natura
BRASIL

annual report natura 2008

Table of Contents

Essence

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 a 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, and 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

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 committed 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

Mexico
Commercial Operation
Natura Polanco and Florida Houses, in Mexico City, and Monterrey House

Venezuela
Commercial Operation

Colombia
Commercial Operation
Natura Bogotá House Cali and Medellín

Peru
Commercial Operation
Natura Lima Norte 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

Chile
Commercial Operation
Natura Santiago House

Argentina
Commercial Operation
Buenos Aires Natura House

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 toward 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, 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.

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 engagement helps us to prepare the materiality matrix that guides the focus of the social and environmental actions of the company. It also makes the sustainability guidelines outlined in Natura's strategic planning more specific. Additionally, it guides the organization of this report and the definition of targets we commit to in 2009.

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 funfullyds 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.

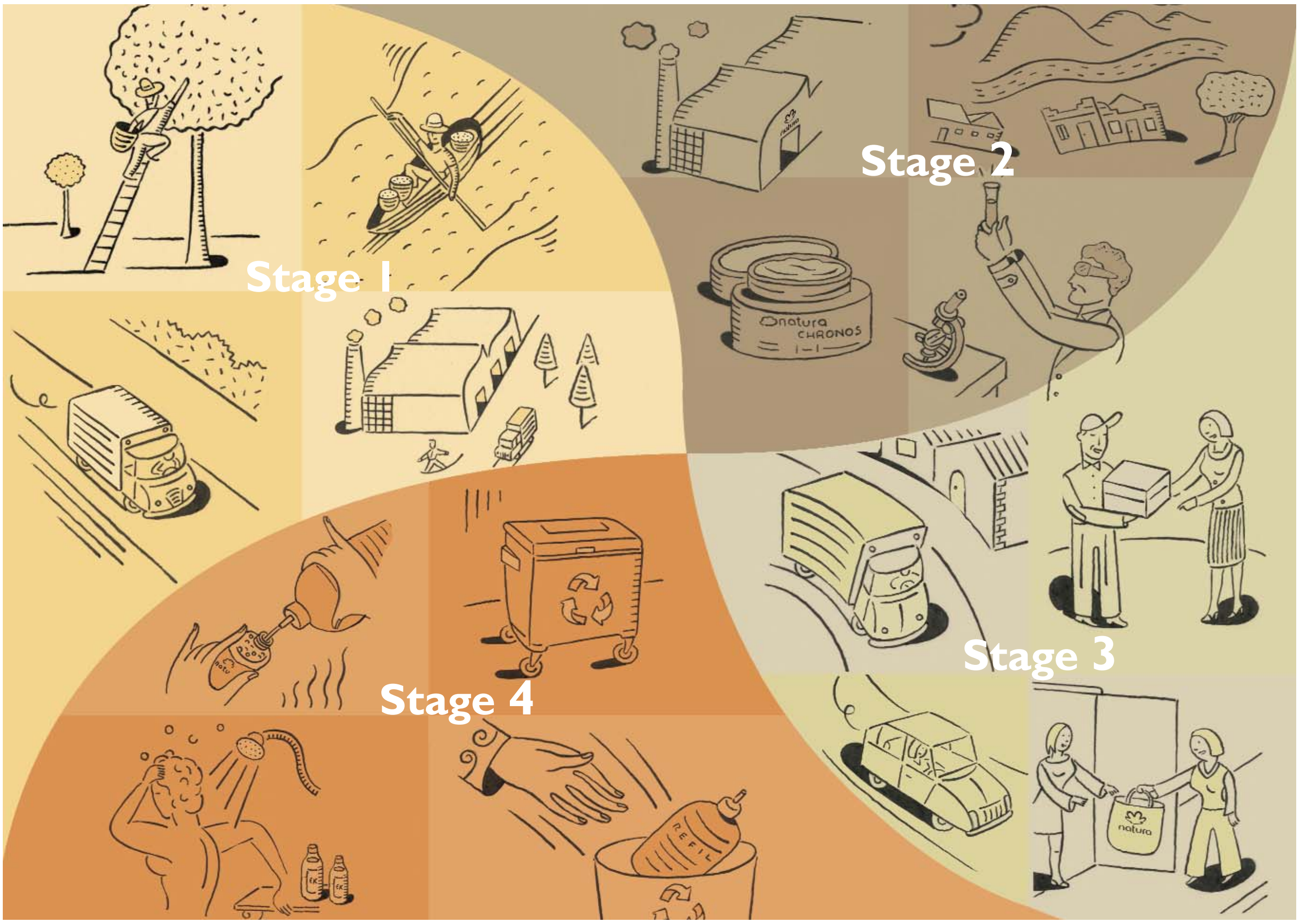
Greenhouse Gas (GHG) Emissions - The climate crisis is a global challenge as important as the recent economic crisis, and all organizations should help combat the greenhouse effect. In 2007, we launched the Carbon Neutral Project, which coordinates our previously isolated actions to reduce carbon emissions. 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.

See the targets assumed by Natura for 2009:

Stakeholders	Priority issue	Targets
Quality of Relationships	• Quality of Relationships	Involve stakeholders in defining and monitoring the strategic priorities of Natura through a process of engagement.
Employees	• Quality of Relationships	Reach 71% favorability in the Climate Survey with employees.
	• Education	Invest 3.5% of the total payroll in training in 2009.
Consultants	• Quality of Relationships	Maintain 90% favorability in the Satisfaction Survey with Consultants.
	• Education	Raise R$ 3.744 million through the sale of the Crer Para Ver (Believing is Seeing) line of products. Register the participation of 463,054 Consultants in training.
Suppliers	• Quality of Relationships	Reach 85% favorability per company in the Satisfaction Survey with Suppliers.
Supplier Communities	• Biodiversity	Embark on the implementation of local development plans in three communities in 2009.
	• Quality of Relationships	Publish the Relationship Principles for supplier communities.
Consumers	• Quality of Relationships	Publish the Relationship Principles for consumer stakeholders. Maintain rate of 47% in Brand preference, taken from the Brand Essence survey (brand image).
	• Impact of products	Eliminate parabens from the portfolio by December 1, 2010. More than 90% of the portfolio of products is free of parabens. Eliminate phthalates from the portfolio as formulation ingredients by July 1, 2010. More than 95% of the portfolio of products is free of phthalates.
Surrounding Communities	• Quality of Relationships	Publish the Relationship Principles for surrounding communities.
Creation of Social Value	• Education	Implement the *Trilhas* (Trails) project in 210 Brazilian municipalities. The project aims to create opportunities for preschool children to have greater access to children's books and, consequently, the culture of written language.
Environment	• Biodiversity	Include 2 new ingredients in phase III of the certification process.
	• Greenhouse Gases (GHG)	Reduce by 3% greenhouse gas emissions.
	• Impact of products	Increase to 79% the amount of renewable plant material used in products. Reach refill sales rate of 19% on items billed in Brazil.

See the commitments evolution assumed by Natura for 2008. 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 m³ of water at the units in Cajamar and Itapecerica da Serra.	● ACHIEVED We consumed 124,236 m³.
	• 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.

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

Main Events in 2008

Economic

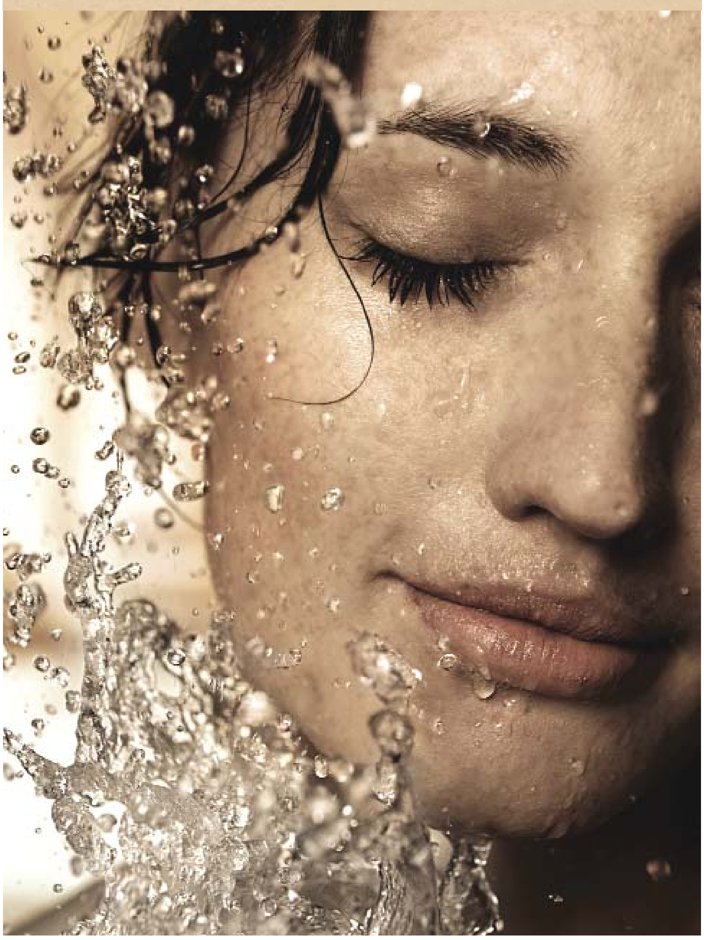
- Growth of 17.7% in consolidated net revenues, with positive results in Brazil and Latin America.
- Increase of 22.5% in EBITDA, with additional investments of R$88.0 million in marketing funded by productivity gains.
- Appreciation of 18% in Natura's shares, in comparison with a drop of 41% by the 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.

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:

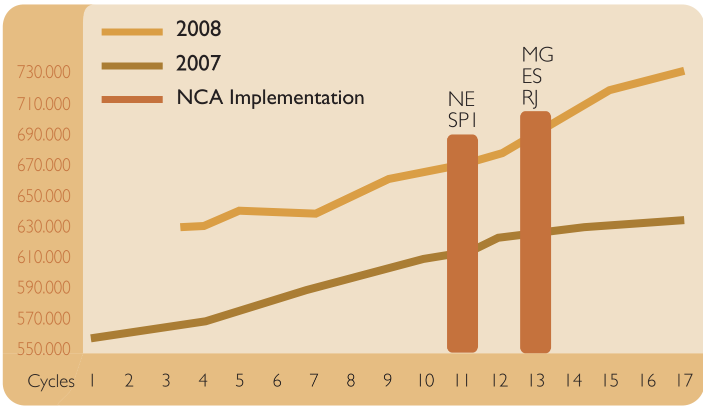
- there is a consensus, among analysts, that Brazil will be less affected by the crisis;
- we are the market leader with a widely admired brand and broad consumer preference; in 2008, we advanced from 42% to 47% in a preference survey of consumers, while the second-place brand fell from 18% to 16%;
- 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 historically has proved highly resilient to economic downturns.

We are well prepared for this economic climate. The plan we put into practice 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 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 training 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 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.

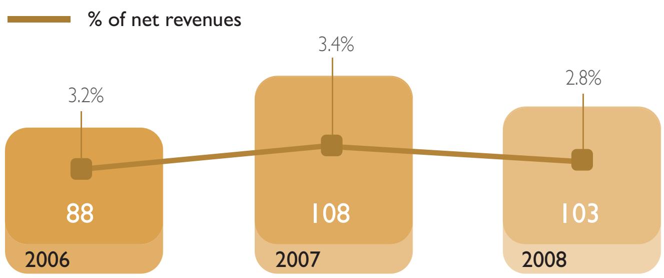
We focused on four launches – the Naturé, Tododia and Amor América product lines and the Chronos Soy Polytensor anti-wrinkle cream, whose sales exceeded our expectations.

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.

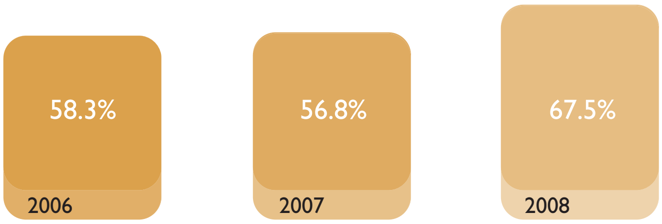
Innovation

	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.

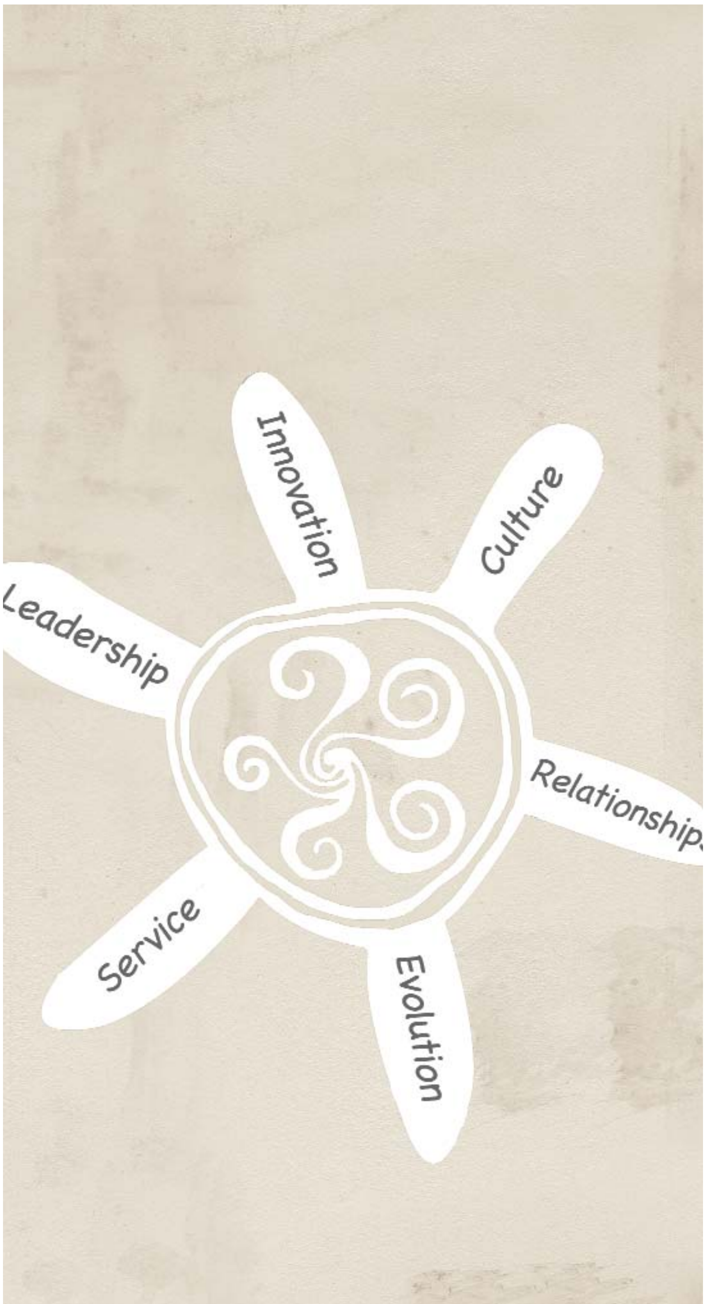
This new configuration decentralizes decision-making and the execution of key processes. The business units are responsible for product development and for the management and results of brands and categories; they interact with the regional units, which in turn are responsible for the relationship with 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 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:

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

People and Organizational Development Committee

Consists of three members, the CEO, and the Senior Vice Presidnt of Sustainability and Organizational Development. 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 Presidente of Financial 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.

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 Financial 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

Composition of the Executive Board

Alessandro Carlucci
CEO

José Vicente Marino
Senior Vice President of Sales and Marketing

Marcelo Cardoso
Senior Vice President of Organizational Development and Sustainability

Maurício Bellora
Senior Vice President of International Operations

Paulo Lalli
Senior Vice President of Operations & Logistics

Roberto Pedote
Senior Vice President of Finance and Legal

Angel Medeiros
Logistics Director

Armando Marchesan
Ordering Cycle Director

Claudia Falcão
International Human Resources Director

Daniel Gonzaga
Research Director

Denise Alves
Business Unit Director – Platform D

Denise Figueiredo
Business Unit Director – Platform C

Erasmo Toledo
Commercial Cycle Management Director

Flávio Pesiguelo
Human Resources Director - Brazil

Guto Pedreira
Business Unit Director - Platform A

Jorge Rosolino
Finance Director - Brazil

Lucilene Prado
Legal Director

Marcello Rodrigues
Product Availability Director

Marcos Pelaez
Information Technology Director

Marcos Vaz
Sustainability Director

Moacir Salzstein
Corporate Governance Director

Mônica Gregori
Business Unit Director - Platform B

Pedro Villares
Latin America Operation Director

Roberto Zardo
Ordering Cycle Director

Rodolfo Guttilla
Corporate Affairs and Government Relations Director

Victor Fernandes
Product Development Director

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 Ombuds Office and the Audit Committee.

In 2008, we audited 24 cases in Brazil and at our international units, at the request of the Ombuds 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.

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.

See below the various relationship channels with our stakeholders:

Relationship Channels

Employees	Meeting with the CEO's Office	Opportunity for employees to openly give their opinions, make suggestions and raise criticisms to senior management.
	Scheduled meetings	Events held on an irregular frequency with operating and administrative staff to inform, align, give direction and integrate them with leaders. They are also opportunities to openly give opinions, suggestions and criticisms of management.
	Talk to Natura	Communication channel via e-mail/company intranet to openly express doubts, compliments, complaints, requests, criticisms and suggestions. The department involved with the issue raised is responsible for giving the response.
	Satisfaction survey	Conducted once a year to assess the quality of and improve the relationship through the monitoring of indicators.
	Climate representatives	Employees chosen by their own colleagues to represent staff in discussions on the changes in the organizational climate.
	Ombudsman's Office	Channel for inquiries on the quality of relationships that are monitored through to their resolution.

Communities surrounding Itapecerica and Cajamar	Surrounding communities relationship staff	Natura staff relates with the community primarily through civil society organizations, government representatives and community leaders.
	Forums and opportunities for participation	We are also involved in the forums and opportunities for participation held by the municipalities, such as: social network; municipal councils; discussion forums. Natura has also created opportunities for democratic participation in the municipalities, such as the course on the municipal Master Plan.

Suppliers	Supply Staff	Staff committed to the relationship with suppliers, and the principal contact between Natura and this important stakeholder group.
	Satisfaction survey	Survey conducted annually to gauge, quantitatively and qualitatively, the relationship between Natura and its suppliers.
	Ombudsman's Office	Channel for inquiries on the quality of relationships that are monitored through to their resolution.

Supply communities	Supply communities relationship staff	Natura has a specialized and multidisciplinary team responsible for streamlining the relationship with this stakeholder group, as well as for capturing and internally forwarding the demands.

Relationship Channels (cont.)

Consultants	Natura Meeting	A meeting held every 21-day cycle organized and conducted by the Relationship Managers (RMs), bringing together a significant portion of the sales force (Natura Consultants - NCs and Natura Consultant Advisers - NCAs). These are opportunities to develop the relationship between Natura and its consultants that focus on presenting the main new product launches and promotions for the cycle. It also allows them to share information on sales activities, engage in discussions about the company's values and practices, and take part in group training sessions.
	Website	A virtual space providing multimedia information about the company and its products and services. It serves as a platform for sending orders, with marketing tools specially designed for consultants, such as sending e-mails with information and promotions, highlights about the latest product launches, sales tips and other functions. It also has web platform 2.0 features such as blogs and online dialogue channels.
	Natura Service Center (CAN)	Direct communication channel that helps manage the satisfaction of consultants. It handles all contacts – including taking product orders – receives suggestions and complaints from the NCs and monitors the processes through to their resolution. It can be contacted by a toll-free 0800 number or through the internet.
	Satisfaction survey	Annual survey conducted to monitor the change in the relationship and identify points of improvement.
	Relationship Manager (RM)	The Natura RM is an employee responsible for the direct relationship with the consultant. They are the key link between the company and its NCs.

Consumers	Natura Customer Service Center (SNAC)	This service can be contacted by a toll-free 0800 number. It is staffed by a team trained to receive information, complaints, suggestions and criticisms. The SNAC monitors the processes through to their resolution.
	Customer Satisfaction Instantaneous Survey (PISC)	A survey conducted to monitor the changes in the relationship and identify points of improvement, administered after the customer contact with SNAC.

Shareholders and investors	Investor relations staff	Staff committed to the ongoing relationship with investors and potential investors, and the principal contact between Natura and this important stakeholder group.
	Talk to the IR service	An area on the Natura's investor relations part of the Natura website (www.natura.net/investidor) reserved for market analysts, investors and other interested parties to talk directly to the company's Investor Relations staff by e-mail.
	Conferences, one-on-one meetings and road shows	Meetings and events with the Investor Relations department held in Brazil and abroad. The purpose is to update and inform our investors and potential investors about the company's main results.
	Perception Study	An annual survey to evaluate the perception of investors about Natura as an investment and about the company's communication with investors.

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 Latin America – Number of contacts per country

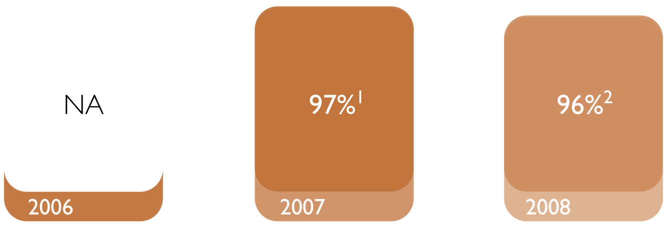
Operation	Number
Colombia	13
Mexico	7
Venezuela	5
Argentina	1
Chile	0
Peru	0
Total	**26**

Internal Stakeholders in Brazil and Latin America

The Ombuds 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 (outsourced workers allocated in the company's units in continuous services) 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 Ombuds 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´s 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.

Number of cases of discrimination[1]

Proved complaints	2006	2007	2008
Internal stakeholders Brazil	NA	0	0
Internal stakeholders Latin America	NA	0	0
Suppliers Brazil	NA	0	0
Total	**NA**	**0**	**0**
Unproved complaints			
Internal stakeholders Brazil	NA	4	1
Internal stakeholders Latin America.	NA	0	0
Suppliers Brazil	NA	0	0
Total	**NA**	**4**	**1**

1. The complaints received by the Ombudsman´s Office are forwarded to the Internal Audit department, which hears the complaints and analyzes the origin of the contact.

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 Ombuds 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 Ombuds 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 Ombuds 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.

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.

Diversity

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%.

In 2008 we had a consistent plan for contracting disabled workers at Natura Cosméticos in Brazil. Therefore, we exceeded the legal requirement of 5% of disabled workers in our staff and achieved a rate of 5.4%. The Apprentice Promoter project continued in 2008. It was launched in 2007 and characterized the beginning of the strengthening of our efforts to include disabled professionals in the commercial area, continued in 2008. Of the seven relationship managers contracted in that year, all remain with the company and, in 2008 there were new hirings for other positions. In the other areas, we sought to keep the levels stable and work on the development of the workers contracted in the previous years for them to have possibilities for professional development.

Diversity[1] – Brazilian Operation

	2006	2007	2008
Total number of employees			
Disabled employees	**4,361**	**4,793**	**4,386**
Percentage in relation to the total number of employees	**4.2%**	**5.2%**	**5.4%**
Percentage in management positions in relation to total management positions	0.0%	0.0%	0.0%
Percentage in executive positions in relation to total executive positions	0.0%	0.0%	0.0%
Women			
Percentage in relation to total employees	**63.7%**	**63.9%**	**63.7%**
Percentage in management positions in relation to total management positions	52.9%	53.4%	52.3%
Percentage in executive positions in relation to total executive positions	17.9%	20.0%	19.2%
Black and multiracial women			
Percentage in relation to total female employees	**NA**	**NA**	**NA**
Percentage in management positions in relation to total number of women in management positions	NA	NA	NA
Percentage in executive positions in relation to total number of women in executive positions	NA	NA	NA
Black and multiracial men			
Percentage in relation to total male employees	**NA**	**NA**	**NA**
Percentage in management positions in relation to total number of men in management positions	NA	NA	NA
Percentage in executive positions in relation to total number of men in executive positions	NA	NA	NA
Over 45 years old			
Percentage in relation to total employees	**10.3%**	**9.1%**	**10.5%**
Percentage in management positions in relation to total management positions	9.8%	7.5%	8.2%
Percentage in executive positions in relation to total executive positions	39.3%	26.7%	38.5%

1. We did not make a comparison by race in 2006, 2007 or 2008 because a sample analysis showed the need to review this classification in our employee base. We will update the reference files of all employees in order to ensure the survey for next year.

In 2008 the percentage of disabled workers increased despite the reduction in the absolute number. We verified that 41% of the disabled workers who left Natura did so voluntarily, reinforcing the need for a greater focus on the development process and retention of these professionals. The others left Natura due to performance issues.

In addition to the 39 workers trained in the Basic Skills program for disabled workers, in 2008 we trained nine sponsors in Brazilian Sign Language (Libras). The sponsors are professionals trained to communicate in Libras and, therefore, facilitate the inclusion of hearing-disabled workers at Natura.

Disable Employees – Brazilian Operation

	2006	2007	2008
Number of disabled employees	185	251	237
Percentage of disabled employees in relation to the total number of employees	4.2%	5.2%	5.4%
Number of disabled employees trained in the Basic Professional Skills program developed together with the Paulo Favalli Institute	84	49	39

In all of our operations, salary levels are above the legal 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.

Proportion of Salary in Relation to the Minimum Wage

Presence in the market	2006	2007	2008
The lowest salary as a proportion of the minimum wage in the Brazilian Operation	1.9	1.88	1.18
The lowest salary as a proportion of the minimum wage in the Argentine Operation	NA	1.12	1.48
The lowest salary as a proportion of the minimum wage in the Chilean Operation	NA	1.47	1.40
The lowest salary as a proportion of the minimum wage in the Peruvian Operation	NA	1.63	1.63
The lowest salary as a proportion of the minimum wage in the Mexican Operation	NA	2.84	4.56
The lowest salary as a proportion of the minimum wage in the Colombian Operation	NA	1.50	1.08
The lowest salary as a proportion of the minimum wage in the Venezuelan Operation	NA	1.91	1.93
The lowest salary as a proportion of the minimum wage in the French Operation	NA	1.25	1.10

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

The collective bargaining agreements signed with the unions include all our workers, as determined by Brazilian legislation. Although the procedures for notifying operational changes in advance are not specified in the agreements, Natura's history practical has always been to communicate possible changes in advance and clarifying issues to all the professionals involved.

In the Brazilian operation, the relationship between the Human Resources area and union representatives is shaped in meetings to discuss previously determined agendas. Currently, we have a relationship with three unions and we do not have a formal process for identifying situations in which the right to exercise freedom of association and collective bargaining may be at risk. However, our Ombudsman´s Office works as an open channel for receiving these allegations.

Profile of Salaries in Accordance with the Composition of Staff in the Brazilian Operation. (R$) (1) (2) (3) (4)

	2006	2007	2008
Women – total	**3.642,71**	**3.815,50**	**4.351,99**
Average monthly salaries in production positions	969,09	1.009,31	1.104,49
Average monthly salaries in administrative positions	4.179,92	4.458,91	5.287,86
Average monthly salaries in management positions	10.853,37	11.307,33	12.341,07
Average monthly salaries in executive positions	28.778,80	28.284,45	31.185,90
Men - Total	**3.311,61**	**3.291,17**	**3.550,31**
Average monthly salaries in production positions	1.178,89	1.235,08	1.352,54
Average monthly salaries in administrative positions	4.384,24	4.188,39	4.656,40
Average monthly salaries in management positions	11.668,92	11.613,16	12.906,94
Average monthly salaries in executive positions	33.936,81	32.156,43	38.788,70
Black and multiracial Women	**NA**	**NA**	**NA**
Average monthly salaries in production positions	NA	NA	NA
Average monthly salaries in administrative positions	NA	NA	NA
Average monthly salaries in management positions	NA	NA	NA
Average monthly salaries in executive positions	NA	NA	NA
Non-black and Non- multiracial Women	**NA**	**NA**	**NA**
Average monthly salaries in production positions	NA	NA	NA
Average monthly salaries in administrative positions	NA	NA	NA
Average monthly salaries in management positions	NA	NA	NA
Average monthly salaries in executive positions	NA	NA	NA
Black and multiracial Men	**NA**	**NA**	**NA**
Average monthly salaries in production positions	NA	NA	NA
Average monthly salaries in administrative positions	NA	NA	NA
Average monthly salaries in management positions	NA	NA	NA
Average monthly salaries in executive positions	NA	NA	NA
Non-black and Non- multiracial Men	**NA**	**NA**	**NA**
Average monthly salaries in production positions	NA	NA	NA
Average monthly salaries in administrative positions	NA	NA	NA
Average monthly salaries in management positions	NA	NA	NA
Average monthly salaries in executive positions	NA	NA	NA
Over 45 years old	**6.378,74**	**6.729,55**	**7.540,24**
Average monthly salaries in production positions	1.477,77	1.547,62	1.676,26
Average monthly salaries in administrative positions	6.690,16	7.021,33	8.161,90
Average monthly salaries in management positions	14.799,17	14.809,79	15.197,97
Average monthly salaries in executive positions	37.894,86	36.459,01	38.395,76
Less than 45 years old	**3.255,46**	**3.317,39**	**3.653,35**
Average monthly salaries in production positions	1.064,83	1.110,46	1.213,57
Average monthly salaries in administrative positions	3.869,62	4.016,56	4.652,14
Average monthly salaries in management positions	10.967,98	11.177,31	12.379,83
Average monthly salaries in executive positions	31.404,57	29.535,86	36.658,41

1. We did not make a comparison by race in 2006, 2007 or 2008 because a sample analysis showed the need to review this classification in our employee base. We will update the reference files of all employees in order to ensure the survey for next year.

2. The calculation does not take into consideration the payment of short-term incentives (Employees' Profit Sharing).

3. For the purposes of the calculation of this indicator, the bonuses paid to sales managers and sales promoters were taken into consideration. The sales force employees, when classified by category, increase average salaries to women due to the bonuses, excluding production positions.

4. The methodology for the consolidation of these data was improved; this is why prior year amounts were changed.

Local hiring

We do not have a formal policy for local recruitment for senior management positions in our foreign operations. However, in all the countries where we operate, a large part of these functions is exercised by native professionals as a way to better adapt our business to the characteristics of each market.

Senior management from the local communities

Percentage of senior management staff recruited from local communities[1] (%)	2006	2007	2008
Argentina	40.0	33.0	33.0
Chile	25.0	17.0	50.0
Colombia	n/a	100.0	0.0
Mexico	71.0	71.0	50.0
Peru	33.0	33.0	33.0
Venezuela	40.0	40.0	60.0

1. Those who internally fall into Salary Groups 19 or above were considered senior management staff.

Compensation and Earnings of Executives

The recent organizational restructuring, which resulted in the adoption of a management model serving more independent business and regional units, required Natura to review its compensation structure so as to expand the variable component through adjustments in Employees' Profit Sharing.

For a group of senior executives responsible for Natura's long-term strategy, we tied the consistent gains not only to the short-term results generated but also, and primarily, to the commitment to our long-term strategy by means of the Stock Option Program of Purchase or Subscription of Shares in order to stimulate the assumption of risks and the necessary entrepreneurism and engagement.

The changes proposed by the Committee of People and Organizational Development and approved by the Board aimed to ensure the sense of ownership and involvement, strengthening the relationship between compensation and gains and the creation of value for the company, and also between healthy growth and the balanced distribution of profits whenever profitability allows.

According to the new dynamics of the Program, as from 2009, the granting of the option to purchase or subscribe to shares is associated with the executive's decision to invest at least 50% of the amount received from profit sharing in the acquisition of Natura's shares. The options granted may be exercised after a vesting period of four years (grace period to achieve maturity) and are valid for eight years. During this time, these acquired shares are unavailable for sale and associated with the options, that is, the sale implies the loss of the options. Until last year, the vesting period was three years and the Plan expired within six years and did not require the purchase and maintenance of the shares. With the new term, the executive has more time to choose the best moment to exercise his or her options and Natura reinforces the long-term commitment with senior executives.

Our strategy for the Stock Option Program of Purchase or Subscription of Shares is for the program to represent, on average, 50% of the compensation and earnings mix of senior executives. Considering all these stakeholders, the plan has been reaching this proportion, leveraged by the appreciation of the shares since Natura went public in 2004. The potential of the plans exercised in 2008 has already started to drop below our target in this strategy. The Program's history is as follows: since 2002, we have granted 17,519,981 options and 21% of these options was cancelled due to executives leaving.

Number of Stock Options per Plan

Plan	Granted	Exercised	Mature Balance	Non-mature Balance	Cancelled	
2002	3,533,610	2,712,645	0	0	820,965	23%
2003	3,969,220	3,359,160	0	0	610,060	15%
2004	1,901,460	929,030	677,034	0	295,396	16%
2005	1,120,760	91,451	578,966	0	450,344	40%
2006	1,153,756	0	331,519	331,519	490,718	43%
2007	1,305,508	0	0	819,091	486,417	37%
2008	1,800,010	0	0	1,248,664	551,346	31%
2009	2,735,657	0	0	2,735,657	0	0%
Total	**17,519,981**	**7,092,286**	**1,587,519**	**5,134,931**	**3,705,246**	**21%**

Appreciation of the Planss

Plan	Adjusted amount of the plan	Amounts in Thousands of R$			Status of the Plan	50% mature	100% mature	Effectiveness
		Discount obtained upon exercise	Potential discount of the mature balance	Potential discount of the non-mature balance				
2002	R$ 6.27	48,047.5	0.0	0.0	Expired	10-April-05	10-April-06	10-April-08
2003	R$ 3.51	72,036.3	0.0	0.0	Expired	10-April-06	10-April-07	10-April-09
2004	R$ 8.65	13,661.9	9,894.0	0.0	100% Mature	10-April-07	10-April-08	10-April-10
2005	R$ 18.55	135.9	2,724.9	0.0	100% Mature	16-March-08	16-March-09	16-March-11
2006	R$ 27.65	0.0	-1,454.7	-1,454.7	50% Mature	29-March-09	29-March-10	29-March-12
2007	R$ 26.15	0.0	0.0	-2,363.8	Non-mature	25-April-10	25-April-11	25-April-13
2008	R$ 20.30	0.0	0.0	3,693.3	Non-mature	22-April-11	22-April-12	22-April-14
2009	R$ 22.03	0.0	0.0	3,364.9	Non-mature	22-April-12	22-April-13	22-April-15
Total		**133,881.6**	**12,619.0**	**7,058.1**				

** Accumulated amounts, adjusted based on the Broad Consumer Price Index (IPC-A) (partially estimated for the 2002 plan)*
NATU3 on 4/13/2009: R$22.63
Natura shares on 2/27/2009: 429.214.471
Percentage of shares in the balance: 1.6%

In this period, we had a ceiling established by the Board of 0.6% a year and 3% of Natura's total shares. The new model, which is more aggressive than the previous one, provides for a grant limit of 0.75%, totaling a maximum of 4% of Natura's shares. In December 2008, the volume of options owned by executives represented around 1.1% of the company's shares and reached 1.6% after the adoption of the 2009 plan. The Board also established that the annual profit sharing amount, which is the basis of the long-term incentive program, may not exceed 10% of net income. With these limits, Natura has a consistent and well-controlled system that avoids the recent distortions in executive compensation seen in other countries.

See below the compensation amounts of the main groups of professionals and the number of options distributed to Natura's senior executives over the past few years:

2006	**Average Number of Employees**	**Total Salary**	**Total Variablel**	**2007 Stock Options Plan**
Board	5	2.56	0.00	0
Comex	6	4.55	2.51	290,568
Senior Management and Officers	72	19.21	10.15	961,534
Middle Management	270	32.97	12.20	53,406
Administrative	920	48.33	4.21	0
Sales Force	1,008	35.11	25.97	0
Operational	1,760	29.96	5.16	0
TOTAL 2006	**4,042**	**172.70**	**60.21**	**1,305,508**

2007	**Average Number of Employees**	**Total Salary**	**Total Variablel**	**2008 Stock Options Plan**
Board	6	2.28	0.00	0
Comex	5	3.70	2.58	454,573
Senior Management and Officers	85	23.58	13.52	1,273,504
Middle Management	316	39.52	13.12	71,933
Administrative	1,009	54.14	3.38	0
Sales Force	1,149	40.79	30.98	0
Operational	2,094	35.84	4.11	0
TOTAL 2007	**4,664**	**199.85**	**67.70**	**1,800,010**

2008	**Average Number of Employees**	**Total Salary**	**Total Variablel**	**2009 Stock Options Plan**
Board	7	2.64	1.33	0
Comex	6	5.45	7.29	694,726
Senior Management and Officers	81	24.31	21.22	2,040,931
Middle Management	302	39.85	22.57	0
Administrative	971	53.54	8.67	0
Sales Force	1,097	43.81	40.06	0
Operationall	2,132	37.89	8.63	0
TOTAL 2008	**4,597**	**207.50**	**109.77**	**2,735,657**

Total Salary: *Includes nominal salary (without charges) and Overtime (with Remunerated Weekly Rest – DSR)*
Total Variable: *Includes Bonuses, Profit Sharing and Sales Commissions (with DSR)*
The profit sharing and number of options refer to the year they were earned (realized in the immediately subsequent year).

To learn about the entire Stock Option Program of Purchase or Subscription of Shares, please visit www.natura.net/investidores

The variable component, whether a short-term compensation or long-term earnings, represents a larger portion for senior executives in relation to other employees because we believe in the joint creation of value. In addition to the well-defined limits, all variable compensation is tied to the effective attainment of targets, that is, the surpassing of minimum growth expectations annually established by management. The system of performance indicators that measure this performance covers the three sustainability dimensions.

In 2008, the following indicators were taken into consideration:

• Economic – consolidated EBITIDA and the financial result of foreign operations;

• Social – organizational climate survey and consultant satisfaction survey;

• Environmental – the consumption of water and carbon emissions.

General compensation guidelines

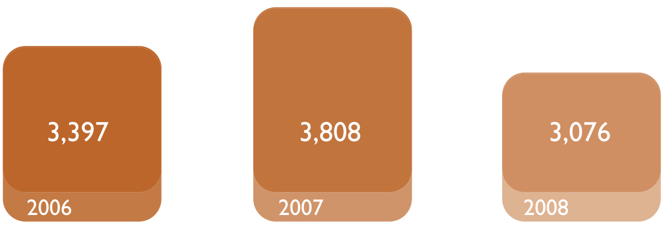
All foreign operations of Natura follow the same policy, only with adjustments in the amounts and earning potentials adapted to local markets. Even the changes by merit and promotions are limited to around 3% of total payroll and are always tied to performance evaluation programs and adherence to the company's essential competences.

We are constantly focused on the changes in the external environment and annually compare our salary grid with reference markets, such as competitors in the consumer goods segment, Brazilian multinational companies, listed companies or companies that have compensation strategies that are similar to ours. For some years now, we have maintained an aggressive policy that places the total compensation of the many groups of employees at a level that is above the market average so as to share the generation of wealth with all of those that help, independently and entrepreneurially, make our value proposition possible.

Our main differential in relation to the market is the variable compensation and earnings model, which is adapted to the characteristics of each group of employees and executives, with form of payment, amounts and targets that cater to the reality of each activity. Also with respect to this issue, the Board established the limit for distribution at 3% of operating income for non-executive employees. The variable compensation has been representing for administrative and operational staff three to four additional monthly salaries a year. Since July 2008, another innovation has allowed employees from the production areas to receive Profit Sharing every six months, which allows for a quicker access to the variable compensation, particularly benefiting lower-income professionals. Natura also offers a set of fringe benefits to operational employees that beats the market average – learn more about this in the Benefits section.

Additionally, Natura has a pension plan that is open to the employees from all areas. However, this benefit is focused on non-executive employees who earn between R$4,400 and R$13,100, a group in which savings accumulation is lower. Eighty-three percent of these employees joined the plan. This is a subsidized savings account in which the employee invests up to 5% of their salary each month and Natura contributes with 60% of this amount.

Contributions made by Natura to the Retirement Plan of Employees (R$ millions)



Also, with respect to base compensation, we opted for the payment of 14 monthly salaries per year in Brazil, whereas the legal requirement is for 13 salaries, benefiting the lower-income professionals particularly and promoting a culture of saving money. Our sales force, in turn, receives a bonus every cycle (21-day period), which is proportional to the results achieved. For these professionals, the 14th salary is replaced by the sales bonus, a specific variable compensation model.

Performance analysis

All Natura's employees in Brazil and in the foreign operations who have been hired for more than three months regularly receive performance and career development reviews, which allow them to identify their current stage of evolution in the organization. This process is annually conducted and its objective is to verify whether the targets stipulated for the employee have been achieved. If they have not, an analysis is made in order to identify what can be done about it. If necessary, the employee may be reallocated to another area and another function. This information is also used by the company as a basis for professional development programs.

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.

We also maintain the Natura Education Program, which grants scholarships to employees and their family members in Brazil. The objective of this program is to support continuous learning to ensure the employability of employees and guide them through the end of their careers. The program was preserved as much as possible amid budget cuts.

Investments in Education and Training (R$ thousand)

Operation	2006	2007	2008
Brasil [1]	16.286	15.951	14.062
Argentina [2]	171,55	86,88	162,55
Chile [2]	23,08	109,67	82,74
Mexico [3]	176,75	416,73	496,76
Peru	51,81	31,36	74,85
Venezuela	NA	NA	98,13
Colombia [4]	NA	19,48	87,14
France	NA	71,10	73,38

1. The Brazilian investment data includes the training of the Sales Force (Managers and Promoters).
2. The information supplied in 2007 by the Argentine and Chilean operations was corrected.
3. The information on training in Mexico was reviewed and the historical data were corrected.
4. The information from 2007 on the Colombian operation was included in 2008.

We also maintain the Natura Education Program, which grants scholarships to employees and their family members in Brazil. The objective of this program is to support continuous learning to ensure the employability of employees and guide them through the end of their careers. The program was continued as much as possible amid budget cuts.

Courses Given per Employee or Family Member Subsidized Fully or Partially by Natura

	2006	2007	2008
Technical/professionalizing	132	83	48
Languages	245	142	118
Preparatory Course for College Entrance Examination	12	9	11
University Courses	204	234	219
MBA and Postgraduate	175	100	77

In 2008, we offered 3,278 training hours in Sustainability General View, Environment and Integration courses. The contents are developed by Natura in partnership with experts. We chose not to develop specific programs on human rights in 2008 for security personnel but the topic will be addressed in the new training courses scheduled for 2009.

Training Hours to Employees on Human Rights Issues

Leader Training Program

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 not only the training and renewal of leaders but also the more mature professionals who have joined Natura in the past few years.

In 2008 we continued the Leader Training Program, the main objectives of which are to support the development of employees and qualify them to assume more strategic positions within our company.

Comprised of four conceptual modules: Culture (Natura Way of Being), Innovation, Inspires and Performs, the Program is a learning proposal, with theoretical and practical activities. In addition to conveying concepts related to the needs of the business and people management competences, the Program leads to a personal transformation of participants based on individual and collective reflections.

Last year, 26 participants from the first group, worked as social consultants for the purpose of training the surrounding communities in Cajamar, Itapecerica and Alphaville, in Barueri, state of São Paulo. These participants will complete the Program in July 2009. In addition to improving the relationship with the communities, the Program also has strengthened the vision of sustainability of our leaders. Another highlight of the Program in 2008 was the inclusion of classes and discussions about Ethics and Philosophy and theater and dance performances, movies, and creativity workshops.

By the end of the project, the leaders are expected to practice leadership, experience the Natura Essence in practice, be able to innovate, and understand their role as social change agents.

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 Almost an 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.

Our formal agreements with unions include the following topics: work protection measures, use of Personal Protective Equipment (PPE), prevention of accidents with machinery and equipment, Internal Accident Prevention Commission (IAPC), and communication of work-related accidents. All employees are represented in formal safety and health committees and in the IAPCs – each commission is created based on the number of employees and the risk of activities in the company.

Work-related Accidents in the Brazilian Operation[1]

Group	2006	2007	2008
Employees number of accidents with leave	12	10	16
Employees number of accidents without leave	10	3	5
Number of work-related accidents per employees	0.005	0.003	0.005
Outsourced employees – number of accidents with leave[2]	16	8	11
Outsourced employees – number of accidents without leave[2]	18	9	2
Workdays missed	108	115	131
Investments in the prevention of illnesses per employee (R$)	408.00	395.70	479.60
Investments in the prevention of accidents per employee (R$)[3]	709.19	465.94	723.00
Number of cases reported to the National Institute of Social Security on occupational illnesses – Cajamar	14	7	5
Number of cases reported to the National Institute of Social Security on occupational illnesses – Itapecerica da Serra	0	0	1

1. Only the accidents reported in the units of Cajamar and Itapecerica da Serra are considered.

Accidents without leave are those in which the employee returns to work on the same day of the accident or on the first working day after the accident. Accidents with leave are those in which the employee does not return to his/her activities on the working day after the accident.

2. Both our "resident" and "non-resident" service providers are considered.

3. The investment in the prevention of accidents includes the whole budget of the Work Safety Department, expenses and the investments made by the Engineering and Manufacturing area to ensure and/or improve work safety conditions.

Note: expenditures with training are not included (they fall under the responsibility of the HR/Training department).

Benefits

Natura offers a wide range of benefits to its employees. In 2008, the highlights in 2008 were the nursery, which was expanded to attend 175 children, and the outpatient clinic, which now has a new area and a new concept. It is now called Health Space and it is more focused on the prevention of illnesses and, also, on women's health.

Based on the medical history of our employees, we have run awareness and prevention campaigns on health problems. In order to be more focused on women's health, the clinic has a female doctor who provides online services to the relationship managers. There is also a women management program, which provides gynecological tests and checks the frequency in which the employee receives medical service.

We also offer a pension plan to the employees from all areas. This is a subsidized savings account in which the employee each month invests up to 5% of their salary and Natura contributes with 60% of this amount.

Complete List of Employees' Benefits – Brazilian Operation

• Natura Education Program
• Building the Future Program
• Subsidized Savings Account
• Nursery for employees' children up to 2 years and 11 months old (Until 2007, the nursery served children up to 3 years and 11 months old). The maximum age was reduced in order to meet the demand. Therefore, we managed to ensure exclusive breastfeeding up to the 6th month of life and the proximity with the mother without her having to quit her career).
• Support to employees in adoption processes
• Health plan
• Dental care plan
• Psychological/social service
• Check-up for management-level employees: laboratory, biochemical and hematological tests, preventive diagnosis of cardiovascular diseases, imaging diagnosis, nutritional orientation, prevention tests for women and men, appointments with specialists and general practitioners
• Medical services in the company's facilities for the prevention of metabolic diseases (diabetes, cholesterol and triglyceride) and cardiovascular diseases (hypertension)
* Partial reimbursement of expenses with medications for cardiovascular conditions, diabetes, kidney failure, oncology, hepatic diseases, neurological disorders, work-related musculoskeletal disorders, and psychiatric alterations
• Telemedicine: electrocardiogram (EKG) via telephone in emergency cases
• Outpatient clinic services: physiotherapy, global postural reeducation (GPR), nutritionist, acupuncture, therapeutic massages, gynecology, audiometry, all available in the company's facilities
• Work-related pathology prevention service: orthopedics, physiotherapy, GPR, brief psychotherapy and audiometry in the company's facilities
• Learning New Eating Habits Program with a nutritional service in the company's facilities
• Five products offered for free to management-level employees each month

In addition to these benefits, the employees are entitled, in the company's facilities, to:

• Buy five Natura products per month with a 40% discount in the VIP shop
• Vacation Project
• Professional orientation
• Taking Care of Those Who Take Care Program: post-birth meeting
• Daycare/exceptional children subsidy
• Life insurance
• Payroll loan
• Cars for management-level employees
• Family moment (with distribution of toys)
• Pharmacy agreement for discounts on medications
• Chartered transportation
• Christmas basket
• Sale of School Materials

Benefits Offered to Employees and Outsourced Employees[1]:

• Course for pregnant women
• Physical evaluation: performed before the beginning of a regular physical activity at the company's gym
• Runners Project
• Gym Subsidy to Sales Promoters
• Restaurant
• Laboral gymnastics
• Toys
• Christmas basket
• Chartered transportation
• Fitness services, swimming pool and multi-purpose sports court at the Natura sports club (Cajamar and Itapecerica da Serra)
• Services: seamstress, laundry, shoe repair, eyewear shop, insurance, post office, travel agency and book and movie rental.

1 Only for in-house outsourced employees.

Changes in 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 reporting. 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.

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 should 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.*

Relationship with NCs – Brazilian Operation

	2006[3]	2007[4]	2008[3]
New	227,715	266,762	303,958
Initial training	NA	95,673	164,927[5]
Participation in Training	330,627	350,496	458,217
Participation in Launch Events	17,255	39,860	122,419
Total premiums received in campaigns	1,254,084	1,296,000	2,377,741
Total NCs recognized for length of service	44,118	51,703	65,000
Total NCs recognized as Outstanding (Destaque)	7,805	14,150	14,493
Number of Awards distributed to Outstanding (Destaque) NCs	255	1,120	1,120
Number of Outstanding (Destaque) NCs Recognition Events	51	49	56
Number of NCAs	580[2]	630[2]	5844[1]
Income generated by NCAs	5,821,597	6,872,024	19,751,797
Annual average income generated to NCs	4,422	4,247	4,097
Gifts distributed	1,254,084	1,296,000	2,377,741

(1) Considers the Mid-Western Region, interior of the State of São Paulo, Northeastern Region, State of Rio de Janeiro and State of Minas Gerais

(2) Pilot Mid-Western Region

(3) SV does not conduct events – city of São Paulo - number of consultants recognized, including VIPs

(4) SV does not conduct events – city of São Paulo conducted one event for two Sales Managers – number of consultants recognized, including VIPs

(5) This number refers to the total number of NCs trained since the beginning of 2008

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.

In 2008 we completed the campaign whereby consultants encourage enrollment with the Education of Young People and Adults (EJA), a program of the Ministry of Education (MEC). Now that this program had achieved maturity and stability, encouraging people to return to school is already part of our consultants' routine. Between 2006 and 2008, our team sent over 170,000 people back to school.

Enrollments by Consultants

	2006	2007	2008
Northeast	17,641	5,918	4,800
State of São Paulo – interior	10,028	5,677	1,788
Mid-West and North	11,140	7,252	1,833
States of Rio de Janeiro, Minas Gerais and Espírito Santo	8,950	13,323	2,014
South	6,811	5,361	936
São Paulo – capital city	2,520	1,398	452
Total	**57,090**	**38,929**	**11,823**

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 services 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.

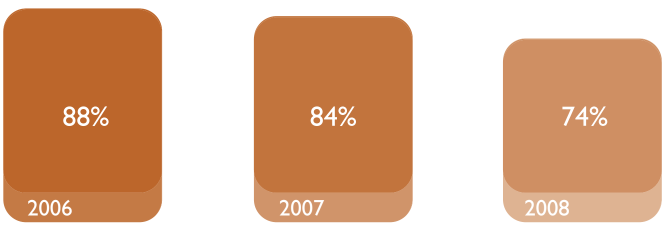
Suppliers

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. In 2008, in view of the need to develop a market strategy to adjust the prices of products for everyday use (soap, shampoo and spray deodorant) we enlisted the essential support of the suppliers of inputs for these products in order to reduce the total costs of the supply chain.

Mercury Project

In response to a request from suppliers, at the beginning of 2008, we implemented the Mercury Project: a management tool that improved the flow of the purchase process and reduced the time necessary preparing contracts, ensuring further agility and punctuality. The main benefits to our suppliers were the reduction in the time needed to prepare contracts from 37 days (average time recorded in 2006) to around seven working days. With respect to the commitment to eliminate failures in transactions, which were reported in the 2007 Annual Report, the Mercury Project also improved the quality of the contracting processes, since they are conducted in accordance with the requirements established in the Information System.

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 compulsory labor. Currently, we do not perform activities in indigenous communities and this is why we did not record any case of violation of their rights.

Percentage of Self-evaluated or Audited Suppliers with Respect to Quality, Environment and Social Responsibility[1]

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

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.

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 the sharing benefits, and in some cases we financially support the development of these suppliers and their production chains.

Supplier Communities

	2006	2007	2008
Communities with which Natura relates	16	19	23[1]
Families benefited	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. The calculation of the amounts disbursed was based on periods accumulated since the launch of the products provided for in each contract.

The increase in the supply value in 2008 is related to the increase in the number of communities, particularly those related to the Industrial Unit of Benevides and the consequent increase in purchases. The decrease in the amounts intended for training studies assistance reflects the reduction in 2008 in our activities aimed at new benefit sharing processes.

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.

Before starting a relationship with a community, we first evaluate the local context in order to establish a relationship that maximizes the benefits and minimizes the risks for both parties. Depending on the characteristics of each group, we establish different strategies and relationship practices. To continue evaluating these impacts we keep on monitoring the whole Natura supply chain of inputs from biodiversity after the supply relationship has been established.

Through this, we intend to turn the commercial relationship with suppliers into partnerships for sustainable corporate practices.

For the extractivist communities or groups of family farmers to become Natura suppliers, they must be committed to a sustainable production model and the strengthening of the group itself, be legally organized as a cooperative or association and show management and administrative capabilities.

We try to avoid the possibility of any undesirable practices and, accordingly we have 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 dependent on the family structure.

Training and Events

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.

Among the actions that are part of the BioQlicar, we have training models offered by Natura to the communities that are considered strategic. They cover topics such as quality, good processing practices, management, administrative knowledge and production and selling costs. In 2008, two communities located in the states of Rondônia and Paraná received this training. In 2009, another 17 communities will go through the same process.

In some communities where we identified problems, such as tax debts and inefficient management of resources by the cooperatives and associations, we also made available training courses on administrative management and institutional organization. The many initiatives and studies that follow the consolidation of the supply relationship generate multiplying effects on the business and social organization of the groups involved.

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.

In order to strengthen our partnerships with rural suppliers, we organized some events aimed at these stakeholders in 2008. The Annual Meeting with Rural Producers and Suppliers in Nazaré Paulista in the interior of the state of São Paulo was attended by 25 representatives of 13 suppliers. This served to reinforce integration and convey information and knowledge on the production of forest seedlings from the nursery stage to their planting in the field. We also sent informative material on plant production, continuing with the Sowing Ideas Project launched in 2007, and the objective of which is the education and recycling of rural suppliers with handbooks and manuals.

Relationship history

In 2008, the system of data information, statistics and internal processes related to the rural and extractivist communities that work with Natura was implemented. This system is organized in electronic control panels, a tool that allows for the registration of a wide variety of information, from basic data on each community to all types of inputs that have already been bought and their producers, thus putting together the history of the relationship. Another benefit of the system is that it monitors the development of communities by means of indicators, sets targets and conducts planning. There is still a summarized table of BioQlicar, a relationship quality evaluation and the actions planned for the following 12 months. Every four months, the updated information on the communities is presented to Natura's Sustainability Committee.

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*

We had some major launches last year, which are fully in line with our value proposal. The most impacting ones were the Naturé line for children, the Chronos Soy Polytensor anti-wrinkle cream and the Amor América perfumes. The Amor América perfume line is innovative and took us closer to Latin America by using ingredients from the local biodiversity such as Palo Santo and Paramela to develop products that value the identity and culture of the region. The Naturé line for children, on the other hand, speaks of the discovery of the world to children between three and seven years old and awakes, by means of games and stories about water, the first notions of environmental awareness in a playful and fun way. The relationship of children with the world inspired the creation of a complete line of shower and body products and perfumes.

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.

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.

To reaffirm our commitment to transparency and respect to our customers, we sought the main means of communication to apologize when, in 2008, we were surprised by the demand for the Chronos Soy Polytensor anti-wrinkle cream upon its launch. The volume of orders was three times larger than expected, causing, on one hand, a sales record and, on the other, a temporary shortage. We guaranteed the maintenance of the promotional sales conditions for the product to the consultants who filed the intention to buy them at the time but were not able to do so.

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.

Innovation

Innovation is an essential aspect to ensure Natura's sustainability and, as we outlined in our action plan, our innovation rate recovered strongly from 58.3% in 2006 to 56.8% in 2007. In 2008, this rate spiked to 67.5%.

Innovation

	2006	2007	2008
Number of products launched	225	183	118
Investments in innovation (R$ millions)	87.8	108.7	103
Percentage of net revenues invested in innovation	3.2%	3.4%	2.8%
Innovation index[1]	58.3%	56.8%	67.5%

1. Gross revenues arising from products launched or improved over the last 24 months in relation to total gross revenues for the year.

In this context, Natura's open innovation program, which seeks the development and acquisition of new technologies by means of partnerships with universities and research centers in Brazil and abroad, has an essential role. In 2006, the initiatives were reviewed and enhanced with the launch of the Technological Innovation

Natura Campus Program and the Natura Campus Portal (www.natura.net/campus) in 2007. The Internet page facilitates the relationship with Brazilian science and technology institutions and allows for the registration of research groups and the submission of project proposals. Currently, 50% of our project portfolio comes from the open innovation model, which reinforces the importance of these initiatives to Natura innovation.

The Natura Campus Project is supported by programs that promote the research and technological development of the National Council of Scientific and Technological Development (CNPq), the Research Support Foundation of the State of São Paulo (FAPESP) and the Financial Sponsor of Studies and Projects (FINEP), which make possible and/or co-finance equipment, scientific scholarships and research materials for the participating universities.

The Program also includes the Technological Innovation Natura Award. This award recognizes the best research project conducted in partnership with Natura. This award was granted for the first time in December 2008. The event took place at Natura House in Campinas, state of São Paulo, and gathered representatives from universities from across Brazil, research institutions and the main bodies that support research in Brazil. The award winner received a cash prize in the amount of R$40,000.

In 2008, the Natura Campus Portal received, on average, 6,500 visitors per month and 228 research groups from all over Brazil have voluntarily registered on its database. The Portal was responsible for the receipt of 79 cooperation offers and 19% of these offers, from research groups from 10 different Brazilian universities, were approved.

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 to their environmental impacts. Our labels are in accordance with the legislation in effect and respect all resolutions related to cosmetics determined by the National Agency of Sanitary Vigilance (Anvisa).

The slight drop in the percentage of materials of renewable plant origin in 2008 may be explained, among other factors, by the increase in the share of sales of product categories that are below average in this index, such as liquid soaps, deodorants and photoprotection products.

Enviromental Table

	2006	2007	2008
% of materials of renewable plant origin	75.8	78.8	77.5
% of materials of natural plant origin	4.3	5.6	10.1
% of materials with certificate of origin [1]	1.0	13.2	18.2

1. Certificate of origin: 99% organic agriculture; 1% extractivism

Privacy

We ensure the privacy and confidentiality of the information about people registered on our Internet page. To assure this right, the processes and information technology systems of the www.natura.net website are built and executed strictly in accordance with this policy. Also, we did not record any legal or administrative cases related to violation of privacy or loss of data of consumers.

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.

Following the trend previous years, we did not record any cases of non-compliance with regulations or voluntary communication and marketing codes in any of our operations, including advertising, privacy of information on our customers, promotion and sponsorship, in all our operations.

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.

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.

To see all Natura products, please visit www.natura.net

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 public sector 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.

Natura is not a party in any litigation involving matters of competition law nor does it have a history of significant fines or non-monetary sanctions arising from non-compliance with laws and regulations. For the purposes of contributing to the increase in competition in the industry and sector, the company participates in debates on specific topics related to its business by means of sector entities of which it is a member, such as the Personal Hygiene, Perfumery and Cosmetics Industry (Abihpec) and the Brazilian Association of Direct Selling Companies (ABEVD).

Significant Financial Assistance Received from the Government (R$ millions)

	2006	2007	2008
Financing from FINEP for research and development	61,7	0,0	0,0
Financing from BNDES for the new Technology Center and for industrial training and logistics	0,0	71,5	19,0
Tax incentives for Support and Sponsorships[1]	4,6	6,6	5,2
MP do Bem (double income tax deductions for certain initiatives)	15,4	13,3	14,0
ICMS value-added tax subsidy in Itapecerica da Serra	3,9	2,8	1,8
Others[2]	0,1	0,1	0,0
Total	**85,6**	**94,3**	**40,1**

(1) IRPJ income tax incentives granted through the Rouanet Law, the Audiovisual Law, the Children's Rights Fund and the Workers' Meal Program, and ICMS value-added tax incentives in the state of Minas Gerais through the Natura Musical program.
(2) IPTU property tax incentive referring to the reimbursement of IPTU tax paid in Itapecerica da Serra, as a result of investments made in the region, and IPTU exemption in Itapecerica da Serra and Cajamar.
(3) BNDES: The decline in support compared to 2007 does not mean that we do not have new or additional financing applications with the BNDES or FINEP. For example, in December 2008 the board of the BNDES approved a loan of R$63.8 million for investments in innovation and early in 2009 it should approve approximately R$60 million for industrial and IT training. The information is based on actual contracts signed with the BNDES.

Leadership and Social Influence

Trade Organization/Association	Natura Representative	Type of Representation
ABERJE - *Associação Brasileira de Comunicação Empresarial Empresarial* (Brazilian Association of Corporate Communication) (www.aberje.com.br)	**Rodolfo Guttilla**	Chairman of the Decision-Making Council
ABEVD - *Associação Brasileira de Empresas de Vendas Diretas* (Brazilian Association of Direct Selling Companies) (www.abevd.org.br)	**1. Rodolfo Guttilla** **2. Lucilene Prado** **3. Leandro Machado**	1. Vice Chairman 2. Coordinator of the Committee of Legal Affairs and Government Relations 3. Chairman of the Ethics Committee
ABIA - *Associação Brasileira das Indústrias de Alimentação* (Brazilian Association of Food Industries) (www.abia.org.br)	**Rodolfo Guttilla**	Director
ABIHPEC - *Associação Brasileira da Indústria de Higiene Pessoal, Perfumarias* e *Cosméticos* (Brazilian Association of the Personal Hygiene, Perfume and Cosmetics Industry) (www.abihpec.org.br)	**1. Rodolfo Guttilla** **2. Lucilene Prado** **3. Filipe Moura** **4. Elizabete Vicentini**	1. Vice Chairman 2. Director 3. Representative of the Environment Committee 4. Representative of the Technical and Regulatory Committee
ABIFRA - *Associação Brasileira das Indústrias de Óleos Essenciais, Produtos Químicos Aromáticos, Fragrâncias, Aromas e Afins* (Brazilian Association of Essential Oils, Aromatic Chemical Products, Fragrances, Aromas and Similar Industries)	**Sérgio Gallucci**	Representative
ABNT - *Associação Brasileira de Normas Técnicas* (Brazilian Association of Technical Standards (www.abnt.org.br)	**Luciana Villa Nova**	Representative
ABRASCA - *Associação Brasileira das Companhias Abertas* (Brazilian Association of Publicly-Traded Companies (www.abrasca.org.br)	**Helmut Bossert**	Representative
ABRH - *Associação Brasileira de Recursos Humanos* (Brazilian Association of Human Resources)	**Denise Asnis**	Representative
ABPI - *Associação Brasileira da Propriedade Intelectual* (Brazilian Association of Intellectual Property) (www.abpi.org.br)	**Lucilene Prado**	Representative
AGENDIS - Itapecerica da Serra Development Agency	**Rodolfo Guttilla**	Representative
AIPPI - *Association Internationale pour la Protéction de la Propriété Intellectuelle* (International Association for the Protection of Intellectual Property) (www.aippi.org)	**Lucilene Prado**	Representative
AMCHAM - *Câmara Americana de Comércio de São Paulo* (American Chamber of Commerce of São Paulo) (www.amcham.com.br)	**1. Lucilene Prado** **2. Elizabete Vicentini**	1. Representative of the Strategic Group of Legal Directors and Vice Presidents 2. Representative of the Technical Subgroup
AMVD - *Asociación Mexicana de Ventas Directas* (Mexican Direct Selling Association)	**José Paez**	Representative
ANPEI - *Associação Nacional de Pesquisa, Desenvolvimento e Engenharia das Empresas Inovadoras* (Brazilian Association of Research, Development and Engineering of Innovative Companies) (www.anpei.org.br)	**Luciana Hashiba**	Director
ASIPI - *Asociación Interamericana de la Propriedad Industrial* Industrial (Interamerican Association of Industrial Property) (www.asipi.org)	**Lucilene Prado**	Representative
ASPI - *Associação Paulista de Propriedade Intelectual* São Paulo´s Association of Industrial Property) (www.aspi.org.br)	**Lucilene Prado**	Representative
CAPA - *Cámara Argentina de la Indústria de Cosmética y Perfumeria* (Argentine Chamber of the Cosmetics and Perfumery Industry)	**Heriovaldo Silva**	Representative
Cámara de Comercio de Lima (Chamber of Commerce of Lima)	**José Ramon**	Representative

Trade Organization/Association	Natura Representative	Type of Representation
CANIPEC - *Câmara Nacional de la Industria de Perfumeria, Cosmetica y Articulos de Tocador e Higiene* (Mexican National Chamber of the Perfumery, Cosmetics and Beauty and Personal Care Products Industry)	**José Paez**	Representative
CAVEDI - *Cámara de Venta Directa de Argentina* (Direct Selling Chamber of Argentina)	**Heriovaldo Silva**	Representative
Cámara de Venta Directa do Chile (Direct Selling Chamber of Chile)	**Axel Moricz**	Director
Cámara Peruana de Venta Directa Directa (Peruvian Chamber of Direct Selling)	**José Ramon**	Representative
CEAL - *Conselho de Empresários da América Latina* Latina (Council of Latin American Businessmen) (www.ceal-int.org)	**Guilherme Peirão Leal**	Representative
CEMEFI - *Centro Mexicano para la Filantropía* (Mexican Center for Philanthropy)	**José Paez**	Representative
CIESP - *Centro das Indústrias do Estado de São Paulo* (Center of Industries of the State of São Paulo) (www.ciesp.org.br)	**Rodolfo Guttilla**	Director
ETHOS - *Institutos Ethos de Empresas e Responsabilidade Social* (Ethos Institute of Companies and Social Responsibility) (www.ethos.org.br)	**Guilherme Peirão Leal**	Member of the Decision-Making Council
FNQ - *Fundação Nacional da Qualidade* (Brazilian National Foundation on Quality) (www.fnq.org.br)	**1. Roberto Zardo** **2. Pedro Luiz Passos**	1. Planning Director 2. Vice Chairman of the Board of Trustees
FUNBIO - *Fundo Brasileiro para a Biodiversidade* (Brazilian Fund for Biodiversity) (www.funbio.org.br)	**Guilherme Peirão Leal**	Chairman of the Decision-Making Council
Fundação SOS Mata Atlância (SOS Atlantic Forest Foundation)	**Pedro Luiz Passos**	Member of the Board
GIFE - *Grupo de Institutos Fundações e Empresas* (Group of Institutions, Foundations and Companies) (www.gife.org.br)	**Maria Lucia Guardia**	Representative
GRI - Global Reporting Initiative (www.globalreporting.org)	**Rodolfo Guttilla**	Member (as an individual) of the Stakeholder Council
IBGC - *Instituto Brasileiro de Governança Corporativa* (Brazilian Institute of Corporate Governance) (www.ibgc.org.br)	**Moacir Salzstein**	Representative
IBRI - *Instituto Brasileiro de Relações com Investidores* (Brazilian Institute of Investor Relations) (www.ibri.org.br)	**Helmut Bossert**	Representative
IEDI - *Instituto de Estudos para o Desenvolvimento Industrial* (Institute of Studies for Industrial Development) (www.iedi.org.br)	**Pedro Luiz Passos**	Member of the Board
Instituto Akatu (Akatu Institute) (www.akatu.org.br)	**Guilherme Peirão Leal**	Member of the Steering Council
Instituto São Paulo Contra a Violência (São Paulo Institute Against Violence) (www.spcv.org.br)	**Rodolfo Guttilla**	Representative
INTA - International Trademark Association	**Lucilene Prado**	Representative
MBC - *Movimento Brasil Competitivo* (Competitive Brazil Movement) (www.mbc.org.br)	**Pedro Luiz Passos**	Member of the Board
Rede Social São Paulo (São Paulo Social Network)	**Maria Lucia Guardia**	Member of the Management Committee
SIPATESP - *Sindicato da Indústria de Perfumaria e Artigos de Toucador do Estado de São Paulo* (Perfume and Beauty Products Industry Union in the State of Sâo Paulo)	**1. Rodolfo Guttilla** **2. Lucilene Prado**	1. Vice Chairman 2. Deputy Director
UEBT - Union For Ethical Biotrade	**Marcos Vaz**	Vice-Chairman
WFDSA - World Federation of Direct Selling Associations	**1. Alessandro Carlucci** **2. Rodolfo Guttilla**	Bursar Member of the Board
WWF Brasil (www.wwf.org.br)	**Guilherme Peirão Leal**	Member of the Steering Council

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 disclosure 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 value 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

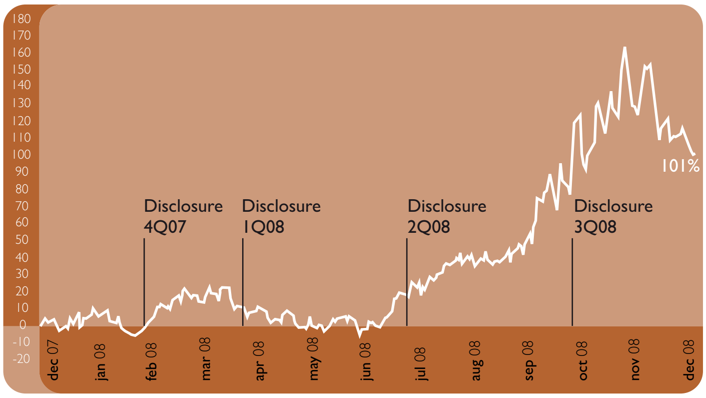
Shareholders	Interest	Number of Shares
Majority shareholders	73.42%	314,993,430
Treasury shares	0.00%	20,955
Management shares	1.05%	4,508,030
Outstanding shares	25.53%	109,562,334
Total shares	**100.00%**	**429,084,749**

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.

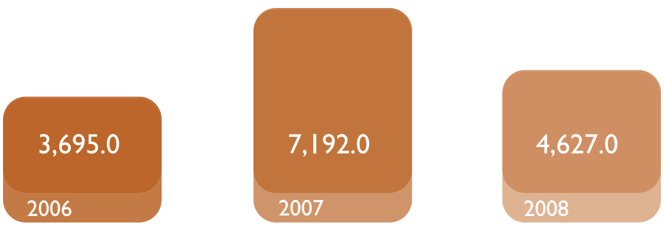
Performance of Shares

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.

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.

Therefore, our activity contributes to minimize social problems, such as unemployment. In accordance with the Brazilian Association of Direct Selling Companies (ABEVD), in Brazil, direct sales provide significant social and economic contributions to families and the country as a whole. In 2008, the industry handled R$ 18.5 billion, an increase of 14.1% in relation to 2007. The direct sales are estimated to give work opportunity and income generation to around two million Brazilians.

We also create value for the communities that supply the ingredients from nature 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 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 of 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).

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

Projects supported by the *Crer Para Ver* program

Networking

Developed in partnership with the Avisa Lá Institute and the Razão Social Institute, the project also has the participation and support of many companies. It caters to children between zero and six years old and is present in 31 municipalities in 13 Brazilian states. The purpose of this project is to implement a virtual community of opinion makers (directors, educational coordinators, teachers and technicians), by means of in-person and remote actions to strengthen, disseminate and develop quality practices in children's education. In 2008, investments were made in the infrastructure of secretaries' offices, acquisition of educational materials and professional development. Among the results achieved, 79% of local opinion makers presented the final version of the institutional project proposed at the beginning of the process; 100% of directors or coordinators held meetings with their team of teachers and 52% of the teachers started to frequently provide materials that are different from those they use to offer at the beginning of the year.

Incentive to Reading Project - EJA

Conducted in partnership with the NGOs Ação Educativa, Alfabetização Solidária and Center for Studies and Research in Education, Culture and Community Action, the project involves 1,500 schools of Education of Youngsters and Adults in 783 cities. Between 2006 and 2008, we distributed 50 book collections to the participating schools, totaling 75,000 books, in addition to support materials, with suggestions of activities related to reading and guiding for the management and proper use of the collection. This initiative was approved by 99.5% of the teachers involved in the program and 98.4% of these teachers stated that they carry out reading activities in class based on the materials sent.

Reading Meetings

This program was made possible by a partnership with the Center for Documentation and Community Action and it is aimed at raising the awareness of teachers who work with children between four and six years old on the importance of actions that help the development of the children's reading capabilities. The project lasts two years and, between 2007 and 2008, 248 schools from 10 municipalities participated. The project serves all the schools from the municipalities chosen. In order to deepen the work of the teachers and strengthen the program, books and materials selected by specialists in education were distributed. A total of 20,566 books were delivered, 84 of which were children's books and 65 were literature for teachers.

Chapada Project

The Chapada Institute of Education and Research is the partner of Natura in this program, which aims at improving the Basic Education Development Rate and reducing drop-out and failure rates at schools from 25 municipalities of the Chapada Diamantina and semi-arid regions of the state of Bahia. To achieve these targets, the program bets on the continued education of directors, educational coordinators, technical supervisors and teachers. In 2008, 22 events to mobilize the 26 participating schools were held in order to ensure the continuity of the program after the change in public mandates resulting from elections. The project directly serves 895 directors, supervisors and educational coordinators and indirectly, 5,800 teachers and 124,000 students.

You Are What You Are Because of What You Know

Implemented by the Regional Institute for Appropriate Small Cattle Farming (IRPAA), which operates in the cities of Santa Sé, Senhor do Bonfim and Filadélfia, the program aims at training teachers that work in EJA. Besides just working with educational issues, the project wants to provoke reflection on the local reality of students. The idea is to awaken in students a new way of studying that contextualizes the educational contents in the world around them. One hundred sixty teachers and over 3,700 students were benefited. An informative book on the education of youngsters and adults from the semi-arid region of Brazil was also published, which is the result of a joint development of the project's participants. In 2008, as expected, the partnership between the *Crer para Ver* Program and the IRPAA came to an end.

ParticipAction

Resulting from a partnership with the Center for Public Policies Studies of the State University of Campinas and the Education Board of Cajamar, this program includes 29 pre and primary schools of the city and aims to bring parents closer to their children's school life. At meetings – both in-person and remote – with students' parents, employees, teachers and educational managers, topics related to the school are discussed. We expect the project's participants to become multiplying agents and the number of parents involved in the schools to increase. In 2008, the program directly reached 160 people and, indirectly, the whole local education network, or around 11,000 students. Based on their learning, proposals for activities in the topics addressed were prepared and are expected to be implemented in 2009.

Our Digital Language

Conceived together with the Education Board of Cajamar and with the Klick Education Portal, the project proposes the inclusion of students from the final primary school grades and EJA into the digital world. Thanks to the Our Digital Language program, 210 students developed a number of activities through the use of computers. The program also extends to the training of teachers from the municipal system and, at the end of the program, the students from the seven municipal schools of Cajamar created an online magazine through which they could improve their writing and speech.

Believing is Seeing (*Crer para Ver*) Program Investments in 2008

Teaching level / modality	Name of Project	Name of partner organization	Municipalities involved	No. of schools involved	No. of participating teachers supervisors and directors	No. of beneficiary pupils	Amount invested R$
Pre-school	Reading Group Project (Projeto Encontros de Leitura)	Education and Documentation for Community Action	10	258	1,126	14,594	886,934.14
Pre-school	Project Development (Desenvolvimento de Projeto)	Education and Documentation for Community Action	NA	NA	NA	NA	692,469.48
Pre-school	Training in Network Project (Projeto Formar em Rede)	Avisa Lá Institute and Razão Social Institute	6	42	577	6,304	83,827.74
Education of Youngsters and Adults	Reading Incentive Project (Projeto Incentivo à Leitura)	Cenpec, Alfabetização Solidária, Ação	NA	*1,500	NA	*263,788	34,159.52
Education of Youngsters and Adults	Mobilization (Mobilização)	NA	NA	388	NA	**162,680	286,717.95
Education of Youngsters and Adults	In All Knowledge a Way of Being Project (Projeto Em cada saber um jeito de ser)	Small Farming Institute Agricultura Apropriada IRPPA	3	88	288	3,700	188,756.50
Elementary Education	Chapada Project (Projeto Chapada)	Chapada Education and Research Institute – ICEP	25	925	6,272	124,741	718,252.49
Elementary Education	Participation Project-Cajamar (Projeto Participação-Cajamar)	NEPP/Unicamp and Teaching Board of Cajamar	1- (municipality of Cajamar)	29	160	11,000	142,243.66
Elementary Education and Education of Youngsters and Adults	Our Digital Language-Cajamar (Nossa Língua Digital-Cajamar)	Klicknet	1- (municipality of Cajamar)	29	7	210	107,080.00
Event staged for all Believing is Seeing projects	National Believing is Seeing Meetingr	NA	NA	NA	NA	NA	240,230.33
	TOTAL		**45**	**3,259**	**8,430**	**587,017**	**3,380,671.81**

**Books were distributed to 58 schools in 2008 and the amount invested refers to these schools only. The total number of schools involved in the project was included, since the activities continue at these schools, which received books in 2006 and 2007.*

***The same methodology was adopted for the Enrollment Campaign, since the communication continued until September 2008. No. of enrollments in 2008: 8,833.*

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 1985, 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 organizations from civil society	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.

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.

.

Main projects supported in 2008:

Culture - Natura Musical

Natura Musical is a cultural sponsorship program of Natura and the commitment of which is to stimulate and disseminate the music that results from the sincere, inventive and harmonic combination of typically Brazilian elements with universal concepts, ideas and sounds. The sponsored projects are chosen indirectly but also through invitations to bid, based on culture incentive laws, such as the Rouanet Law, Audiovisual Law and Culture Incentive Laws in the states of São Paulo and Minas Gerais. In 2008, we supported over 100 musical projects of very different styles, from Quilombolas Dances to the recording of singer Marisa Monte's DVD.

Sustainable Development -DNA Database of Species from the Brazilian Flora

An important project in 2008, and which will extend through to the end of 2009, is the DNA Database of Species from the Brazilian Flora, an initiative of the Botanical Gardens of the city of Rio de Janeiro. The support, signed in 2007, established that 2,000 new samples should be included in the DNA Database system.

Strengthening of Civil Society Organizations - Ashoka

Natura associated with Ashoka, a nonprofit world organization, to sponsor the event for the presentation of new social entrepreneurs of the entity in the South American continent. In partnership with Ashoka, we developed in Chile the Social Entrepreneur Natura Consultant (NC) program, which identifies NCs who have an entrepreneurial profile. The program consists of financially supporting the NCs selected for their own development and we offer a professional training course provided by Ashoka in order to strengthen their entrepreneurial profile and establish experience and contact exchange networks. The program was launched in March 2008 in Chile only. This year, 9 projects were selected..

AfroReggae Institute

Through the partnership with the AfroReggae Institute, for the second consecutive year, Natura was the institutional sponsor of the group, contributing to the promotion of cultural activities in the communities of Vigário Geral, Complexo do Alemão, Cantagalo, Pavão-Pavãozinho and Nova Iguaçu in the city of Rio de Janeiro.

Funds from Incentives (R$ thousands)

	2006	2007	2008
Sustainable Development			
- Federal Cultural Incentive Law (Rouanet Law)	1,046,500	426,000	450,000
- Law on investment in production and coproduction of cinematographic and audiovisual projects, and in infrastructure for production and exhibition (Audiovisual Law)	-	643,000	100,000
Strengthening Civil Society Organizations and Governmental Organizations			
- Federal Cultural Incentive Law (Rouanet Law)	-	546,000	475,266
Brazilian Culture Appreciation with Focus on Music			
- Federal Cultural Incentive Law (Rouanet Law)	956,336	1,087,520	2,227,542
- Minas Gerais State Cultural Incentive Law	1,500,000	2,101,620	1,600,000
- São Paulo State Cultural Incentive Law	-	814,272	540,743
- Law on investment in production and coproduction of cinematographic and audiovisual projects, and in infrastructure for production and exhibition (Audiovisual Law)	745,000	455,000	300,000
Support and Sponsorships - Funds from Incentives – Summary (R$ thousands)			
- Federal Cultural Incentive Law (Rouanet Law)	3,236,679	3,588,801	3,332,000
- Minas Gerais State Cultural Incentive Law	164,886	-	-
- São Paulo State Cultural Incentive Law	1,442,420	1,816,777	2,247,144
- Law on investment in production and coproduction of cinematographic and audiovisual projects, and in infrastructure for production and exhibition (Audiovisual Law)	3,942,383	5,239,197	5,995,688
Investment by Theme (R$ thousands)			
Sustainable Development	3,236,679	3,588,801	3,332,000
Women's Entrepreneurship[1]	164,886	-	-
Strengthening Civil Society Organizations	1,442,420	1,816,777	
Brazilian Culture Appreciation with Focus on Music	3,942,383	5,239,197	5,995,688

1. In 2007, the support and sponsorships guidelines were revised, and, to align them with the strategic options of Natura, the Women's Entrepreneurship guideline was removed.

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.

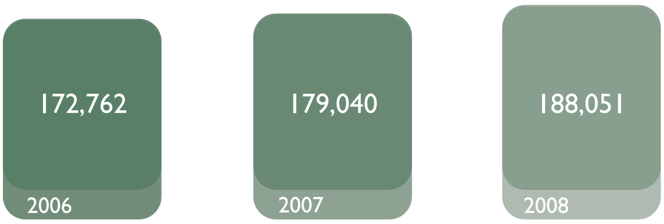
The great innovation of this project lies on the fact that Natura committed to a complete plan on three work fronts (inventory, reduction, and offsetting), involving all of its production chain. We are committed to reducing relative emissions by 33% between 2007 and 2011 in relation to total emissions 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]



1. CO_2e (or CO_2 equivalent): a measure to express greenhouse gas emissions, based on the global warming potential of each one.

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

CO_2e[1] Emissions per Activity (metric tons)

	2006	2007	2008
Extraction of raw materials and packaging materials	62,353	65,837	72,095
Direct suppliers	14,967	17,472	17,120
Acquired Energy	913	910	1,440
Mobile Sources	2,993	3.270	3,395
Transport of products (to the final consumer)	23,975	27,138	30,946
Final disposal of products and packaging	45,758	41,106	36,689
Others[1]	21,802	23,309	26,366

1. Fixed sources, exports, business trips, effluent treatment,and international operations.

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 (which will be offset in the long term) and three are renewable energy actions (which will be offset in the short term).

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 (state of Rio Grande do Sul), Erechim (state of Rio Grande do Sul) 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 were 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 access 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 socio-environmental 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.

Status of the Raw Material Certification Program

Raw Materials/Ekos	State	STAGE I Start	STAGE I End	STAGE II Start	STAGE II End	STAGE III Start	STAGE III End	System of Production
Andiroba *Carapa guianensis*	Amazonas	X	X	X				Traditional handling
Buriti* *Mauritia flexuosa*	Pará	X	X	X	X	X	X	Traditional handling
Capim-limão *Cymbopogon citratus*	Paraná / São Paulo	X	X	X	X	X	X	Cultivation
Café Verde *Coffea arábica*	Minas Gerais	X	X	X	X	X	X	Cultivation
Camomila *Chamomilla recutita*	Paraná	X	X	X	X	X	X	Cultivation
Castanha-do-Brasil *Bertholletia excelsa*	Amapá	X	X	X	X	X	X	Traditional handling
Copaíba *Copaifera spp*	Amapá	X	X	X	X	X	X	Traditional handling
Breu *Protium pallidum*	Amapá	X	X	X	X	X	X	Traditional handling
Cupuaçu *Theobroma grandiflorum*	Rondônia	X	X	X	X	X	X	Agroforestry System
Guaraná *Paullinia cupana*	Bahia	X	X	X	X	X	X	Organic cultivation
Maracujá *Passiflora edulis*	Minas Gerais	X	X					Cultivation
Mate-verde *Ilex paraguaiensis*	Rio Grande do Sul	X	X	X	X	X	X	Traditional handling
Murumuru *Astrocaryum murumuru*	Amazonas	X	X	X				Traditional handling
Pariparoba *Pothomorphe umbellata*	São Paulo	X	X	X	X	X	X	Organic cultivation and handling
Pitanga *Eugenia uniflora*	São Paulo e Paraná	X	X	X	X	X	X	Organic cultivation and handling
Priprioca *Cyperus articulatus*	Pará	X	X	X	X	X	X	Cultivation

Raw Materials/Ekos	State	STAGE I Start	STAGE I End	STAGE II Start	STAGE II End	STAGE III Start	STAGE III End	Observations
Açaí *Euterpe oleracea*	Rondônia	X	X	X	X	X	X	Agroforestry System
Maracujá Doce *Passiflora alata*	São Paulo	X	X	X	X	X	X	Cultivation
Paramela *Adesmia buronioides*	Patagônia / Argentina	X	X	X	X	X	X	Handling
Palo Santo *Bursera graveolens*	Equador	X	X	X	X	X	X	Handling
Cacau *Theobroma cacao*	Bahia	X	X	X	X	X	X	Agroforestry System
Chá Verde *Camélia sinensis*	São Paulo	X	X	X	X	X	X	Handling
Candeia *Eremanthus erythropappus*	Minas Gerais	X	X	X	X	X	X	Handling
Jambu *Spilanthes oleracea*	São Paulo	X	X	X	X	X	X	Organic cultivation

NB. 1: The raw material Rosewood was excluded from the table because it began to be produced synthetically in 2008, and Cumaru because of production difficulties in the supply area.
NB. 2: Five raw materials that were already certified are not included on the list because products containing these raw materials have not yet been launched.
NB. 3: In exceptional cases, additional amounts of the certified raw materials may be purchased from uncertified areas, as a result of drops in productivity, harvest periods, supplier stocks, etc.

Our partnerships extend to many regions of the country. Some suppliers live and carry out their extractivist activities in areas protected by the National System of Preservation Units, such as the communities in the Central Juruá River Extractivist Reserve , in the state of Amazonas, and the São Francisco Community, located in the Sustainable Development State Reserve of Iratapuru, in the state of Amapá. There, where the Brazil nut, copaiba and breu branco are handled, the extraction areas occupy approximately 4,000 hectares of the 842,000 of the reserve. In the Extractivist Reserve of Central Juruá, on the other hand, which covers an area of 253,000 hectares of protected area, the extraction of andiroba and murumuru palm takes place in an area of less than 1% of the total area.

The land in which Natura's headquarters are located in Cajamar, state of São Paulo, is in an Environmental Protection Area. The Itapecerica da Serra Unit on the other hand, is in a Protection and Recovery Area of the Springs of the Water Basin of Guarapiranga and includes a permanent preservation area. In these areas, there are administrative offices and manufacturing and production activities. These operations are in compliance with the applicable legal requirements.

Environmental Impacts 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 was reviewed, wich is the reason why the historical data was 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% in 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.

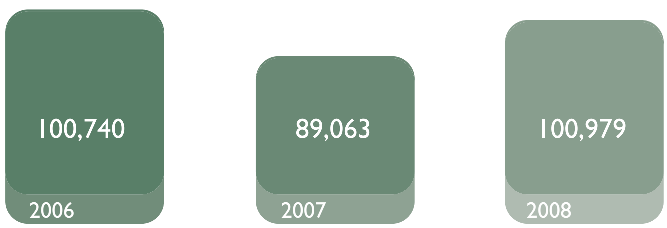
Total Volume of Water Recycled and Reused

	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.

Significant Discharges to Water (cubic meters) Total Volume of Treated Effluents



1. Refers to the Cajamar and Itapecerica da Serra sites

Total Discharge of Water by Quality and Destination

	2006	2007	2008
Permeated Cajamar			
BOD (Mg/L)	3.7	3	5.5
COD (Mg/L)	47	40	43.6
Oils and grease (Mg/L)	5.7	5	7.8
Treated effluent Itapecerica da Serra			
BOD (Mg/L)	11.6	41	19.6
COD (Mg/L)	62.9	107	73.2
Oils and grease (Mg/L)	6.0	10	8.1

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.

Direct Energy Consumption, by primary source segment (Joules)

	2006	2007	2008
Primary electricity source	99.4×10^{12}	104.1×10^{12}	95.88×10^{12}
Self-generated electricity (diesel-powered generator)	1.51×10^{12}	0.025×10^{12}	0.026×10^{12}
Diesel oil used in generators	2.48×10^{12}	2.32×10^{12}	2.69×10^{12}
Consumption of LPG	29.8×10^{12}	29.5×10^{12}	27.81×10^{12}

Energy Matrix at the Cajamar and Itapecerica da Serra sites (%)

	2006	2007	2008
Electrical Energy	76.95	76.60	75.87
LPG	21.36	21.67	22.01
Diesel	1.67	1.71	2.13
Solar Energy	0.02	0.01	0.01

Consumption of Solar Energy (Joules)

2006	2007	2008
19.96×10^9	19.96×10^9	19.96×10^9

Our suppliers are instructed to apply apportionments to their consumption of energy and water and waste generation, taking into consideration the production percentage for Natura. In 2008, indicators of 61 companies from different categories were taken into consideration: gifts, packaging, printing, fragrances, chemicals, third parties, service centers and distribution centers. In 2007, the last two categories were not considered and the total number of suppliers was 57. The figures related to outsourced employees include the main 12 companies in this category. This is the first year these data are reported separately.

The data below are estimates collected on a quarterly basis from our suppliers. For these figures to be more reliable, we compare the spreadsheets submitted by the same supplier during the year, in order to avoid discrepancies.

Energy Consumption by the Leading Suppliers[2] of Natura

	2006	2007	2008 outsourced suppliers[1]	2008 other suppliers	Total 2008
Primary electricity source – electric energy consumption (gigajoule – GJ)	20,129	238,528	45,200	129,019	174,219
Self-generated electricity – diesel-powered generator (gigajoule – GJ)	0	1,304	0.1	4,549	4,549
Consumption of LPG (gigajoule – GJ)	912	9,332	0.9	1,804	1,805
Others – natural gas (gigajoule – GJ)	1,191	121,388	47	113,807	113,854
Total energy consumption (gigajoule – GJ)	22,232	370,552	45,249	249,178	294,427
Water Consumption by the Leading Suppliers[2] of Natura					
Total water consumption (cubic meters)	47,749	279,642	37,090	124,667	161,757
Generation of Waste by the Leading Suppliers[2] of Natura					
Total waste generated (t)	368	3,200	1,287	1,752	3,039

1. Companies that manufacture (or that are involved in the final stage of production) finished products with the Natura brand.

2. Leading Natura suppliers in various categories (free gifts, packaging, printing, fragrances, chemicals, service centers and distribution centers)

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 were changed.

Total Amount of Waste by Type (metric tons)[1,3]

	2006	2007	2008
Class I	1,323.1	1,395.5	1,348.3
Class II-A	4,556.8	4,043.3	4,330.7
Class II-B	951.5	1,180.9	1,444.6
Waste from the Cajamar and Itapecerica da Serra sites	6,831.4	6,619.7	7,123.6
Waste from the other Natura sites[2]	NA	180.2	224.5
Total Weight of disposed waste	**6,831.4**	**6,799.9**	**7,348.1**

1. According to the NBR 10004/2004 standard: Class I Waste: hazardous waste (obsolete cosmetic products, medical and laboratory waste and alcohol); Class II-A Waste: non-inert waste (physicochemical and biological sediment from the effluent treatment station, paper and cardboard); Class II-B Waste: inert waste (metals and plastic).

2. Refers to the generation of waste at the industrial unit in Benevides – Pará, inaugurated in May 2007, and the Administrative Unit in Barueri (Alphaville).

3. Natura does not report in this indicator the waste generated by civil construction (rubble) on its sites.

Destination of Waste[1]

	2006	2007	2008
Incinerated (t)	NA	186.93	176.3
Disposal in landfills (t)	NA	605.52	627.8
Recycled (t)	NA	5827.22	6319.5

1. Refers to Cajamar and Itapecerica da Serra sites

Recycling of Waste by Destination

	2006	2007	2008
Composting (metric tons)	NA	784.3	942.54
Coprocessing (metric tons)	NA	802.75	727.78
Transformation (metric tons)	NA	4,159.95	4,649.20

The drop in the use of materials in kilograms is justified by the outsourcing of the mass product lines, such as soaps, shampoos and colognes. The increase in liters is justified by the creation of new colognes and the gradual increase in the sale of these items.

Total Use of Solid and Liquid Materials (except water)[1]

	2006	2007	2008
Kilos	19.025.330	24.453.999	22.434.423
Liters	9.286.746	8.274.559	8.791.983

(1) Refers to the Cajamar site

Weight of Waste Considered Hazardous under the Terms of the Basel Convention[1,2,3] (metric tons)

	2006	2007	2008
Transported	1,323.05	1395.48	1,348.30
Imported	0	0	0
Exported	0	0	0
Treated	1,323.05	1395.48	1,348.30

Percentage of Transported Waste Shipped Internationally

	2006	2007	2008
% of waste transported internationally	0	0	0

1. According to the NBR 10004/2004 standard: Class I Waste: hazardous waste (obsolete cosmetic products, medical and laboratory waste, alcohol, lubricating oil and maintenance waste).

2. All waste not mentioned directly in the Basel Convention as being hazardous waste, but which is classified as such by the domestic legislation of the parties, shall also be deemed hazardous for the purpose of the convention.

3. Refers to the Cajamar and Itapecerica da Serra sites

Since 2007, we have maintained the Reverse Logistics Recycling project, which was first implemented in Recife and São Paulo. In order to reduce the environmental impact of the packaging of our products, this project works in partnership with our consultants, transporting companies and local garbage collectors cooperatives. The work starts with the consultants who encourage their customers to keep the packaging of Natura products. In almost two years of work, we have 13,608 participating consultants and have raised 210,00 kilos of recyclable materials, 70% of which is paper and cardboard.

In 2008, the recycling pilot project with consultants was expanded to some regions of São Paulo. Between 2007 and 2008, the percentage of participants dropped due to the increase in the potential customer base and the difficulty to collect the boxes of consultants who live in buildings and gated communities. For cases like these, we are studying alternative models of participation.

Recycling Project

	2006	2007	2008
Penetration of participating consultants[1]	NA	10.0%	2.3%
Total amount collected in metric tones[2]	NA	90.8	118

1. % of participating consultants (who deliver waste)/total active consultants in the cycle

2. Natura post-consumption packaging and products

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 2008, 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, 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 consultants 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%

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

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%

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

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	Var %
Net income for the period	**462.3**	**542.2**	**17.3**
(+) Depreciations 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)

			Capital reserves								
				Tax incentive reserve	Additional			Valuation adjustments to			
	Note	Capital	Share premium	Investment grants	paid-up capital	Profit reserves Legal	Profit reserves Retention	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

			Capital reserves								
				Tax incentive reserve				Valuation adjustments to			
			Share	Investment	Additional paid-up	Profit reserves		shareholders'	Treasury	Accumulated	
	Note	Capital	premium	grants	capital	Legal	Retention	equity	shares	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$)

		Controladora				Consolidado			
	Note	2008		2007 (Restated)		2008		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, liquidas(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		Consolidated	
	2008	2007	2008	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		Consolidated	
	2008	2007	2008	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		Consolidated	
	2008	2007	2008	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				
				Stock option grants	
	Compensation Variable			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				
				Stock option grant	
	Compensation Variable			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				
				Stock option grant	
	Compensation Variable			Stock option balance (quantity)	Average exercise price
	Fixed	(a)	Total	(b)	(c)
Executives	7,563	4,012	11,575	717,656	16,89

	2007				
				Stock option grant	
	Compensation Variable			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	Exercise price - R$	Outstanding options	Remaining contract life (in years)	Exercise price - R$	Exercisable options	Exercise price - R$
		Outstanding options			Exercisable options	
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	Exercise price - R$	Outstanding options	Remaining contract life (in years)	Exercise price - R$	Exercisable options	Exercise price - R$
		Outstanding options			Exercisable options	
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	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:

	Consolidated			
	Adjusted contracted amount		Balance receivable (payable)	
Type of transaction	2008	2007	2008	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	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:

	Consolidated			
	Adjusted contracted amount		Balance receivable (payable)	
Type of transaction	2008	2007	2008	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.

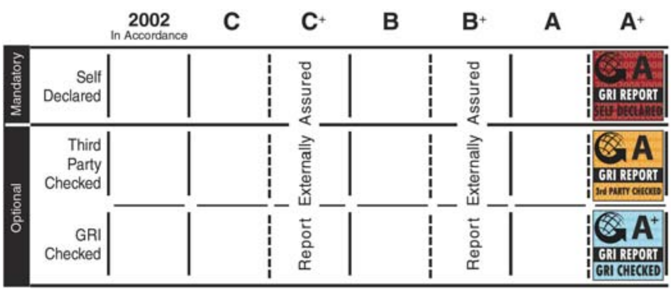
Antonio Ribeiro
Lead verifier

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 is 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.

The collection of information for the Annual report involves many areas of Natura and the process is constantly evolving . We have tried to ensure that the system for the consolidation of indicators, as well as the qualitative interviews, reaches an increasing number of operations and fields at Natura. This year, some back data history were changed as a result of this ongoing evolution. Most indicators reflect the impacts of the operations in Brazil, where our production is concentrated. There is, therefore, room for us to improve the systematization of data on our foreign operations, still in the implementation stage.

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, available at www.natura.net/relatorio.

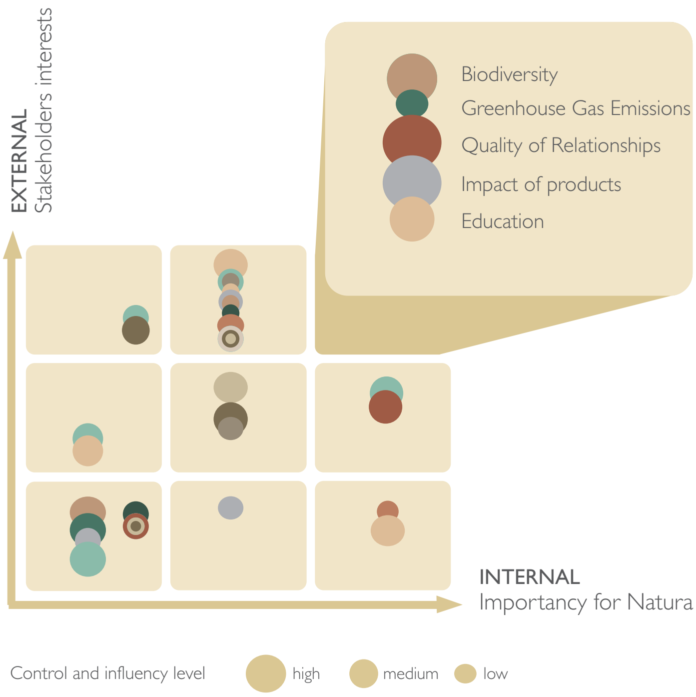
• Newspaper for employees – with the topics of interest to our internal public in Portuguese and Spanish.

• 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 assesment, 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.

See the result of this materiality assesment in the following matrix:

Materiality Matrix



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 partner 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 annual report 2007, 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.

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:

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.

Awards and recognitions received by Natura in 2008

Award	Institution	Position
Atualidade Cosmética	Atualidade Cosmética magazine	Winner of the award for the Children's Line - Natura Naturé.
Most Admired - Carta Capital	Carta Capital magazine	Natura was named the 2nd Most Admired Company in Brazil. 1st place in the Hygiene, Perfumery and Cosmetics Segment. 1st place in Key Factors: Commitment to HR, Ethics, The Most Committed to Sustainable Development and Social Responsibility.
The Most Valuable Brands - Isto É	Isto É magazine	Natura featured among the 15 Most Valuable Brands, coming in 4th place in 2008.
Annual Report	Gazeta Mercantil newspaper	Award for best company in the Hygiene, Cleaning and Cosmetics sector.
SustainAbility	Sustainability consulting firm	Natura was ranked in first place in the analysis of sustain ability reports in the Towards Credibility study conducted by the Brazilian Foundation for Sustainable Development (FBDS) and SustainAbility.
Época Negócios 100 Most Prestigious Companies	Época Negócios magazine	Natura was named the Most Prestigious Brand in the Beauty Sector.
Exame Sustainability Guide	Exame magazine	We were the Model Company of the Year in Sustainability
Época Climate Change	Época Negócios magazine	Natura was the company with the Best Strategy for re ducing carbon emissions.
Forum of Leaders (Fórum de Líderes)	Gazeta Mercantil newspaper	The Co-Chairman of the Board of Directors Guilherme Leal was recognized as one of the leaders in the Cosmet ics, Hygiene and Cleaning sector and as leader in the state of São Paulo.
Corporate Civic Responsibility Award - AMCHAM Argentina	Revista *Exame*	Corporate civic responsibility award from the American Chamber of Commerce (Amcham) in Argentina.
Long Live Reading (Viva Leitura) Award	Ministry of Education	We received the award for the project Reading Groups (Rodas de Leitura), a partnership between Believing is Seeing (Crer para Ver) and CEDAC.
New Beauty (Nova Beleza)	Nova magazine	Natura received the following awards: HAIR –LEAVE-IN – Best anti-frizz -NATURA FIXPLANT POST HAIR STRAIGHTENING ANTI-FRIZZ. FACE - MOISTURIZER – Which creates the sensation of immediate comfort - NATURA ANISE FPS 15. BODY - MOISTURIZER
Comunique-se Award	Comunique-se	Rodolfo Guttilla, Director of Corporate Affairs at Natura, received the award in the Corporate Communication Professional category.
Company of Young People's Dreams 2007	Cia de Talentos	NATURA came fourth in the ranking of the top 10 com panies in the preference of young Brazilians.
Seleções Magazine – Reliable Brands	Seleções magazine	We won the Reliable Brands award, given by the Seleções magazine.

Best of Dinheiro	IstoÉ magazine	NATURA led the BEST OF DINHEIRO ranking in the Pharmaceutical, Hygiene and Cleaning sector in 2008.
BRAMEX - Franco Montoro Award	Bramex	NATURA was the only company from the sector chosen as a corporate highlight in Brazil-Mexico bilateral trade.
Conjuntura Econômica Magazine: 18th FGV Corporate Excellence Award	Conjuntura Econômica magazine	Natura was ranked in 1st place in the Perfumery category.
Valor 1000	Valor Econômico newspaper	Natura was named the Best Company in the Hygiene and Cosmetics Sector for the 4th consecutive time
Biggest and Best	Exame magazine	Natura received the award in the Consumer Goods category
BMF Bovespa Award	BMF Bovespa	Natura featured among the top 10 companies of 100 listed by the BM&FBOVESPA that earned a place in the new markets segment.
ABRE Design & Packaging	ABRE	Natura won in three categories, with the Natura Chronos Flavonóides de Passiflora, Natura Amor América and Natura Faces Estojo Mágico products
Brazil's Most Valuable Brands	IstoÉ Dinheiro magazine	In 2008, Natura joined the ranking of the 15 most valuable brands in Brazil.
Distinctive Socially Responsible Company 2008	Cemefi and Aliarse - Mexico	Award granted to Natura for its work in Mexico.
Brands for Decision Makers	Jornal do Comércio – Porto Alegre	Natura was recognized as the most remembered and preferred brand in the state of Rio Grande do Sul in the Personal Hygiene and Beauty sector, and it also featured in the "Environmental Preservation" category.
The 100 Best in Corporate Civic Responsibility 2008	Gestão & RH Editora	Natura featured among the best in the Environmental Responsibility category.
GRI e RCA Awards	The GRI Amsterdam Global Conference	The Natura 2008 annual report took second place in the GRI Readers' Choice Awards in a vote by civil society organizations.
Partnerships Award: Solidary Development in the Northeast	Aliança Interage (Interact Alliance) and Instituto Ação Empresarial pela Cidadania (Corporate Action for Civic Responsibility Institute)	We were recognized for the work of our educational project in Chapada Diamantina.
Brazil's Best Cosmetics Company	IMPAR Institute - Maringá	Natura was named Brazil's Best Cosmetics Company.
Brazil Environment Award	*Jornal do Brasil, Gazeta* Mercantil and Forbes Brasil	Natura received the award in the "BEST BUSINESSMAN OF THE YEAR" category, for Alessandro Carlucci
Top of Mind	Folha de S. Paulo newspaper	Natura won the award in the Environmental Preservation category for the second consecutive year.
Top of Mind 2008 Minas Gerais	Mercado Comum magazine	Natura received the award in the Beauty Products leadership category.
Successful Entrepreneurs Trophy 2008	Top of Business magazine	Recognition for organizations doing important economic, social and environmental work.

50 Most Admired HRs in Brazil 2008	Gestão e RH	Acknowledgement for International Human Resources Director Claudia Falcão, who was named one of the 10 most prestigious HR professionals in the country.
IR Magazine Brazil Awards	IBRE – Brazilian Institute of Economics/FGV	Natura was selected as one of the top 5 companies in the categories Best Corporate Governance and Best Socioenvi ronmental Sustainability, by IR Magazine Awards Brazil 2008.
Agência Estado Company Highlight	Agência Estado	The Agência Estado Company Ranking lists the publicly traded companies that reported the best performance for their shareholders.
I Best 2008 Award	I Best magazine	Natura.net was classified among the best websites of 2008.
"The Most Sustainable Websites of companies listed on the IBovespa - 2007".	Management & Excellence/ GrowAssociates - Razão Contábil magazine	We won the award with one of the Most Sustainable Websites of companies listed on the IBovespa – 2007
Top Vale	ValeParaibano newspaper	Natura was the winner in the category "Cosmetics/Per fumery Brand" in the cities of São José dos Campos, Jacareí and Taubaté, and it came 1st in the Top Regional.
"The Most Sustainable Companies of Latin America".	Management & Excellence/ GrowAssociates	We won as one of the most sustainable companies in Latin America.
Top of Mind - Diário do Grande ABC	*Diário do Grande ABC* newspaper	We received the award as the most remembered brand by consumers in the hygiene and beauty sector.

GRI Index

GRI		Chapter
Strategy and Analysis		
1.1	President's statement on the relevance of sustainability.	Message from Management
1.2	Main impacts, risks and opportunities	Throghout the report
Organizational Profile		
2.1	Name of the Organization.	Profile
2.2	Main brands, products and/or services.	Consumers
2.3	Estrutura operacional	Profile
2.4	Location of corporate office.	Profile
2.5	Countries in which the organization operates.	Profile
2.6	Type and legal nature of ownership.	Profile
2.7	Markets served.	Profile
2.8	Size of the Organization.	Profile
2.9	Main changes in 2008.	Profile
2.10	Awards received.	Awards and Recognitions (Attachments)
Report parameters		
Report profile		
3.1	Period covered by the report.	About the Report
3.2	Date of the most recent annual report.	About the Report
3.3	Cycle of report issuance.	About the Report
3.4	Contact information for questions.	About the Report
Escopo e limite do relatório		
3.5	Process for defining report content.	About the Report
3.6	Limit of the report.	About the Report
3.7	Limits regarding the scope or limit of the report.	About the Report
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations and other organizations that may affect comparability between periods and/or organizations.	About the Report
3.9	Techniques to measure data and the bases of calculation.	About the Report
3.10	Explanation of the consequences of any restated information.	About the Report
3.11	Significant changes in comparison with prior years.	Introduction About the Report
GRI Content Index		
3.12	Table that identifies the location of information in the report.	GRI Index
Assurance		
3.13	Current policies and practices related to seeking external verification for the report.	Introduction About the Report
Governance,Commitments and Engagement		
Governance		
4.1	Governance structure.	Corporate Governance
4.2	Ilndication if the president of the highest governing body is also an executive director.	Corporate Governance
4.3	Number of independent or non-executive members of the highest governing body.	Corporate Governance
4.4	Mechanisms for shareholders and employees to make recommendations or provide guidance to the highest governing body.	Ombudsman´s Office
4.5	Relationship between remuneration for members of the highest governing body, executive director and other executives, and the organization's performance.	Corporate Governance

4.6	Processes in effect within the highest governing body to ensurethat conflicts of interest are avoided.	Corporate Governance
4.7	Process for determining the qualifications and knowledge of the members of the highest governing body to define the organization's strategy for questions related to economic, environmental and social matters.	Corporate Governance
4.8	Mission and value statements, codes of conduct and internal principles	Essence and Quality of Relationships

Quality of Relationships

4.9	Procedures of the highest governing body to supervise identification and management by the organization of economic, environmental and social management, including relevant risks and opportunities, as well as adhering or conforming to internationally agreed upon norms, codes of conduct and principles	Corporate Governance
4.10	Self-evaluation of the performance of the highest governing body	Corporate Governance

Commitments to External Initiatives

4.11	Explanation of how the organization applies the Precaution Principle.	Consumers
4.12	Letters, principles or other initiatives that the organization subscribes to or endorses.	About the Report and Creation of Social Value (Support and Sponsorships)
4.13	Participation in associations and/or national/ international organizations.	Government

Stakeholder Engagement

4.14	Relationship of stakeholder groups involved in the organization.	Quality of Relationships About the Report
4.15	Basis for identification and selection of stakeholders to get involved.	About the Report
4.16	Approaches to involve stakeholders.	About the Report
4.17	Main subjects and concerns that are studied through stakeholder involvement.	About the Report

Performance Indicators

Economic Performance

DMA	Management Approach.	Economic Performance
EC1	Direct economic value generated and distributed.	Supplier Communities and Creation of Social Value
EC2	Financial implications, risks and opportunities resulting from climate changes.	High-priority sustainabilty topics, Corporate governance (Risk management), and Environmental Performance

Environmental Performance

EC3	Coverage of the benefit pension plan obligations.	Employees and Financial Statements
EC4	Significant financial aid received from the government.	Government
EC5	Lowest salary compared to the local minimum salary.	Employees
EC6	Policies, practices and expenses with local suppliers.	Surrounding Communities
EC7	Procedures for local contracting and proportion of top management members recruited in the local community.	Employees
EC8	Investments in infrastructure and services.	Surrounding communities and Creation of Social Value
EC9	Description of indirect economic impacts.	Supplier Communities and Creation of Social Value

Environmental Performance

DMA	Management Approach.	Environmental Performance
EN1	Materials used.	Environmental Performance
EN2	Percentage of materials used from recycling.	Environmental Performance
EN3	Direct energy.	Environmental Performance
EN4	Indirect energy.	Environmental Performance
EN5	Energy saved through efficiency.	Environmental Performance
EN6	Initiatives for suppliers of energy efficient products.	Environmental Performance
EN7	Reduction of indirect energy.	Environmental Performance
EN8	Total water removal.	Environmental Performance

EN9	Water sources affected by water removal.	Environmental Performance
EN10	Water recycled and reused.	Environmental Performance
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.	Supplier Communities
EN12	Description of significant impacts on biodiversity.	Environmental Performance
EN13	Protected or restored habitats.	Comunidades fornecedoras
EN14	Management of impacts on biodiversity.	Environmental Performance
EN15	Species threatened with extinction.	Environmental Performance
EN16	Total direct and indirect emissions of greenhouse gases.	Environmental Performance
EN17	Other relevant indirect emissions of greenhouse gases.	Environmental Performance
EN18	Initiatives to reduce greenhouse gas emissions.	High-priority sustainability topics, Environmental performance, Suppliers and Supplier Communities.
EN19	Emissions of substances that destroy the ozone layer.	Environmental Performance
EN20	NOx, SOx and other significant atmospheric emissions.	Environmental Performance
EN21	Total disposal of water by quality and destination.	Environmental Performance
EN22	Total waste weight by type and disposal method.	Environmental Performance
EN23	Number and total volume of significant spills.	Environmental Performance
EN24	Transported, imported or exported wastes.	Environmental Performance
EN25	Bodies of water and habitats affected by water disposal.	Environmental Performance
EN26	Initiatives to mitigate the environmental impacts of products and services.	Environmental Performance
EN27	Percentage of products and their packaging that are recovered in relation to the total amount of products sold.	Consultants
EN28	Significant fines and the total number of non-monetary sanctions resulting from the non-conformity with laws and environmental regulations.	Surrounding communities
EN29	Impacts of the transportation of products and workers.	Environmental Performance
EN30	Investments and expenses with environmental protection.	Creation of Social Value

Labor Practices and Dignified Work

DMA	Approach.	Employees
LA1	Total number of workers by type of job, employment contract and region.	Employees
LA2	Total number of employees and turnover rate.	Employees
LA3	Full-time vs. temporary benefits.	Employees
LA4	Percentage of workers covered by collective bargaining agreements.	Employees
LA5	Minimum deadline for notifying operating changes.	Employees
LA6	Employees represented on health and safety committees.	Employees
LA7	Injury rates, occupation diseases, days lost, absenteeism and deaths.	Employees
LA8	Education, training, counseling, prevention and risk control programs for employees, their family members or members of the community associated with serious diseases.	Employees
LA9	Health and safety topics covered in labor union agreements.	Employees
LA10	Average hours of training.	Employees
LA11	Programs for employability.	Employees
LA12	Performance analysis and career development.	Employees
LA13	Composition of groups responsible for corporate governance and the other employees.	Employees
LA14	Base salary proportion between men and women.	Employees

Human Rights

DMA	Management Approach.	Employees and Suppliers
HR1	Significant investment contracts with clauses on human rights.	Suppliers
HR2	Companies contracted and critical suppliers submitted to evaluations on human rights.	Suppliers
HR3	Training in human rights.	Employees
HR4	Total number of discrimination cases.	Ombudsman´s Office
HR5	Operations in which the right to exercise the freedom of association and collective bargaining may be at risk.	Employees
HR6	Operations with a risk for child labor.	Consultants and Suppliers
HR7	Operations with a risk for forced or slave labor.	Consultants and Suppliers
HR8	Security personnel submitted to training in human rights.	Employees
HR9	Cases of indigenous rights violations.	Suppliers

Society

DMA	Management Approach.	Social Performance, Government, Ombudsman´s Office, and Surrounding Communities
SO1	Programs and practices to evaluate and manage the impacts of the operations in the communities.	Supplier Communities
SO2	Units submitted to evaluations of corruption risks.	Corporate Governance (Risk Management)
SO3	Employees trained in anti-corruption policies and procedures.	Employees
SO4	Measures taken in response to cases of corruption.	Corporate Governance (Risk Management)
SO5	Participation in the elaboration of public policies and lobbies.	Government
SO6	Financial contributions to political parties.	Government
SO7	Lawsuits due to unfair competition.	Consumers
SO8	Fines and non-monetary sanctions resulting from non-conformity with laws and regulations.	Government

Responsibility for the Product

DMA	Management Approach.	Consumers
PR1	Evaluation of the impacts on health and safety during the lifecycle of products and services.	Consumers
PR2	Cases of non-conformity with health and safety regulations.	Consumers
PR3	Labeling procedures.	Consumers
PR4	Cases of non-conformity with regulations on labeling.	Consumers
PR5	Practices related to customer satisfaction.	Consumers
PR6	Compliance with laws, norms and voluntary marketing codes, including publicity, promotion and sponsorship.	Consumers
PR7	Cases of non-conformity with regulations.	Consumers
PR8	Proven complaints on the violation of privacy.	Consultants and Consumers
PR9	Fines due to non-conformity with laws and regulations associated with the supply and use of products and services.	Consumers

Editorial Team

Art Direction and Graphic Design:
Modernsign Design e Inovação

Writing and Proofreading:
Report Comunicação

Image Treatment and Prepress:
Modernsign Design e Inovação

Printing:
Makrokolor

Photography:
Arnaldo Pappalardo; Daniela Giorgia Spinardi; Edu Simões; Rafael Quintino; Taterka; Wilson Spinardi Junior

Illustrations:
Modernsign Design e Inovação and Marcelo Cipis

Survey and Determination of Indicators and Support for the Identification of Content:
Sustainability Office, and Finance and Legal Affairs Office

General Coordination:
Corporate Affairs and Government Relations Office

MSCI®