53
EN9	Water sources affected by water removal	53
EN10	Water recycled and reused	53
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EN11	Area within the protected areas or those adjacent to protected areas, as well as areas with a high level of biodiversity outside the protected areas	On-line
EN12	Description of significant impacts on biodiversity	50
EN13	Protected or restored habitats	On-line
EN14	Management of impacts on biodiversity	50
EN15	Species threatened with extinction	On-line
Emissions, Effluents and Waste		
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EN17	Other relevant indirect emissions of greenhouse gases	49
EN18	Initiatives to reduce greenhouse gas emissions	10, 33, 35 and 49
EN19	Emissions of substances that destroy the ozone layer	49
EN20	NOx, SOx and other significant atmospheric emissions	49
EN21	Total disposal of water by quality and destination	49
EN22	Total waste weight by type and disposal method	49
EN23	Number and total volume of significant spills	On-line
EN24	Transported, imported or exported wastes	On-line
EN25	Bodies of water and habitats affected by water disposal	On-line
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EN27	Percentage of products and their packaging that are recovered in relation to the total amount of products sold	12
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EN28	Significant fines and the total number of non-monetary sanctions resulting from the non-conformity with laws and environmental regulations	On-line
Transportation		
EN29	Impacts of the transportation of products and workers	On-line
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Social Performance – Labor Practices and Dignified Work		Page
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LA2	Total number of employees and turnover rate	27
LA3	Full-time vs. temporary benefits	On-line
Relations between Workers and the Government		
LA4	Percentage of workers covered by collective bargaining agreements	On-line
LA5	Minimum deadline for notifying operating changes	On-line
Safety and Health in the Workplace		
LA6	Employees represented on health and safety committees	On-line
LA7	Injury rates, occupation diseases, days lost, absenteeism and deaths	On-line
LA8	Education, training, counseling, prevention and risk control programs for employees, their family members or members of the community associated with serious diseases	On-line
LA9	Health and safety topics covered in labor union agreements	On-line
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LA11	Programs for employability	On-line
LA12	Performance analysis and career development	On-line
Diversity and Equal Opportunities		
LA13	Composition of groups responsible for corporate governance and the other employees	26
LA14	Base salary proportion between men and women	26

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Management Approach to Human Rights		**25 and 33**
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HR2	Companies contracted and critical suppliers submitted to evaluations on human rights	33
HR3	Training in human rights	On-line
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HR4	Total number of discrimination cases	On-line
Freedom of Association and Collective Bargaining		
HR5	Operations in which the right to exercise the freedom of association and collective bargaining may be at risk	On-line
Child Labor		
HR6	Operations with a risk for child labor	33
Forced or Slave Labor		
HR7	Operations with a risk for forced or slave labor	31 e 33
Safety Practices		
HR8	Security personnel submitted to training in human rights	On-line
Indigenous Rights		
HR9	Cases of indigenous rights violations	On-line

Social Performance – Society		
Social Management Approach		**24, 40, 42 and 44**
Community		
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Corruption		
SO2	Units submitted to evaluations of corruption risks	22
SO3	Employees trained in anti-corruption policies and procedures	On-line
SO4	Measures taken in response to cases of corruption	22
Public Policies		
SO5	Participation in the elaboration of public policies and lobbies	42
SO6	Financial contributions to political parties	42
Unfair Competition		
SO7	Lawsuits due to unfair competition	On-line
Conformity		
SO8	Fines and non-monetary sanctions resulting from non-conformity with laws and regulations	On-line

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PR2	Cases of non-conformity with health and safety regulations	38
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PR3	Labeling procedures	37
PR4	Cases of non-conformity with regulations on labeling	37
PR5	Practices related to customer satisfaction	37
Communication and Marketing		
PR6	Compliance with laws, norms and voluntary marketing codes, including publicity, promotion and sponsorship	37
PR7	Cases of non-conformity with regulations	37
Conformity		
PR8	Proven complaints on the violation of privacy	31
Compliance		
PR9	Fines due to non-conformity with laws and regulations associated with the supply and use of products and services	37

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

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