

*(Convenience Translation into English from
the Original Previously Issued in Portuguese)*

Natura Cosméticos S.A.

*Interim Financial Statements for the
Quarter Ended March 31, 2008
and Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REVIEW REPORT

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

1. We have reviewed the accompanying interim financial statements of Natura Cosméticos S.A. and subsidiaries, consisting of the individual (Company) and consolidated balance sheet as of March 31, 2008, and the related statements of income, changes in shareholders' equity (Company) and cash flows for the quarter then ended, and the related notes to the interim financial statements, all expressed in Brazilian reais and prepared in accordance with the standards established by the Brazilian Securities Commission (CVM) under the responsibility of the Company's management.
2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, and consisted principally of: (a) inquiries of and discussions with certain officials of the Company and its subsidiaries who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the interim financial statements; and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries.
3. Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of interim financial statements, including the News Release of January 14, 2008.
4. As mentioned in Note 3, on December 28, 2007, Law No. 11638/07 was enacted, altering, revoking and adding new provisions to Law No. 6404 (Brazilian Corporate Law). This Law is effective for fiscal years beginning on or after January 1, 2008 and will introduce changes in the Brazilian accounting practices. Although this Law has already become effective, the main changes introduced by it are subject to regulation by regulatory agencies before being fully applied by companies. Accordingly, during this transition phase, CVM, through the News Release of January 14, 2008, has permitted companies not to apply the provisions of Law No. 11,638/07 in the preparation of the interim financial statements. Thus, the interim financial statements for the quarter ended March 31, 2008 have been prepared in conformity with specific instructions of the CVM and do not include the changes in accounting practices introduced by Law No. 11,638/07.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, April 18, 2008

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Altair Tadeu Rossato
Engagement Partner

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NATURA COSMÉTICOS S.A.

BALANCE SHEETS AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	03/2008	12/2007	03/2008	12/2007		03/2008	12/2007	03/2008	12/2007
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and banks	3,459	15,347	17,745	49,398	Loans and financing (Note 14)	3,982	120,785	155,136	284,707
Cash investments (Note 5)	184,328	90,224	439,096	355,994	Domestic suppliers	32,571	43,092	178,230	173,574
Trade accounts receivable (Note 6)	284,229	512,094	315,998	535,528	Foreign suppliers	586	148	2,516	2,076
Inventories (Note 7)	41,184	29,246	311,570	251,079	Suppliers - related parties (Note 10)	140,931	145,037	-	-
Recoverable taxes (Note 8)	8,467	2,022	60,826	49,368	Salaries, profit sharing and related charges	21,803	33,776	59,475	87,068
Advances to employees and suppliers	2,192	2,305	2,914	3,569	Taxes payable (Note 15)	58,430	85,141	121,377	118,511
Related parties (Note 10)	11,963	12,456	-	-	Dividends (Notes 10 and 17.b)	237,896	237,898	237,896	237,898
Deferred income and social contribution taxes (Note 9.a)	28,172	26,451	50,457	52,799	Accrued freight	17,063	17,231	17,785	18,044
Allowance for gains on swap and forward transactions (Notes 20.b and 20.d)	6,284	-	4,989	-	Other payables	24,739	19,456	26,811	21,436
Other receivables	14,164	11,606	43,332	25,513	Reserve for tax, civil and labor contingencies (Note 16)	14,421	-	14,421	13,420
Total current assets	<u>584,442</u>	<u>701,751</u>	<u>1,246,927</u>	<u>1,323,248</u>	Allowance for losses on swap and forward transactions (Notes 20.b and 20.d)	-	5,695	-	8,514
					Sundry accruals	124	835	177	888
NONCURRENT ASSETS					Total current liabilities	<u>552,546</u>	<u>709,094</u>	<u>813,824</u>	<u>966,136</u>
Long-term assets:					NONCURRENT LIABILITIES				
Advance for future capital increase (Notes 10.d and 10.e)					Loans and financing (Note 14)	126,626	116,847	266,277	259,992
Recoverable taxes (Note 8)	10	25	-	-	Allowance for losses on subsidiaries (Note 11)	441	10,060	-	-
Deferred income and social contribution taxes (Note 9.a)	7,942	2,370	27,346	22,284	Reserve for tax, civil and labor contingencies (Note 16)	33,926	33,270	47,415	51,021
Escrow deposits (Note 16)	17,142	16,647	35,496	34,318	Other payables	6,039	5,400	8,297	7,342
Advances to suppliers	25,521	35,119	29,235	38,603	Total noncurrent liabilities	<u>167,032</u>	<u>165,577</u>	<u>321,989</u>	<u>318,355</u>
Other receivables	570	783	3,902	4,530	MINORITY INTEREST	-	-	1	1
Permanent assets:					SHAREHOLDERS' EQUITY				
Investments (Note 11)			4,973	4,848	Capital (Note 17.a)	390,948	390,618	390,948	390,618
Property, plant and equipment (Note 12)	794,309	766,764	-	-	Capital reserves (Note 17.e)	122,310	124,471	122,310	124,471
Intangible assets (Note 12)	26,347	27,866	461,775	470,963	Profit reserves (Note 17.f)	248,690	170,318	243,292	165,235
Total noncurrent assets	<u>6,478</u>	<u>6,548</u>	<u>63,945</u>	<u>63,817</u>	Treasury shares (Note 17.c)	(18,765)	(2,205)	(18,765)	(2,205)
	878,319	856,122	626,672	639,363	Total shareholders' equity	743,183	683,202	737,785	678,119
TOTAL ASSETS	<u>1,462,761</u>	<u>1,557,873</u>	<u>1,873,599</u>	<u>1,962,611</u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,462,761</u>	<u>1,557,873</u>	<u>1,873,599</u>	<u>1,962,611</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NATURA COSMÉTICOS S.A.

STATEMENTS OF INCOME

FOR THE QUARTERS ENDED MARCH 31, 2008 AND 2007

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>03/2007</u>	<u>03/2008</u>	<u>03/2007</u>
GROSS SALES				
Gross sales to domestic market	856,732	804,462	872,926	811,844
Gross sales to foreign market	-	-	50,122	37,452
Other sales	-	-	280	269
	<u>856,732</u>	<u>804,462</u>	<u>923,328</u>	<u>849,565</u>
GROSS OPERATING REVENUES				
Taxes on sales, returns and rebates	(164,384)	(177,869)	(255,298)	(246,655)
	<u>692,348</u>	<u>626,593</u>	<u>668,030</u>	<u>602,910</u>
NET OPERATING REVENUES				
Cost of sales	(274,382)	(251,313)	(226,409)	(198,132)
	<u>417,966</u>	<u>375,280</u>	<u>441,621</u>	<u>404,778</u>
GROSS PROFIT				
OPERATING (EXPENSES) INCOME				
Selling	(190,797)	(178,492)	(238,553)	(212,740)
General and administrative	(116,427)	(107,884)	(92,009)	(87,987)
Employee profit sharing (Note 17)	-	-	-	-
Management compensation	(1,870)	(1,208)	(3,130)	(1,936)
Equity in subsidiaries (Note 11)	(7,445)	4,431	-	-
Other operating income (expenses), net	2,176	(2,865)	2,150	4,916
	<u>103,603</u>	<u>89,262</u>	<u>110,079</u>	<u>107,031</u>
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS				
Financial expenses (Note 21)	(15,854)	(1,858)	(23,005)	(7,348)
Financial income (Note 21)	14,337	3,737	22,884	8,719
	<u>102,086</u>	<u>91,141</u>	<u>109,958</u>	<u>108,402</u>
INCOME FROM OPERATIONS				
Nonoperating income, net	36	60	174	24
	<u>102,122</u>	<u>91,201</u>	<u>110,132</u>	<u>108,426</u>
INCOME BEFORE TAXES ON INCOME				
Income and social contribution taxes (Note 9.b)	(23,750)	(16,090)	(31,167)	(28,082)
	<u>78,372</u>	<u>75,111</u>	<u>78,965</u>	<u>80,344</u>
NET INCOME				
EARNINGS PER SHARE - R\$	<u>0.1831</u>	<u>0.1761</u>	<u>0.1845</u>	<u>0.1884</u>

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

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE QUARTER ENDED MARCH 31, 2008 AND YEAR ENDED DECEMBER 31, 2007
(In thousands of Brazilian reais - R\$)

	Capital	Capital reserves			Profit reserves		Retained earnings	Total
		Treasury shares	Share premium	Investment grants	Legal	Retention		
BALANCES AS OF DECEMBER 31,2006	233,862	(724)	120,770	14,587	18,650	263,830	-	650,975
Sale of treasury shares by exercise of stock options (Note 17.c)	-	21,220	(13,769)	-	-	-	-	7,451
Payment of receivables from shareholders	-	-	92	-	-	-	-	92
Capital increase through subscription of shares (Note 17.a)	2,817	-	-	-	-	-	-	2,817
Acquisition of treasure shares (Note 17.c)	-	(22,701)	-	-	-	-	-	(22,701)
The increase in capital by capitalization of profit reserve (Note 17.f)	153,939	-	-	-	-	(153,939)	-	-
Tax incentives	-	-	-	2,791	-	-	-	2,791
Net income	-	-	-	-	-	-	456,914	456,914
Allocation of net income:								
Dividends - R\$0.9222 per outstanding share (Note 17.b)	-	-	-	-	-	-	(375,890)	(375,890)
Interest on capital - R\$0.0915 per outstanding share (Note 17.b)	-	-	-	-	-	-	(39,247)	(39,247)
Profit retention reserve (Note 17.f)	-	-	-	-	-	41,777	(41,777)	-
BALANCES AS OF DECEMBER 31,2007	<u>390,618</u>	<u>(2,205)</u>	<u>107,093</u>	<u>17,378</u>	<u>18,650</u>	<u>151,668</u>	<u>-</u>	<u>683,202</u>
Sale of treasury shares by exercise of stock options (Note 17.c)	-	4,564	(3,077)	-	-	-	-	1,487
Capital increase through subscription of shares (Note 17.a)	330	-	-	-	-	-	-	330
Acquisition of treasure shares (Note 17.c)	-	(21,124)	-	-	-	-	-	(21,124)
Tax incentives	-	-	-	916	-	-	-	916
Net income	-	-	-	-	-	-	78,372	78,372
BALANCES AS OF MARCH 31,2008	<u>390,948</u>	<u>(18,765)</u>	<u>104,016</u>	<u>18,294</u>	<u>18,650</u>	<u>151,668</u>	<u>78,372</u>	<u>743,183</u>

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

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2008 AND 2007
(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	03/2008	03/2007	03/2008	03/2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	78,372	75,111	78,965	80,344
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortizations (Note 12)	2,668	2,509	21,401	17,372
Monetary and exchange variations, net, except those referring to tax, civil and labor contingencies	8,484	2,670	13,426	3,565
Reserve for losses on swap and forward contracts (Notes 20.b and 20.d)	(9,997)	245	(9,606)	1,094
Reserve for tax, civil and labor contingencies, including monetary variation on those reserves (Note 16)	945	1,329	3,194	2,620
Income tax, social contribution and other deferred taxes (Note 9.a)	2,688	1,924	1,786	5,583
Proceeds from sale and disposal of property, plant and equipment and intangible assets	72	96	654	704
Equity in subsidiaries (Note 11)	7,445	(4,431)	-	-
Other adjustments of income, including provisions in allowance for inventory losses	998	-	1,900	(1,662)
	<u>91,675</u>	<u>79,453</u>	<u>111,720</u>	<u>109,620</u>
(INCREASE) DECREASE IN ASSETS				
Current assets:				
Accounts receivable (Note 6)	227,865	78,936	219,530	76,638
Inventories (Note 7)	(12,936)	(9,595)	(62,391)	(49,476)
Other receivables	(6,959)	(5,349)	(17,858)	(12,824)
Noncurrent assets (long-term assets):				
Escrow deposits (Note 16)	18,924	(7,670)	18,818	(7,942)
Recoverable taxes (Note 8)	(5,572)	94	(5,062)	(192)
Other receivables	228	619	630	121
Subtotal	<u>221,550</u>	<u>57,035</u>	<u>153,667</u>	<u>6,325</u>
INCREASE (DECREASE) IN LIABILITIES				
Current liabilities:				
Suppliers	(14,364)	(37,984)	655	(45,530)
Salaries, profit sharing and related charges, net	(11,695)	(9,737)	(27,159)	(23,542)
Taxes payable, net (Notes 8 and 15)	(41,314)	1,417	(17,333)	7,252
Other payables	18,808	(5,606)	4,387	(5,979)
Noncurrent liabilities:				
Other payables	638	448	954	562
Subtotal	<u>(47,927)</u>	<u>(51,462)</u>	<u>(38,496)</u>	<u>(67,237)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>265,298</u>	<u>85,026</u>	<u>226,891</u>	<u>48,708</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment and intangible assets (Note 12)	(1,130)	(1,960)	(11,567)	(21,036)
Investments (Note 11)	(42,433)	(32,620)	-	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(43,563)</u>	<u>(34,580)</u>	<u>(11,567)</u>	<u>(21,036)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Decrease in loans (Note 14)	(156,151)	(22,010)	(217,328)	(30,435)
Fundings - loans (Note 14)	37,008	-	75,744	2,964
Payments of swap and forward transactions (Notes 20.b and 20.d)	(1,983)	(581)	(3,898)	(737)
Payment of dividends (Note 17.b)	(2)	(3)	(2)	(3)
Payment of interest on capital (Notes 17.c and 17.d)	-	-	-	-
Payment of capital (Note 17.a)	330	72	330	72
Acquisition of treasury shares	(21,124)	(22,701)	(21,124)	(22,701)
Tax incentives	916	695	916	695
Sale of treasury shares by exercise of stock options (Note 17.c)	1,487	(99)	1,487	(99)
Payment of receivables from shareholders	-	40	-	40
NET CASH USED IN FINANCING ACTIVITIES	<u>(139,519)</u>	<u>(44,587)</u>	<u>(163,875)</u>	<u>(50,204)</u>
NET INCREASE (DECREASE) IN CASH AND BANKS	<u>82,216</u>	<u>5,859</u>	<u>51,449</u>	<u>(22,532)</u>
Cash and banks at beginning of year	105,571	133,362	405,392	275,156
Cash and banks at end of year	187,787	139,221	456,841	252,624
NET INCREASE (DECREASE) IN CASH AND BANKS	<u>82,216</u>	<u>5,859</u>	<u>51,449</u>	<u>(22,532)</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Income and social contribution taxes paid	16,833	10,193	21,156	12,858
Payment of interest on loans and financing	626	877	4,368	3,438

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

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NATURA COSMÉTICOS S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2008

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

The Extraordinary Shareholders’ Meeting held on March 31, 2008 decided for the transfer to the Company of the negative net assets of 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 net assets of Nova Flora Participações Ltda., transferred into the Company, was R\$10,059 as of December 31, 2007, and are composed of the following:

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

In recording the adjustments resulting from the transfer of the negative net assets, accounts payable and accounts receivable between the merged company and the Company were eliminated, and the investments and the shareholders’ deficit were considered in accordance with Brazilian accounting practices.

On March 2008, the shareholders decided to approve two capital increases in 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. Accordingly, capital increased from R\$3,695 to R\$20,430.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared in accordance with the provisions of Brazilian Corporate Law, standards established by the Brazilian Securities Commission (CVM), and the following significant accounting practices:

a) Results of operations

Determined on the accrual basis of accounting.

b) Cash investments

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

c) Allowance for doubtful accounts

Recognized based on an analysis of risks on realization of receivables, in an amount considered sufficient to cover possible losses, as described in Note 6.

d) Inventories

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

e) Investments

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

f) Property, plant and equipment and intangible assets

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

g) Deferred charges

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

h) Current and noncurrent liabilities

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

i) Income and social contribution taxes

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

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

j) Loans and financing

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

k) Reserves for tax, civil and labor contingencies

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

l) Swap and forward contracts

The nominal values of swap and forward contracts are not recorded in the balance sheet. Unrealized gains or losses on these transactions are recorded on the accrual basis of accounting, as mentioned in Notes 20.b and 20.d.

m) Financial income and expenses

Represented by interest and monetary and exchange variations on cash investments, escrow deposits and loans and financing and swap and forward contracts as mentioned in Note 21.

n) Interest on capital

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

o) Earnings per share

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

p) Use of estimates

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

3. AMENDMENT TO BRAZILIAN CORPORATE LAW

On December 28, 2007, Law No. 11,638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and may be fully enforced by the end of year ending December 31, 2008, and was 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 Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, in conformity with such international accounting standards.

The changes in Brazilian Corporate Law are applicable to all companies incorporated as corporations, including public companies, and introduces a new requirement for large companies to prepare and report financial statements in accordance with provisions of the Brazilian Corporate Law.

As these changes have only been introduced recently and not all of them have specific accounting standards issued by regulatory agencies and the CVM, the Company's Management is using, for the purpose of disclosing the interim financial statements in accordance with the guidelines of the CVM, the option of disclosing only the effects of the changes applicable to the Company and its subsidiaries, summarized as follows:

- a) Replacement of the statement of changes in financial position by the statement of cash flows. This statement of cash flows is presented by the Company since December 31, 2004, as supplemental information (Appendix).
- b) Requirement for the presentation of a statement of value added, applicable to public companies, that presents the additional value created by the Company, as well as the composition of the sources of such value and the amount of undistributed value. This statement of value added is presented by the Company since December 31, 2004 as supplemental information to the annual financial statements.
- c) Possibility of maintaining separate accounting records for purposes of complying with tax legislation and reflecting necessary adjustments in order to prepare the financial statements in conformity with Brazilian Corporate Law. This practice has not yet been adopted by the Company and its subsidiaries due to the lack of specific accounting and tax standards issued by regulatory agencies. The Company and its subsidiaries shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, after the issue of the related accounting and tax standards.
- d) Creation of a new account group, intangible assets, for purposes of balance sheet presentation. This account encompasses rights in intangible assets maintained or used in the operation of the Company's business, including the acquired goodwill. This practice has already been adopted by the Company and its subsidiaries since December 31, 2006, as shown in Note 12.
- 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 business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the Company (e.g., capital leases). This practice has not yet been adopted by the Company and its subsidiaries due to the lack of specific accounting and tax standards issued by regulatory agencies. The Company and its subsidiaries shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, after the issue of the related accounting and tax standards.
- f) Requirement of periodic analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges to ensure that: (i) impairment losses are recorded as a result of decisions to discontinue activities related to such assets or when there is evidence that future operating results will not be sufficient to ensure their realization.

- g) Requirement that investments in financial instruments, including derivatives, be accounted for: (i) at fair value or equivalent value for trading securities or securities available for sale; or (ii) at the lower of historical cost, adjusted for contractual interest and other contractual provisions, and realizable value for other investments. The Company and its subsidiaries shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, after the issue of the related accounting and tax standards. Currently, the Company states the fair value of its financial instruments for reporting purposes only, as shown in Note 20.
- h) Creation of a new account group, valuation adjustments to shareholders' equity, in order to record certain fair value adjustments, mainly for financial instruments; foreign exchange rate variations on foreign investments accounted for under the equity method of accounting, and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control. The Company and its subsidiaries shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, together with the other changes. For the quarter ended March 31, 2008, the Company recognized an exchange gain of R\$2,176 arising from exchange variations on foreign investments accounted for under the equity method of accounting.
- i) Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities. The Company and its subsidiaries will evaluate the impacts of the changes introduced and possible effects will be recognized in 2008. This practice has not yet been adopted by the Company and its subsidiaries due to the partial lack of specific accounting standards issued by regulatory agencies. The Company and its subsidiaries shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, after the issue of the related accounting standards.
- j) Elimination of the possibility of recording government investment grants (including tax incentives) directly as capital reserves in shareholders' equity. Such items are now required to be recorded as part of earnings in the income statement. Donations and government grants may be required to be allocated, after being recorded in earnings, to the tax incentive reserve. This practice has not yet been adopted by the Company due to the lack of specific accounting standards issued by regulatory agencies. The Company shall apply these changes upon the preparation of the annual financial statements for the year ending December 31, 2008, after the issue of the related accounting standards. For the quarter ended March 31, 2008, the effect of investment grants was R\$916.

- k) Elimination of the materiality parameter in determining the applicability of the equity method of accounting for investments in affiliates and subsidiaries and replacement of the parameter of 20% of the capital of the investee by 20% of the outstanding voting capital of the investee. Not applicable to the Company and its subsidiaries as all investments are greater than those set forth by the new legislation, as stated in Note 11.

As of March 31, 2008, the changes that will affect the Company and its subsidiaries, which we were able to measure, are as follows:

	Effects charged (credited)	
	Net income	Shareholders' equity
Exchange variation on foreign investments (item h)	2,176	(2,176)
Investment grants - tax incentives (item j)	<u>(916)</u>	<u>916</u>
Total	<u>1,260</u>	<u>(1,260)</u>

4. CONSOLIDATION CRITERIA

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

	Ownership interest - %		
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2007</u>
Direct:			
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99	99.99
Natura Cosméticos S.A. - Chile	99.99	99.99	99.99
Natura Cosméticos S.A. - Peru	99.94	99.94	99.94
Natura Cosméticos S.A. - Argentina	99.94	99.94	99.91
Natura Brasil Cosmética Ltda. - Portugal	98.00	98.00	98.00
Nova Flora Participações Ltda.	-	99.99	99.99
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99	99.99
Natura Europa SAS	100.00	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	99.99
Natura Distribuidora de Mexico, S.A. de C.V.	99.99	99.99	-
Natura Cosméticos C.A. - Venezuela	99.99	99.99	99.99
Natura Cosméticos Ltda. - Colombia	99.99	99.99	99.99
Natura Cosmetics USA Co.	100.00	100.00	-
Flora Medicinal J. Monteiro da Silva Ltda.	100.00	-	-
Indirect:			
Natura Logística e Serviços Ltda.	99.99	99.99	99.99
Flora Medicinal J.Monteiro da Silva Ltda.	-	100.00	100.00
Ybios S.A. (proportional consolidation - joint control)	33.33	33.33	33.33
Natura Innovation et Technologie de Produits SAS - France	99.99	99.99	-

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 were proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

The shareholders' equity balances as of March 31, 2008 and December 31, 2007, reported by the Company, differ by R\$5,398 and R\$5,083, respectively, from those recorded in the consolidated financial statements due to the elimination of unrealized profits in the inventories of subsidiaries and the Company. For the same reason net income balances reported by the Company as of March 31, 2008 and 2007 differ by R\$593 and R\$5,233, 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. - Colômbia, Natura Europa SAS, Natura Cosmetics de Mexico, S.A. de C.V., e Natura Cosméticos C.A - Venezuela, whose 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. - Colômbia, Natura Cosmetics USA Co. (as of March 31, 2008 currently in the preoperating stage) and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.
- c) Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development and market research. It is the wholly owner of Natura Innovation et Technologie de Produits SAS, research and technology satellite center opened in 2007, in Paris, where researches are developed for in vitro tests, an alternative to tests in animals, for studies of asset security and effectiveness, skin care, and new packaging materials.
- d) Natura Europa SAS: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, and hygiene products.
- e) Natura Cosmetics de Mexico, S.A. de C.V.: imports and sells cosmetics, fragrances in general and hygiene products to Natura Distribuidora de Mexico, S.A de C.V..

- f) Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: provides 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) Flora Medicinal J. Monteiro da Silva Ltda.: used to be engaged in the sale of phytotherapeutic and phytocosmetic products of its own brand. Since 2005 this company has had no activities. On March 31, 2008, after the merger of Nova Flora Participações Ltda. became a direct subsidiary of Natura Cosméticos S.A.
- h) Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services to Natura Group companies based in Brazil.
- i) 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.
- j) Natura Innovation et Technologie de Produits SAS: engaged mainly in research activities developed for in vitro tests, an alternative to tests in animals, for safety and efficacy testing of active compounds, skin care, and new packaging materials.

5. CASH INVESTMENTS

	Company		Consolidated	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Bank certificates of deposit (CDBs)	183,403	89,316	430,998	348,004
Investment funds	<u>925</u>	<u>908</u>	<u>13,071</u>	<u>12,838</u>
	<u>184,328</u>	<u>90,224</u>	<u>444,069</u>	<u>360,842</u>
Current	184,328	90,224	439,096	355,994
Noncurrent (Note 16.g - Tax contingencies)	<u>-----</u>	<u>-----</u>	<u>4,973</u>	<u>4,848</u>

As of March 31, 2008, CDBs yield interest rates ranging from 100.0% to 102.0% of the interbank deposit rate (CDI) (100.0% to 102.0% as of December 31, 2007). In consolidated the share in the total investment portfolio, as of March 31, 2008 is 97.1% (96.4% as of December 31, 2007). Weighted-average yield of investment fund investments is 71.5% of the CDI as of March 31, 2008 (94.8% as of December 31, 2007).

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Trade accounts receivable	318,272	546,372	353,289	573,278
Allowance for doubtful accounts	<u>(34,043)</u>	<u>(34,278)</u>	<u>(37,291)</u>	<u>(37,750)</u>
	<u>284,229</u>	<u>512,094</u>	<u>315,998</u>	<u>535,528</u>

The changes in the allowance for doubtful accounts for the quarter ended March 31, 2008 are as follows:

Company				
<u>Balance at</u> <u>12/2007</u>	<u>Additions (*)</u>	<u>Reversals</u>	<u>Write-offs (**)</u>	<u>Balance at</u> <u>03/2008</u>
<u>(34,278)</u>	<u>(13,241)</u>	<u>275</u>	<u>13,201</u>	<u>(34,043)</u>
Consolidated				
<u>Balance at</u> <u>12/2007</u>	<u>Additions (*)</u>	<u>Reversals</u>	<u>Write-offs (**)</u>	<u>Balance at</u> <u>03/2008</u>
<u>(37,750)</u>	<u>(14,509)</u>	<u>499</u>	<u>14,469</u>	<u>(37,291)</u>

(*) Provision recognized according to Note 2.c.

(**) Refers to notes more than 180 days past due, written off due to nonreceipt.

7. INVENTORIES

	Company		Consolidated	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Finished products	38,617	27,713	242,435	198,890
Raw materials and packaging	26	-	63,443	52,850
Promotional material	3,954	2,677	31,758	21,257
Work in process	-	-	6,346	7,944
Allowance for losses	<u>(1,413)</u>	<u>(1,144)</u>	<u>(32,412)</u>	<u>(29,862)</u>
	<u>41,184</u>	<u>29,246</u>	<u>311,570</u>	<u>251,079</u>

The changes in the allowance for inventory losses for the quarter ended March 31, 2008 are as follows:

Company			
Balance at <u>12/2007</u>	Additions <u>net (*)</u>	<u>Write-offs (**)</u>	Balance at <u>03/2008</u>
(1,144)	(1,218)	<u>949</u>	(1,413)
Consolidated			
Balance at <u>12/2007</u>	Additions <u>net (*)</u>	<u>Write-offs (**)</u>	Balance at <u>03/2008</u>
(29,862)	(5,108)	<u>2,558</u>	(32,412)

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

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

8. RECOVERABLE TAXES

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
ICMS (state VAT) - tax substitution (ST) (a)	11,436	-	11,436	-
ICMS on purchases of goods	1,134	1,037	15,262	14,584
ICMS on purchases of fixed assets (b)	2,908	3,170	18,560	18,811
COFINS (tax on revenue) on fixed asset acquisitions (b)	-	-	17,288	16,193
PIS (tax on revenue) on fixed asset acquisitions (b)	-	-	3,753	3,516
Recoverable taxes - international transactions	-	-	16,900	14,418
PIS and COFINS on purchases of goods	931	185	1,323	576
PIS/COFINS/CSLL - withheld at source	-	-	1,222	1,568
IRRF (withholding income tax)	-	-	1,695	1,069
Other	-	-	<u>733</u>	<u>917</u>
	<u>16,409</u>	<u>4,392</u>	<u>88,172</u>	<u>71,652</u>
Current	8,467	2,022	60,826	49,368
Noncurrent	<u>7,942</u>	<u>2,370</u>	<u>27,346</u>	<u>22,284</u>

- a) Refers to the ICMS - ST (tax substitution system) credits granted by the State of Santa Catarina which were challenged in courts and were deposited in an escrow account until January 2008. In January 2008, the Company entered into an Agreement with the Santa Catarina State Government for the application of the 30% Value Added Margin (MVA) to calculate the ICMS-ST on sales made by the company in that State. As a result of this Agreement, R\$11,436 of the total amount deposited in escrow by December 2007 will be refunded by the Santa Catarina State Government to the Company in 24 monthly installments, monetarily adjusted as mentioned in Note 16.
- b) ICMS, PIS and COFINS credits on fixed asset acquisitions are offset at the rate of 1/48 per month, pursuant to rules established by prevailing legislation.

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Current:				
Temporary differences:				
Allowance for doubtful accounts (Note 6)	11,575	11,655	11,575	11,655
Allowance for inventory losses (Note 7)	480	389	10,028	9,382
Non-inclusion of ICMS in the PIS and COFINS basis (Note 15)	938	701	6,388	4,780
Reserves for tax, civil and labor contingencies (Note 16)	4,903	-	4,903	4,563
Effects of unrealized profits in the inventories of the Company (Note 4)	-	-	2,781	3,087
Allowance for losses on swap and forward contracts (Notes 20.b. and 20.d.)	-	1,936	440	2,895
Provision for ICMS - ST (Paraná and Santa Catarina) (Note 15)	2,896	1,931	2,896	1,931
Other provisions	<u>7,380</u>	<u>9,839</u>	<u>11,446</u>	<u>14,506</u>
Deferred income and social contribution taxes	<u>28,172</u>	<u>26,451</u>	<u>50,457</u>	<u>52,799</u>
Noncurrent:				
Temporary differences:				
Reserves for tax, civil and labor contingencies (Note 16)	15,720	15,398	33,581	32,858
Other provisions	<u>1,422</u>	<u>1,249</u>	<u>1,915</u>	<u>1,460</u>
Deferred income and social contribution taxes	<u>17,142</u>	<u>16,647</u>	<u>35,496</u>	<u>34,318</u>

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

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

	<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>
2008	-	11,005
2009	30,325	19,320
2010	5,171	3,690
2011 and 2012	<u>-</u>	<u>303</u>
	<u>35,496</u>	<u>34,318</u>

b) Current expense

Reconciliation of income and social contribution taxes

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>03/2007</u>	<u>03/2008</u>	<u>03/2007</u>
Income before taxes on income	102,122	91,201	110,132	108,426
Income and social contribution taxes at the rate of 34%	(34,721)	(31,008)	(37,445)	(36,865)
Reversal of provision for maintenance of dividend payment capacity (Note 13)	12,483	12,483	12,483	12,483
Technological research and innovation benefit - Law No. 11196/05 (*)	3,166	2,758	3,166	2,758
Tax incentives (donations)	29	254	85	254
Equity in subsidiaries and exchange variation on translation of foreign investments (Note 11)	(1,792)	690	-	-
Losses generated by subsidiaries	-	-	(6,966)	(4,395)
Others temporary differences	<u>(2,915)</u>	<u>(1,267)</u>	<u>(2,490)</u>	<u>(2,317)</u>
Income and social contribution taxes - net expenses	<u>(23,750)</u>	<u>(16,090)</u>	<u>(31,167)</u>	<u>(28,082)</u>
Income and social contribution taxes - current	(21,062)	(14,166)	(29,381)	(22,499)
Income and social contribution taxes - deferred	<u>(2,688)</u>	<u>(1,924)</u>	<u>(1,786)</u>	<u>(5,583)</u>
Effective rate - %	<u>23.3</u>	<u>17.6</u>	<u>28.3</u>	<u>25.9</u>

(*) Refers to the tax benefit established by Law No. 11196/05, which allows for the direct deduction in the calculation of taxable income and the social contribution tax basis from the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said Law.

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company		Consolidated	
	03/2008	12/2007	03/2008	12/2007
Current assets:				
Related parties:				
Natura Inovação e Tecnologia de Produtos Ltda. (a)	6,434	5,909	-	-
Natura Logística e Serviços Ltda. (b)	5,529	5,714	-	-
Nova Flora Participações Ltda. (c)	-	833	-	-
	<u>11,963</u>	<u>12,456</u>	<u>-</u>	<u>-</u>
Advance for future capital increase:				
Nova Flora Participações Ltda. (d)	-	25	-	-
Flora Medicinal J. Monteiro da Silva Ltda. (e)	10	-	-	-
	<u>10</u>	<u>25</u>	<u>-</u>	<u>-</u>
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. (f)	114,988	110,913	-	-
Natura Logística e Serviços Ltda. (g)	13,629	17,411	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (h)	12,314	16,713	-	-
	<u>140,931</u>	<u>145,037</u>	<u>-</u>	<u>-</u>
Dividends payable	237,896	237,898	237,896	237,898

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	03/2008	03/2007	03/2008	03/2007
Natura Cosméticos S.A.	-	-	355,754	306,827
Indústria e Comércio de Cosméticos Natura Ltda.	376,989	322,670	-	-
Natura Cosméticos S.A. - Argentina	-	-	7,261	5,090
Natura Cosméticos S.A. - Peru	-	-	6,226	4,637
Natura Cosméticos S.A. - Chile	-	-	3,391	3,212
Natura Cosméticos S.A. - Mexico	-	-	3,084	2,123
Natura Cosméticos C.A. - Venezuela	-	-	233	193
Natura Europa SAS	-	-	397	308
Natura Cosméticos Ltda. - Colombia	-	-	622	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	-	280
Natura Logística e Serviços Ltda	-	-	21	-
	<u>376,989</u>	<u>322,670</u>	<u>376,989</u>	<u>322,670</u>

	Product sales		Product purchases	
	03/2008	03/2007	03/2008	03/2007
Administrative structure: (i)				
Natura Logística e Serviços Ltda.	68,571	63,851	-	-
Natura Cosméticos S.A.	-	-	52,058	45,697
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	10,741	12,661
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	5,772	5,493
	<u>68,571</u>	<u>63,851</u>	<u>68,571</u>	<u>63,851</u>
Product and technology research and development: (j)				
Natura Inovação e Tecnologia de Produtos Ltda.	39,352	38,310	-	-
Natura Cosméticos S.A.	-	-	39,352	38,310
	<u>39,352</u>	<u>38,310</u>	<u>39,352</u>	<u>38,310</u>
Provision of research and in vitro testing services: (k)				
Natura Innovation et Technologie de Produits SAS	758	-	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	758	-
	<u>758</u>	<u>-</u>	<u>758</u>	<u>-</u>
Lease of properties and common charges: (l)				
Indústria e Comércio de Cosméticos Natura Ltda.	1,473	1,432	-	-
Natura Logística e Serviços Ltda.	-	-	854	830
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	343	333
Natura Cosméticos S.A.	-	-	276	269
	<u>1,473</u>	<u>1,432</u>	<u>1,473</u>	<u>1,432</u>
Total of service sales and purchases	<u>110,154</u>	<u>103,593</u>	<u>110,154</u>	<u>103,593</u>

- (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) As of December 31, 2007 referred to the receivable for the capital reduction made on January 30, 2004, approved at the shareholders' meeting held on the same date.
- (d) As of December 31, 2007 referred to remittances to Nova Flora Participações Ltda. mainly for purposes of working capital.
- (e) 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 referred to in Note 1.
- (f) Payables for the purchase of products.
- (g) Payables for services described in item (i).
- (h) Payables for services described in item (j).
- (i) Logistics and general administrative services.
- (j) Product and technology development and market research services.

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

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

The main intercompany balances as of March 31, 2008 and December 31, 2007, as well as the intercompany transactions that affected the results for the quarters ended as of March 31, 2008 and 2007, refer to transactions between the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

	Company		Consolidated	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Investments in subsidiaries	<u>794,309</u>	<u>766,764</u>	=	=
Others	<u>794,309</u>	<u>766,764</u>	=	=

Natura Cosméticos S.A.

Investments in direct subsidiaries are as follows:

	Indústria e Comércio de Cosméticos Natura Ltda.	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Nova Flora Participa ções 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 USA Co.	Natura Cosméticos Ltda. - Colômbia	Total
Capital	526,155	69,829	2,168	38,191	13,320	-	33,503	5,008	20,859	62,394	105	6,132	5,626	783,290
Ownership interest	99.99%	99.99%	99.94%	99.94%	99.99%	99.99%	100%	99.99%	100.00%	99.99%	98.00%	100.00%	99.99%	
Shareholders' equity of subsidiaries	700,804	9,305	1,697	15,554	2,372	-	(440)	24,925	14,039	21,393	(1)	1,476	2,758	793,881
Interest in shareholders' equity	700,803	9,304	1,696	15,545	2,372	-	(440)	24,925	14,039	21,392	(1)	1,476	2,758	793,868
Net income (loss) of subsidiaries, net of exchange variation on translation of foreign investments	8,480	(690)	397	(3,100)	(2,035)	-	(89)	4,991	(4,240)	(5,284)	-	(3,013)	(2,868)	(7,451)
Book value of Company's investment:														
Balances as of December 31, 2007	692,323	5,835	1,206	14,193	3,552	1		19,934	12,074	15,738	-	526	1,382	766,764
Equity in subsidiaries	8,480	(642)	376	(3,094)	(2,016)	(699)		4,991	(4,009)	(5,160)	-	(3,092)	(2,580)	(7,445)
Exchange variation and other adjustments on translation of foreign investments	-	745	114	(268)	58	-		-	788	359	-	132	248	2,176
Recognition of provision for losses	-	-	-	-	-	(10,059)		-	-	-	-	-	-	(10,059)
Merger adjustments	-	-	-	-	-	(5,978)		-	-	-	-	-	-	(5,978)
Capital increase	-	3,366	-	4,714	778	16,735		-	5,186	10,455	-	3,910	3,707	48,851
Balances as of March 31, 2008	<u>700,803</u>	<u>9,304</u>	<u>1,696</u>	<u>15,545</u>	<u>2,372</u>	<u>-</u>	<u>-</u>	<u>24,925</u>	<u>14,039</u>	<u>21,392</u>	<u>-</u>	<u>1,476</u>	<u>2,757</u>	<u>794,309</u>
Provision for losses:														
Balances as of December 31, 2007	-	-	-	-	-	(10,059)		-	-	-	(1)	-	-	(10,060)
Reversal of provision for losses	-	-	-	-	-	10,059		-	-	-	-	-	-	10,059
Merger adjustments - Nova Flora Participações Ltda.	-	-	-	-	-	-	(440)	-	-	-	-	-	-	(440)
Balances as of March 31, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(441)</u>
Net balances as of March 31, 2008	<u>700,803</u>	<u>9,304</u>	<u>1,696</u>	<u>15,545</u>	<u>2,372</u>	<u>-</u>	<u>(440)</u>	<u>24,925</u>	<u>14,039</u>	<u>21,392</u>	<u>(1)</u>	<u>1,476</u>	<u>2,757</u>	<u>793,868</u>

(*) Consolidated information on the following companies:

- Natura Cosméticos y Servicios de Mexico, S.A. de C.V.
- Natura Cosméticos de Mexico, S.A. de C.V.
- Natura Distribuidora de Mexico, S.A. de C.V.
- Innovation et Technologie de Produits SAS
- Natura Brasil SAS

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT	Annual depreciation rate - %	Company					
		03/2008			12/2007		
		Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Vehicles	20 to 33	22,982	11,066	11,916	22,716	9,493	13,223
Leasehold improvements	20 to 33	9,466	2,542	6,904	9,263	2,115	7,148
Machinery and equipment	10	4,457	785	3,672	4,136	677	3,459
Furniture and fixtures	10	4,049	1,963	2,086	4,011	1,889	2,122
IT equipment	20	5,064	3,346	1,718	5,064	3,190	1,874
Construction in progress	-	31	-	31	40	-	40
		<u>46,049</u>	<u>19,702</u>	<u>26,347</u>	<u>45,230</u>	<u>17,364</u>	<u>27,866</u>
INTANGIBLE ASSETS	Annual depreciation rate - %	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	20	<u>11,062</u>	<u>4,584</u>	<u>6,478</u>	<u>10,856</u>	<u>4,308</u>	<u>6,548</u>
		<u>11,062</u>	<u>4,584</u>	<u>6,478</u>	<u>10,856</u>	<u>4,308</u>	<u>6,548</u>
Consolidated							
PROPERTY, PLANT AND EQUIPMENT	Annual depreciation rate - %	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	10	229,807	79,594	150,213	221,679	74,967	146,712
Buildings	4	144,685	37,437	107,248	144,685	36,018	108,667
Installations	10 to 33	93,843	44,903	48,940	92,721	42,238	50,483
Lands	-	33,662	-	33,662	33,662	-	33,662
Molds	33	71,811	44,148	27,663	67,269	40,626	26,643
Vehicles	20 to 33	37,239	15,386	21,853	35,560	13,315	22,245
IT equipment	20	46,547	26,413	20,134	46,700	24,975	21,725
Advances to suppliers	-	11,761	-	11,761	21,263	-	21,263
Furniture and fixtures	10	23,710	8,693	15,017	23,187	8,115	15,072
Leasehold improvements	20 to 33	15,810	4,895	10,915	15,625	4,173	11,452
Construction in progress	-	11,149	-	11,149	9,824	-	9,824
Other	10	<u>6,316</u>	<u>3,096</u>	<u>3,220</u>	<u>6,066</u>	<u>2,851</u>	<u>3,215</u>
		<u>726,340</u>	<u>264,565</u>	<u>461,775</u>	<u>718,241</u>	<u>247,278</u>	<u>470,963</u>
INTANGIBLE ASSETS	Annual amortization rate - %	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	20	86,136	28,657	57,479	82,893	25,231	57,662
Business lease - Natura Europa (a)	-	5,736	-	5,736	5,420	-	5,420
Patents	10 to 25	<u>2,039</u>	<u>1,309</u>	<u>730</u>	<u>1,967</u>	<u>1,232</u>	<u>735</u>
		<u>93,911</u>	<u>29,966</u>	<u>63,945</u>	<u>90,280</u>	<u>26,463</u>	<u>63,817</u>

(a) The business lease generated on the purchase of a commercial location where Natura Europa SAS operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The balance variation between March 31, 2008 and December 31, 2007 is basically due to the effects of the exchange variation for the period.

13. DEFERRED CHARGES

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

The amounts are as follows:

	<u>Company</u>	
	<u>03/2008</u>	<u>12/2007</u>
Goodwill on investments	428,350	465,066
Provision for maintenance of future dividend payment capacity	<u>(428,350)</u>	<u>(465,066)</u>
	=====	=====

The provision for maintenance of future dividend payment capacity, as it is in the full amount, will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders. The goodwill amount is being amortized over a seven-year period, starting March 2004.

14. LOANS AND FINANCING

Type	Company		Consolidated		Maturity	Charges	Guarantees
	03/2008	12/2007	03/2008	12/2007			
BNDES - EXIM ⁽¹⁾	-	-	106,771	110,175	April 2008 and February 2009	Interest of 2.62% p.y. + TJLP ⁽²⁾ for 80% of the financing and interest of 10.23% p.y. + exchange variation (dollar) for 20% of the financing maturing in April 2008. Interest of 2.57% p.y. + TJLP ⁽²⁾ for 80% of the financing and interest of 9.76% p.y. + exchange variation (dollar) for 20% of the financing maturing in February 2009.	Guarantee of Natura Cosméticos S.A.
Buyer financing	-	118,482	-	137,677	January 2008	Interest of 102.8% of CDI ⁽³⁾	Guarantee of Natura Cosméticos S.A.
Resolution 2770 ⁽¹⁾	99,977	88,484	99,977	88,484	January 2010	Exchange variation (YEN) + 2.11% p.y.	Guarantee of Indústria e Comércio de Cosméticos Natura Ltda.
FINEP (Financing Agency for Studies and Projects)	-	-	55,334	51,915	December 2008 and March 2013	TJLP ⁽²⁾ for 71.5% of the financing maturing in March 2013 and interest of 3% p.y. + TJLP ⁽²⁾ for 28.5% of the financing maturing in December 2008.	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
Agribusiness Credit Note ⁽¹⁾	-	-	49,957	48,787	April and June 2009	Interest of 100.6% of CDI ⁽³⁾ + IOF ⁽⁴⁾ and TR ⁽⁵⁾ + 8.66% p.y. + IOF ⁽⁴⁾	Guarantee of Natura Cosméticos S.A.
BNDES (Brazilian Bank for Economic and Social Development) ⁽¹⁾	30,631	30,666	44,544	45,543	April 2010 and July 2014	Interest of 4.5% p.y. + TJLP ⁽²⁾ + UMBNDES ⁽⁶⁾ for the maturity in April 2010. For financing maturing in July 2014 : (i) TJLP ⁽²⁾ + interest of 2.8% p.y. for 85% of financing; (ii) exchange variation (dollar) + interest of 8.54% p.y. for 9% of financing; and (iii) TJLP ⁽²⁾ + interest of 2.3% p.y. for 6% of financing.	Mortgage ⁽⁷⁾ Bank guarantee
Export Credit Note (NCE)	-	-	42,443	41,190	April 2008	Interest of 104.7% of CDI ⁽³⁾	Promissory note and guarantee of Natura Cosméticos S.A.
BNDES - FINAME (Government Agency for Machinery and Equipment Financing)	-	-	15,279	14,246	January 2012	Interest of 4.5% p.y. + TJLP ⁽²⁾	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
Banco do Brasil (Brazilian Bank) - FAT Fomentar (Employee Shelter Fund).	-	-	6,490	6,682	February 2014	Interest of 4.4% p.y. + TJLP ⁽²⁾	Chattel mortgage, guarantee of Natura Cosméticos S.A. and promissory notes
FINEP - Grant	-	-	618	-	January 2011		Exports
Total	<u>130,608</u>	<u>237,632</u>	<u>421,413</u>	<u>544,699</u>			
Current	3,982	120,785	155,136	284,707			
Noncurrent	<u>126,626</u>	<u>116,847</u>	<u>266,277</u>	<u>259,992</u>			

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

Maturities of noncurrent debt are as follows:

	<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>
2009	89,172	100,831
2010	123,356	109,583
2011	20,745	18,541
2012	19,567	17,543
2013	9,728	9,754
2014	<u>3,709</u>	<u>3,740</u>
	<u>266,277</u>	<u>259,992</u>

15. TAXES PAYABLE

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
ICMS Company and tax substitution (c)	70,869	109,959	99,376	109,892
PIS/COFINS (Injunction) (a)	2,758	2,061	18,788	14,060
IRPJ	11,490	8,439	14,784	10,478
IRRF	4,238	3,794	4,825	4,534
PIS/COFINS/CSLL (Law No. 10.833/03)	3,727	3,863	9,001	7,335
COFINS	4,250	3,696	5,134	4,784
Taxes - Foreign Operations	(152)	119	1,477	4,458
IPI	-	-	5,697	5,313
ISS (tax on service)	-	-	104	2,285
PIS	155	214	761	983
Other	(33)	26	302	947
	<u>-</u>	<u>-</u>	<u>-</u>	<u>472</u>
	97,302	132,171	160,249	165,541
(-) Escrow deposits (b)	<u>(38,872)</u>	<u>(47,030)</u>	<u>(38,872)</u>	<u>(47,030)</u>
Total taxes payable, net of escrow deposits	<u>58,430</u>	<u>85,141</u>	<u>121,377</u>	<u>118,511</u>

- (a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the inclusion of ICMS in the tax basis of PIS and COFINS. 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 basis, starting April 2007. The reserve recognized in March 2008 refers to the unpaid amounts, adjusted based on the SELIC (Central Bank overnight rate), arising from not including ICMS in the PIS and COFINS tax basis from April 2007 to March 2008.
- (b) Refers to the ICMS tax substitution system in the State of Paraná, which is being challenged in court, as detailed in Note 16, item (a) “Contingent liabilities”. The same amount is recorded as tax payable under the caption “ICMS Company and tax substitution”.

The decrease recorded as of March 31, 2008 is due to the event mentioned in Notes 8 and 16.

- (c) The reduction recorded as of March 31, 2008 is basically related to the seasonal effects resulting from the increase of Christmas sales.

16. RESERVES FOR TAX, CIVIL AND LABOR CONTINGENCIES

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Tax	23,501	23,054	36,393	40,312
Civil	19,800	5,429	18,892	17,903
Labor	<u>5,046</u>	<u>4,787</u>	<u>6,551</u>	<u>6,226</u>
	<u>48,347</u>	<u>33,270</u>	<u>61,836</u>	<u>64,441</u>
Current	14,421	-	14,421	13,420
Noncurrent	<u>33,926</u>	<u>33,270</u>	<u>47,415</u>	<u>51,021</u>

- (a) The increase recorded as of March 31, 2008 (Company) is due to the merger of the company Nova Flora Participações Ltda., as referred to in this Note, item (b), under “Civil contingencies”.

Tax Contingencies

The changes in the reserves for tax contingencies are presented as follows:

	Company					03/2008
	12/2007	Additions	Reversals	Write-offs	Monetary restatement	
Deductibility of CSLL (social contribution tax) (Law No. 9.316/96) (c)	6,670	-	-	-	75	6,745
Late payment fines on Federal taxes paid in arrears (b)	6,065	-	-	-	173	6,238
Monetary restatement of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d)	5,001	-	-	-	9	5,010
IPI (Federal VAT) - tax collection lawsuit (g)	4,423	-	-	-	63	4,486
Tax assessment - INSS (social security contribution) (h)	3,862	-	-	-	56	3,918
Assessment notice - 1990 (corporate income tax) (j)	2,862	-	-	-	40	2,902
IRPJ and CSLL tax assessment - attorneys' fees (i)	2,860	-	-	-	13	2,873
Attorneys' fees and other	<u>6,607</u>	=	=	=	<u>248</u>	<u>6,855</u>
Total reserve for tax contingencies	38,350	-	-	-	677	39,027
Escrow deposits for tax contingencies	<u>(15,296)</u>	=	=	=	<u>(230)</u>	<u>(15,526)</u>
Total reserve for tax contingencies, net of escrow deposits	<u>23,054</u>	=	-	-	<u>447</u>	<u>23,501</u>
	Consolidated					
	12/2007	Additions	Reversals	Write-offs	Monetary restatement	03/2008
IPI - zero rate (a)	31,034	-	-	-	703	31,737
Late payment fines on Federal taxes paid in arrears (b)	7,207	-	-	-	194	7,401
Deductibility of CSLL (social contribution tax) (Law No. 9.316/96) (c)	6,670	-	-	-	75	6,745
Monetary restatement of Federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (d)	5,127	-	-	-	9	5,136
IPI tax assessment - attorneys' fees (e)	4,792	-	-	(4,792)	-	-
IPI (Federal VAT) credit on purchases of fixed assets and consumption material (f)	4,433	-	-	-	64	4,497
IPI (Federal VAT) - tax collection lawsuit (g)	4,423	-	-	-	63	4,486
Tax assessment - INSS (social security contribution) (h)	3,862	-	-	-	56	3,918
IRPJ and CSLL tax assessment - attorneys' fees (i)	2,866	-	-	-	13	2,879
Assessment notice - 1990 IRPJ (corporate income tax) (j)	2,862	-	-	-	40	2,902
Non-inclusion of the ICMS in the PIS and COFINS tax basis - attorneys' fees (k)	2,291	-	-	-	41	2,332
PIS (tax on revenue) - semiannual - Decree-laws No. 2.445/88 and No. 2.449/88 (l)	1,836	-	-	-	30	1,866
Attorneys' fees and other	<u>10,517</u>	=	=	=	<u>535</u>	<u>11,052</u>
Total reserve for tax contingencies	87,920	-	-	(4,792)	1,823	84,951
Escrow deposits for tax contingencies	<u>(47,608)</u>	=	=	=	<u>(950)</u>	<u>(48,558)</u>
Total reserve for tax contingencies, net of escrow deposits	<u>40,312</u>	=	=	<u>(4,792)</u>	<u>873</u>	<u>36,393</u>

- (a) Refers to IPI tax credits on raw materials and packing materials purchased at a zero tax rate and with tax exemption. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. filed for and obtained an injunction granting entitlement to the credit. On September 25, 2006, a sentence was rendered dismissing the injunction, judging the Company's request invalid. The Company filed an appeal for review of the merit and reestablishment of the injunction's effects. To suspend payments of the tax credit the Company performs escrow deposits in the amount in dispute in October 2006. The total amount deposited in escrow, adjusted as of March 31, 2008, is R\$31,737 (R\$31,034 as of December 31, 2007).

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- (b) Refers to fine for late payment of federal taxes.
- (c) Refers to CSLL (social contribution tax) that was addressed by a mandate that questions the constitutionality of Law No. 9.316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ (income tax) basis. A portion of this reserve, in the amount of R\$4,681 (R\$4,601 as of December 31, 2007), is deposited in escrow.
- (d) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR (fiscal reference unit), discussed in a mandate. The amount involved is deposited in escrow.
- (e) Refers to attorneys' fees for the defense in the tax assessment notices issued in November 2005 by the Federal Revenue Service against the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., relating to the tax basis of the IPI (federal VAT) on intercompany transactions. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. was notified of the decisions which rejected the mandatory appeal filed by the Federal Revenue Service and paid the attorneys' fees.
- (f) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through injunctions the right to the IPI (Federal VAT) credit on purchases of fixed assets and consumption materials.
- (g) Refers to a tax collection lawsuit seeking to collect the IPI (Federal VAT) related to July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law No. 7798/89. The lawsuit is in the Federal Regional Court of 3rd Region (SP) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are guaranteed by a subsidiary's (Natura Inovação e Tecnologia de Produtos Ltda.) cash investment in the updated amount of R\$4,973 (R\$4,848 as of December 31, 2007).
- (h) Refers to INSS (social security contribution) required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and are deposited in escrow. The amounts required in the tax assessment notice cover the period from January 1990 to October 1999. The reversal made in the quarter refers to the expiration of part of the amount involved in the lawsuit for the period from January 1990 to October 1994, as recently instructed by the Federal Supreme Court (STF) and Superior Court of Justice (STJ).
- (i) Refers to attorneys' fees for defense against the tax deficiency notices issued against the Company in August 2003, December 2006 and December 2007 by the Federal Revenue Service, in which income and social contribution taxes (IRPJ and CSLL) are demanded related to the deductibility of the yield of the debentures issued by the Company in 1999, 2001 and 2002. The attorneys' opinion is that the likelihood of unfavorable outcome is remote.
- (j) Refers to a tax assessment notice issued by the Federal Revenue Service requiring the payment of income tax on profit from incentive-based exports made in base year 1989, at the rate of 18% (Law No. 7988, of December 29, 1989) and not 3%, as established by article 1 of Decree-law No. 2413/88, which supported the Company in its tax payments at that time.
- (k) Refers to attorneys' fees for filing and dealing with the administrative proceeding for requesting a refund of the ICMS included in the PIS and COFINS basis in the period from April 2002 to March 2007. The attorneys assessed the risk of loss as remote.
- (l) Refers to the offset of PIS paid as per Decree-laws No. 2.445/88 and No. 2449/88, in the period from 1988 to 1995, against Federal taxes due in 2003 and 2004. The reversal made in 2007 in 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 appreciation of the lawsuit by the Board of Tax Appeals.

Civil contingencies

The changes in the reserves for civil contingencies for the year ended March 31, 2008 are presented as follows:

	Company					03/2008
	12/2007	Additions	Reversals	Payments	Monetary restatement	
Several civil lawsuits (a)	5,146	1,223	(1,474)	(68)	253	5,080
Civil lawsuits and attorney's fees - Nova Flora Participações Ltda. (b) and (c)	<u>485</u>	<u>14,421</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>14,923</u>
Total reserve for civil lawsuits	5,631	15,644	(1,474)	(68)	270	20,003
Escrow deposits for civil contingencies	<u>(202)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(203)</u>
Total reserve for civil contingencies, net of escrow deposits	<u>5,429</u>	<u>15,644</u>	<u>(1,474)</u>	<u>(68)</u>	<u>269</u>	<u>19,800</u>
Current	-					14,421
Noncurrent	<u>-</u>					<u>5,379</u>
	Consolidated					03/2008
	12/2007	Additions	Reversals	Payments	Monetary restatement	
Several civil lawsuits (a)	5,456	1,260	(195)	(182)	1,233	7,572
Civil lawsuits and attorney's fees - Nova Flora Participações Ltda. (b) and (c)	<u>15,649</u>	<u>14,421</u>	<u>(15,681)</u>	<u>-</u>	<u>261</u>	<u>14,650</u>
Total reserve for civil lawsuits	21,105	15,681	(15,876)	(182)	1,494	22,222
Escrow deposits for civil contingencies	<u>(3,202)</u>	<u>(86)</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(3,330)</u>
Total reserve for civil contingencies, net of escrow deposits	<u>17,903</u>	<u>15,595</u>	<u>(15,876)</u>	<u>(182)</u>	<u>1,452</u>	<u>18,892</u>
Current	13,420					14,421
Noncurrent	<u>4,483</u>					<u>4,471</u>

- (a) As of March 31, 2008, the Company and its subsidiaries are parties to 1,369 lawsuits (1,587 as of December 31, 2007), at the civil court, special civil court and PROCON (consumer protection agency), filed by beauty consultants, consumers, suppliers and former employees, mostly related to indemnity claims.
- (b) The Company is a party to civil lawsuits filed by a former shareholder of subsidiary Flora Medicinal, which seek the determination of any amounts and the satisfaction of alleged liabilities due to the former shareholder's withdrawal. In November 2007, the 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 subject to motions for clarification denied in January 2008, when the Company filed a special appeal.
- (c) As of March 31, 2008, after the merger of Nova Flora Participações Ltda., the Company started to be liable for the civil lawsuits of the former subsidiary, thus resulting in an increase in the Company's reserve in the quarter ended March 31, 2008.

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

- Lawsuit for arbitration of capital reimbursement: lawsuit in which the former shareholder alleges being entitled to receivables 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, by upholding the lower court decision, denied the former shareholder's claim. The amount involved cannot be reliably measured. The attorneys are of the opinion that the likelihood of 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 work started in March 2008. The lawsuit is in the District of São Paulo. The amount involved cannot be reliably measured. The attorneys are of the opinion that the likelihood of unfavorable outcome is remote.

- (d) payment allocation: refers to ICMS credits deposited by the former shareholder on account of the tax payment in installments agreed by Flora Medicinal. The judgment by the Superior Court of Justice of the bill of review filed by the former shareholder against the decision that the rejected his special appeal is awaited since September 2007. The Court of Justice of Rio de Janeiro overruled the lower court decision and denied the claim made by the former shareholder. The attorneys are of the opinion that the likelihood of unfavorable outcome is possible.

Labor contingencies

As of March 31, 2008, the Company and its subsidiaries are parties to 682 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 based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

The changes in the reserves for labor contingencies for the year ended March 31, 2008 are presented as follows:

	Company					03/2008
	<u>12/2007</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Monetary restatement</u>	
Total reserve for labor contingencies	5,604	-	(17)	(10)	342	5,919
Escrow deposits for labor contingencies	<u>(817)</u>	<u>(56)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(873)</u>
Total reserve for labor contingencies, net of escrow deposits	<u>4,787</u>	<u>(56)</u>	<u>(17)</u>	<u>(10)</u>	<u>342</u>	<u>5,046</u>
	Consolidated					03/2008
	<u>12/2007</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Monetary restatement</u>	
Total reserve for labor contingencies	7,323	-	(52)	(10)	446	7,707
Escrow deposits for labor contingencies	<u>(1,097)</u>	<u>(59)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,156)</u>
Total reserve for labor contingencies, net of escrow deposits	<u>6,226</u>	<u>(59)</u>	<u>(52)</u>	<u>(10)</u>	<u>446</u>	<u>6,551</u>

Escrow deposits

Escrow deposits, which represent the Company's restricted assets, refer to amounts deposited in court until litigation is resolved. The balance of escrow deposits for which there is no recognized reserve for contingencies, as of March 31, 2008, totals R\$29,235 - consolidated (R\$38,603 as of December 31, 2007) and is classified under the heading "Escrow deposits", in noncurrent assets.

Possible losses

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Tax:				
Declaratory Action - ICMS Tax Substitution of Paraná State (a)	10,791	10,715	10,791	10,715
Declaratory Action - ICMS Tax Substitution of Santa Catarina State (b)	-	9,965	-	9,965
Offset of 1/3 of COFINS - Law No. 9.718/98 (c)	4,521	4,466	4,521	4,466
INSS debt annulment action (d)	4,034	3,976	4,034	3,976
Tax assessment - transfer pricing on loan agreements with foreign related company (e)	1,064	1,047	1,064	1,047
Tax debt notification - GFIP (FGTS payment and social security information form) (f)	729	718	729	718
ICMS Tax Substitution deficiency notice (g)	622	593	622	593
Request for offset of taxes of the same type - IRPJ (income tax) and IRRF (withholding income tax) (h)	460	450	460	450
Other	<u>3,505</u>	<u>2,602</u>	<u>5,732</u>	<u>4,797</u>
	<u>25,726</u>	<u>34,532</u>	<u>27,953</u>	<u>36,727</u>
Civil	5,700	6,077	18,221	18,283
Labor	<u>33,099</u>	<u>30,927</u>	<u>49,087</u>	<u>46,115</u>
	<u>64,525</u>	<u>71,536</u>	<u>95,261</u>	<u>101,125</u>

- (a) Lawsuit filed by the Company challenging the changes in ICMS tax basis introduced by Paraná Decree No. 7018/2006. The amounts discussed in the lawsuit, related to the period from January 2007 to March 2008, are fully deposited in escrow.
- (b) On January 28, 2008, the Company entered into an agreement with the State of Santa Catarina for the discontinuance of the lawsuit that challenged the changes to the ICMS tax substitution basis introduced by DIAT (Tax Administration Department) Act No. 107/2006, under which the following agreed terms and conditions shall apply to transactions carried out by Natura's beauty consultants in Santa Catarina: (i) in the period January 1, 2007 to June 30, 2008, a 30% value-added margin is applied; (ii) starting July 2008, after the approval by the State of Santa Catarina Finance Authority, the actual margin determined by a study that is being prepared by Fundação Getulio Vargas-FGV will be applied; and (iii) ensure the increase in ICMS revenue by at least 5% in 2008.

As a result of the aforementioned agreement, the Company made a escrow deposit in the amount of R\$29,938 through December 2007, converted into State Government revenue, of which R\$11,436 will be refunded by the Santa Catarina State Government in 24 monthly installments, monetarily adjusted, by means of offset, against ICMS (state VAT) tax substitution amounts, maturing beginning April 2008.

- (c) Law No. 9718/98 increased the COFINS (tax on revenue) rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999 the Company and its subsidiaries filed for a mandate and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law No. 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries enrolled in the tax debt refinancing program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. On September 11, 2006 the Company was notified that the offsets made were not approved, and timely filed the applicable appeal.

This lawsuit is awaiting ruling at the lower administrative court.

- (d) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters. The amounts are discussed in the tax debt annulment action and are deposited in escrow. The amounts required in the assessment notice cover the period from January 1995 to October 1999.
- (e) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged.
- (f) Demand of fine for failure to complete the GFIP (FGTS payment and social security information form), an accessory social security obligation, for independent contractors' social security contributions and indemnities. The Company is discussing the collection at the administrative level.
- (g) Tax deficiency notice for ICMS Tax Substitution, demanded by Goiás State, due to supposed underpayment by the Company. The Company has presented its defense at the administrative level and is awaiting the final judgment.
- (h) Refers to the nonapproval of the offset of IRPJ credits related to the 4th quarter of 1999 against IRRF debts for the 2nd quarter of 2000. The Company has presented its defense at the administrative level, for which a partially favorable judgment has been rendered. On July 12, 2006, an annulment action was filed, and an escrow deposit was made, to challenge collection of the balance of offset not approved by the Federal Revenue Service.

Contingent Assets

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

- (a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the constitutionality and legality of the increase in the tax basis for the PIS and COFINS contributions established by Law No. 9718/98. The amounts involved in the lawsuits, updated as of March 31, 2008, total R\$18,347 (R\$18,111 as of December 31, 2007). The lawsuits are awaiting judgment. The attorneys' opinion is that the likelihood of favorable outcome is probable.
- (b) The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda., Natura Inovação e Tecnologia de Produtos Ltda. and Natura Logística e Serviços Ltda. are requesting at administrative level the refund of the ICMS included in the PIS and COFINS basis and paid in the period from April 2002 to March 2007. The amounts of the refund request as of March 31, 2008 are R\$105,398. The attorneys believe that the chance of a favorable outcome is probable.

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

17. 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. Accordingly, the capital is currently R\$390,948, and subscribed and paid-up common shares went from 428,929,051 as of December 31, 2007 to 429,029,051 as of March 31, 2008. Authorized capital went from 12,381,074 common shares as of December 31, 2007 to 12,481,074 as of March 31, 2008.

b) Dividend payment policy

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

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

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

Dividends and interest on capital - gross, relating to income for 2007, in the amounts of R\$375,890 (R\$0.8766 per share) and R\$39,247 (R\$0.0915 per share), respectively, were approved by Annual Shareholders' Meeting on March 31, 2008 and corresponded to 91.0% of the 2007 consolidated net income. Of those amounts, the Company paid on August 10, 2007 dividends and interest on capital - gross in the amounts of R\$138,138 (R\$0.3222 per share) and R\$39,247 (R\$0.0915 per share), respectively, as approved at the Board of Directors' meeting held on July 25, 2007.

c) Treasury shares

As of March 31, 2008, common shares in treasury, which have been used in the exercise of options in the Stock Option Programs for purchase or subscription of shares, totaled 1,069,695 (161,303 as of December 31, 2007), at a unit average cost of R\$17.5426 (R\$13.6705 as of December 31, 2007). The increase in the average cost of common shares in treasury in relation to December 31, 2007 is due to the acquisition of 1,170,000 common shares, at the average price of R\$18.0553, as approved at the Company's Board of Directors meeting held on February 27, 2008.

d) Share premium

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

e) Profit reserve - legal

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

f) Reserve for profit retention

As of December 31, 2007 the profit retention reserve was recognized pursuant to article 196 of Law No. 6404/76 for use in future investments, in the amount of R\$41,777. The retention referring to 2007 is based on the capital budget, which will be submitted for approval in the Annual Shareholders' Meeting to be held on March 31, 2008.

As mentioned in article 199 of Law No. 6404/76, the balance of profit reserves, except for the reserve for contingencies and unrealized profit reserve, may not exceed capital. Therefore, at the Extraordinary Shareholders' Meeting held on April 2, 2007, the capitalization in the amount of R\$153,939, referring to the profit reserves recognized in the years ended December 31, 2004 and 2005, which were fully utilized for investments in property, plant and equipment and working capital, in 2005 and 2006, was approved.

18. STOCK OPTION PROGRAM

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

Stock options have a vesting period of 4 years, with 50% at the end of the 3rd year and 50% at the end of the 4th year, and also a maximum period of 2 years for the exercise of the options after the end of the 4th year of the vesting period.

The balance of options as of March 31, 2008 is 5,079,563 and is composed by plan as follows:

	Number of call options or subscription (in shares)	Amount for the year updated according to the IPC-A (extended consumer price index) through March 31, 2008
2003	894,142	3.31
2004	1,117,810	8.15
2005	831,670	17.48
2006	976,010	26.05
2007	<u>1,259,931</u>	24.64
	<u>5,079,563</u>	

As of March 31, 2008, had the Company's management opted to record the effects of the plans based on the intrinsic value of the options (difference between market price as of March 31, 2008 and the value updated based on the IPC-A) recorded over their related vesting period, the pro forma consolidated net income for the year ended March 31, 2008 would have been:

Net income (Consolidated)	78,965
Effect of programs considering vesting period	<u>(9,108)</u>
Net income - considering the exercise of the options	<u>69,857</u>

As of March 31, 2008, the market price of the Company's shares was R\$17.90.

19. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution plan for all employees of the Company and its subsidiaries in Brazil. According to the terms of this plan, the cost is shared between the employer and the employees, so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions for the quarter ended March 31, 2008 totaled R\$987 (R\$893 as of March 31, 2007).

20. FINANCIAL INSTRUMENTS

a) General conditions

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

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

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

b) Exchange risk

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

<u>Type of transaction</u>	Consolidated			
	<u>Contracted</u>		<u>Balance</u>	
	<u>amount</u>		<u>Assets</u>	<u>Liabilities</u>
	<u>03/2008</u>	<u>12/2007</u>	<u>03/2008</u>	<u>12/2007</u>
Finance (a)	131,833	133,452	2,303	8,210
Operating (b)	<u>67,439</u>	<u>46,682</u>	<u>2,686</u>	<u>304</u>
	<u>199,272</u>	<u>180,134</u>	<u>4,989</u>	<u>8,514</u>

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

(b) Operating activities refer to import of equipment, purchase of inputs linked to exchange variation, and investments in international operations.

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

c) Interest rate risk

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

d) Fair values

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

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

	Consolidated			
	03/2008		12/2007	
	Carrying value	Fair value	Carrying value	Fair value
Gains (Losses) Swap and forward transactions	<u>4,989</u>	<u>5,004</u>	<u>(8,514)</u>	<u>(6,351)</u>

At the balance sheet dates the Company and its subsidiaries consult the financial market and update the fair value of financial instruments.

e) Credit risk

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

21. FINANCIAL INCOME, NET

	Company		Consolidated	
	03/2008	03/2007	03/2008	03/2007
Financial income:				
Interest on cash investments	2,430	2,815	9,789	6,199
Gains on monetary and exchange variations	171	526	505	2,008
Gains on swap and forward transactions	9,996	298	9,996	311
Other financial income	<u>1,740</u>	<u>98</u>	<u>2,594</u>	<u>201</u>
	<u>14,337</u>	<u>3,737</u>	<u>22,884</u>	<u>8,719</u>
Financial expenses:				
Losses on swap and forward transactions	-	(543)	(390)	(1,405)
Interest on financing	(2,673)	(801)	(9,164)	(4,486)
Losses on monetary and exchange variations	(11,181)	(1)	(11,428)	(673)
Other financial expenses	<u>(2,000)</u>	<u>(513)</u>	<u>(2,023)</u>	<u>(784)</u>
	<u>(15,854)</u>	<u>(1,858)</u>	<u>(23,005)</u>	<u>(7,348)</u>
Total financial income, net	<u>(1,517)</u>	<u>1,879</u>	<u>(121)</u>	<u>1,371</u>

22. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by management to be sufficient, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of March 31, 2008, the insurance coverage was as follows:

<u>Items</u>	<u>Coverage</u>	<u>Insured amount</u>
Industrial complex/inventories	Any material damages to buildings, installations and machinery and equipment	739,379
Vehicles	Fire, theft and collision for 1.425 vehicles	47,843
Loss of profits	Nonrealization of profits arising from material damages to installations, buildings and production machinery and equipment	815,705
