

NATURA COSMÉTICOS S.A.

Corporate Taxpayer's ID (CNPJ/MF)
71.673.990/0001-77

Publicly-held Company

Company's Register (NIRE)
No. 35.300.143.183

Capital Subscribed to and Paid-in: R\$ 390,617,976.28 – 428,929,051 Registered Shares of Common Stock [ON]
Authorized Capital: up to 13,116,665 ON shares

MATERIAL FACT

We inform the Shareholders and the market that, in compliance with the provisions in the Normative Instructions no. 319 and 358, issued, respectively, on December 3, 1999 and January 3, 2002 by the Brazilian Securities and Exchange Commission ("CVM"), the Board of Directors of Natura Cosméticos S.A. ("Company") approved on February 27, 2008 the submission of the proposal of merger for discussion at the Annual Shareholders Meeting to be held on March 31, 2008, by the Company, of its wholly-owned subsidiary Nova Flora Participações Ltda. ("Nova Flora"), a limited company with headquarters in the City of Barueri, State of São Paulo, at Avenida Juruá, n.º 253, 1º andar, sala "C", with Corporate Taxpayer's ID (CNPJ/MF) no. 03.322.198/0001-18, as per the terms and conditions of the Protocol and Justification of Merger entered into by the managers of both companies in the referred date.

The proposal of merger of Nova Flora by the Company aims at the rationalization of the existing corporate structure, with the consequent reduction of costs and simplification of internal routines, inherent to the maintenance of legal entities without any perspective of resuming such activities.

In accordance with the proposal submitted by the Company's Board of Directors, the merger of the net assets of Nova Flora will be made on March 31, 2008 based on the balance sheet of Nova Flora, drawn up on December 31, 2007, prepared in accordance with the accounting practices adopted in Brazil, the provisions in Law no. 6,404/76 and the rules issued by the CVM and audited by Deloitte Touche Tohmatsu Auditores Independentes, with headquarters in the City of São Paulo, State of São Paulo, at Rua José Guerra, no. 127, Chácara Santo Antônio, CEP 04719-030, with Corporate Taxpayer's ID (CNPJ/MF) no. 49.928.567/0001-11 and enrolled in the Regional Accounting Board under no. 2 SP011609/O-8.

The criterion proposed for the appraisal of the net assets of Nova Flora to be transferred due to the merger is of the book value of the referred assets.

Previously to the execution of the merger of the net assets of Nova Flora by the Company, the partner of Nova Flora, Mr. Alessandro Giuseppe Carlucci, will assign and transfer the only quota of his ownership, representing the capital stock of Nova Flora, to

the Company. Consequently, the Company will hold the total quotas representing the capital stock of Nova Flora.

Therefore, there will be no minority partners holding quotas representing the capital stock of Nova Flora that will receive stock issued by the Company, reason why article 264 of Law no. 6,404/76, article 2, paragraph one, subsection VI of Normative Instruction no. 319/99 issued by the Brazilian Securities and Exchange Commission and articles 136 and 137 of Law no. 6,404/76 will not be applied.

The variations of assets of Nova Flora occurred between December 31, 2007 and March 31, 2008 will be appropriated in it and, after the merger, they will be absorbed by the respective accounting balance by the Company.

The managers of the Company and of Nova Flora contracted, by referendum of the Company's Extraordinary General Shareholders' Meeting destined to appreciate the proposal of merger, Deloitte Touche Tohmatsu Auditores Independentes, qualified above, to appraise the book value of the shareholders' equity and prepare the competent appraisal report of Nova Flora, pursuant to article 8 of Law no. 6,404/76 and to article 2, paragraph one, subsection XIV of Normative Instruction no. 319/99 issued by the CVM.

The referred company declared, by means of its representatives, the absence of any conflict or communion of interests, current or potential, with the shareholders belonging to the Company's control block, as well as with shareholders not belonging to the referred control block, with the Company, with Nova Flora or with the merger itself.

Based on the proposed appraisal criterion, the book value of the shareholders' equity of Nova Flora on December 31, 2007 was appraised at an unsecured liabilities of the amount of R\$-10.058.625,00 (-ten million, fifty-eight thousand, six hundred twenty-five reais). Considering the previous existence of provision in the financial statements of Natura Cosméticos related to the unsecured liabilities of Nova Flora, this equity situation of Nova Flora will not bring any impact in the Natura Cosméticos net assets. The Company will absorb the net assets of Nova Flora. However, there will be no change in its capital stock.

The merger will not generate any change of the rights and advantages attributed to the shares issued by the Company. There will be no alteration of its corporate purpose.

The headquarters of Nova Flora will be closed after the approval of the merger. The quotas representing the capital stock of its capital stock will be extinguished, pursuant to paragraph one of article 226 of Law no. 6,404/76. Due to the merger, Nova Flora will be extinguished.

As per provisions in article 227 of Law no. 6,404/76, the Company will succeed Nova Flora in all its assets, rights and obligations.

Corporate and business acts preceding the merger are related to the hiring of Deloitte Touche Tohmatsu Auditores Independentes, qualified above, to appraise the book value of the shareholders' equity and prepare the competent appraisal report of Nova Flora, as well as the approval of the Protocol and Justification of Merger, entered into by the Company's Board of Directors on February 27, 2008.

Nova Flora is party to two (2) lawsuits brought by former partner of the Company's subsidiary, Flora Medicinal J. Monteiro da Silva Ltda., a limited company with headquarters in the City of Itapeverica da Serra, State of São Paulo, at Rodovia Régis Bittencourt, s/n.º, Km. 293, Edifício II, with Corporate Taxpayer's ID (CNPJ/MF) no. 02.007.074/0001-85 ("Flora Medicinal"), regarding credits allegedly owed to the former partner as a result of his dismissal from Flora Medicinal. The lawyers' opinion is that the probability of loss is remote, reason why there are no amounts accountably provisioned.

The merger of Nova Flora by the Company will not generate any goodwill, reason why amortization or goodwill utilization is not mentioned.

The Protocol and Justification of Merger and its exhibits, as well as the Minutes of the Company's Board of Directors Meeting held on February 27, 2008, will be available for consultation in the Investor Relations Department, located in the City of Barueri, State of São Paulo, at Avenida Juruá, n.º 253, 3º andar, CEP 06455-010, on the website of the Brazilian Securities and Exchange Commission (www.cvm.gov.br), on the website of the São Paulo Stock Exchange (www.bovespa.com.br) and on the Company's Investor Relations website (www.natura.net/investidor) as of the present date.

Costs with fees of attorneys, consultants, auditors, legal publications and administrative filling processes of corporate acts in the Public Registry of Trading Companies necessary to the complete legal and operational implementation of the merger are estimated at R\$ 100.000,00 (one hundred thousand reais).

The merger of Nova Flora by the Company will not be subject to the approval of Brazilian and foreign regulatory or competition defense authorities as it is just a internal corporate reorganization with no market implication.

NATURA COSMÉTICOS S.A.

JOSÉ DAVID VILELA UBA

Chief Financial Officer and Chief Investor Relations Officer