
natura
bem estar bem

**São Paulo, Brazil, July 23, 2008** – Natura Cosméticos S.A. (São Paulo Stock Exchange – Bovespa: NATU3) announces today its results for the second quarter 2008 (2Q08). The financial and operating information included in this report, except where otherwise indicated, is presented on a **consolidated basis**, according to Brazilian Corporate Law.

The report is divided into four sections: (i) overview and summary of operations; (ii) Brazilian operation pro-forma; (iii) international operations pro-forma; and (iv) consolidated results. The profit margin earned in Brazil's exports to international operations was deducted from the COGS of respective operations, showing the actual impact of these subsidiaries[1] on Natura's consolidated results. Thus, in the pro-forma Statement of Income for Brazil only shows the results of sales made in the domestic market.

## > OVERVIEW

BRAZILIAN OPERATION

Natura's three-year action plan for 2008-2010 is focused on accelerated growth, and starts from an additional investment of R$400 million in marketing and the sales model. This investment will be funded in its entirety by operating efficiency gains. The plan foresees a focus on the innovation process and portfolio management. For the period, the Company has established a minimum target of 23.0% for the consolidated EBITDA margin for each year.

The announced plan has already been in force over the first six months of the year, producing the following results: additional funds are being allocated to increasing the main marketing tools and improvement in the sales model. Innovation has presented important launches, and target productivity gains have already shown the first results.

- Additional marketing expenditures in the first half of 2008 increased R$26.0 million. We also altered our investment mix with the allocation of an additional R$33.0 million in advertisement, product experimentation, events with consultants, and a simultaneous

[1] This adjustment is made fully, since Natura Cosméticos S.A. holds a 100% stake in these subsidiaries.

reduction in discounts. In the same period, the number of trained consultants increased 106% over the same period of the previous year.

- The process of rolling out the CNO (*Consultora Natura Orientadora*) model has been started. In addition to the Center West pilot region, the sales force in the interior of São Paulo region and in the Northeast has already been enabled for operating under this new model. Our plan foresees that by the end of 2008, more than 50% of the total number of CNOs will be performing their role. This process will be concluded in the middle of 2009. We maintained our plans of opening five new *Casas Natura* and two new distribution centers in the second half of 2008.

- Our portfolio currently consists of 879 SKUs[2], representing a reduction of 51 products since the beginning of the year. Our target for the end of this year is to reach a portfolio with 780 SKUs.

- Additional marketing expenditures in the first semester were offset by productivity gains totaling R$39.0 million. These savings resulted from a first cost reduction trend on our sales catalogues, gains in manufacturing costs, a more efficient management of the product loss prevention process, and an increase in the share of orders made via the Internet. This scenario of greater investments funded by productivity gains resulted in the maintenance of our EBITDA margin in the quarter as compared to last year, excluding non-recurrent effects.

- This quarter was also marked by important launches, such as the collagen-based *Natura Chronos Politensor de Soja*, whose main function is to promote the skin's firmness, resistance, and elasticity. This launch represented the greatest single-cycle sales for a skincare product in Natura's history. Another important launch was the *Ekos Cacau* line, with sales of 1.1 million items in the launch cycle. Our innovation index reached 65.2%, returning to levels seen in 2006.

Gross revenues for the Brazilian operation in 2Q08 recorded a 9.1% growth, while net revenues grew 12.1%. The EBITDA margin in Brazil was 32.0% in 2Q08, versus 28.6% in 2Q07. Excluding non-recurring effects from the two quarters, we can observe virtually identical EBITDA margins, around 28.5%.

[2] Stock Keeping Unit

## INTERNATIONAL OPERATIONS

International operations posted gross revenues of R$62.4 million in 2Q08, a year-on-year weighted growth of 54.6% in local currency (38.1% in Brazilian reais), accounting for 5.4% of consolidated gross revenues, versus 4.2% in the previous year. The highlight in the quarter was the number of consultants, which exceeded 100 thousand.

EBITDA from international operations totaled negative R$16.0 million in 2Q08, versus negative R$10.4 million in the same period of the previous year. This increase in investments was driven by the results in the French operation and by implementation studies for the operation in the United States. In Latin American operations, the negative results[3] remained at the same levels: R$7.3 million in 2Q08 versus R$7.8 million in 2Q07, representing an improvement in the EBITDA margin from -22.4% to -15.0% in the same periods.

## CONSOLIDATED RESULTS

Consolidated gross revenues amounted to R$1,199.1 million in 2Q08, a year-on-year growth of 10.3%.

The consolidated EBTIDA margin was 27.3% in 2Q08, versus 25.6% in 2Q07. Excluding non-recurring effects from the two quarters, we can observe EBITDA margins of 23.8% and 25.6%, respectively, due to the greater participation of international operations. We reaffirm our consolidated EBITDA margin guidance of at least 23.0% for each year in the three-year period of 2008-2010.

The consolidated number of consultants reached 761.9 thousand at the end of 1Q08, up 13.3% year-on-year.

# > COSMETICS, FRAGRANCES, AND PERSONAL HYGIENE SECTOR IN BRAZIL

According to data by the Brazilian Personal Hygiene and Cosmetics Industry Association (Sipatesp/Abihpec), the growth of the target market[3] for cosmetics, fragrances, and personal hygiene products in Brazil came to 12.0% in the first four months of 2008 compared to the same period in 2007. Discounting the period’s IPCA[4], actual growth stood at 6.7%.

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[3] Operating result represented by EBITDA

[4] IPCA of 5.04% in the 12 months ended on 06/30/2008

The table below shows the breakdown of the target market in two segments—cosmetics & fragrances; and personal hygiene—as well as Natura's market share in these segments. The Company posted a market share reduction in the target market of 80 basis points in this period, going from 22.8% in 4M07 to 22.0% in 4M08.

**> CF&T Core Market Net Revenues Breakdown and Natura's Market Share in Brazil**

| | Core Market (R$ million) | | | Natura's Market Share (%) | | |
|---|---|---|---|---|---|---|
| | **4M08** | **4M07** | **Growth %** | **4M08** | **4M07** | **Change pp** |
| Cosmetics and Fragrances | 1,736.1 | 1,498.4 | 15.9% | 35.7% | 39.5% | (3.8) |
| Personal Hygiene | 2,320.3 | 2,122.1 | 9.3% | 11.7% | 11.0% | 0.8 |
| **Total** | **4,056.4** | **3,620.5** | **12.0%** | **22.0%** | **22.8%** | **(0.8)** |

*Source: SIPATESP*

# > BRAZILIAN OPERATION – Pro-Forma Statement of Income

**> Financial Highlights - Brazil** (R$ million)

| | **2Q08** | **2Q07** | **Change %** | **1S08** | **1S07** | **Change %** |
|---|---|---|---|---|---|---|
| Total Consultants -end of period* (in thousand) | 660.3 | 602.1 | 9.7 | 660.3 | 602.1 | 9.7 |
| Unit sold – items for resale (in million) | 69.5 | 64.1 | 8.4 | 131.6 | 120.7 | 9.0 |
| Gross Revenues | 1,136.8 | 1,042.3 | 9.1 | 2,011.6 | 1,855.1 | 8.4 |
| Net Revenues | 833.8 | 743.5 | 12.1 | 1,463.6 | 1,317.7 | 11.1 |
| COGS | 247.9 | 229.5 | 8.0 | 460.1 | 418.9 | 9.8 |
| Gross Profit | 585.9 | 514.0 | 14.0 | 1,003.5 | 898.9 | 11.6 |
| *Gross Margin (%)* | *70.3%* | *69.1%* | - | *68.6%* | *68.2%* | - |
| Sales Expenses | 270.8 | 221.3 | 22.3 | 479.9 | 414.4 | 15.8 |
| Administrative Expenses | 97.2 | 93.7 | 3.7 | 177.8 | 172.1 | 3.3 |
| Others (Income) / Expenses, net | 30.9 | 0.5 | - | 30.9 | 7.8 | - |
| Financial Income, net | (13.0) | (6.9) | 87.2 | (14.2) | (5.6) | 153.6 |
| Operating Profit | 232.6 | 189.5 | 22.8 | 356.1 | 309.5 | 15.0 |
| Net Income | 176.4 | 145.2 | 21.5 | 270.7 | 238.8 | 13.3 |
| EBITDA | 267.1 | 212.9 | 25.5 | 412.5 | 348.4 | 18.4 |
| *EBITDA Margin (%)* | 32.0% | 28.6% | - | 28.2% | 26.4% | - |

(*) Number of consultants by the end of the cycle 9 of sales

**Gross revenues from the Brazilian operation** totaled R$1,136.8 million in 2Q08 versus R$1,042.3 million in 2Q07: a growth of 9.1%. Net revenues posted a 12.1% growth. The biggest growth in net revenues reflects the change in the sales mix, the reduction in tax expenses due to decentralized distribution, and changes to the tax replacement mechanisms in several states.

Year-to-date, **gross revenues from the Brazilian operation**—at R$2,011.6 million—posted an 8.4% growth over the same period in 2007. Net revenues, posted an increase of 11.1%.

The **Cost of Goods Sold** (COGS) decreased from 30.9% of net revenues in 2Q07 to 29.7% in 2Q08. The gross margin increase resulted mainly from: (i) a reduction in manufacturing costs (materials and expenses); (ii) a rationalization of the product loss prevention process; and (iii) a lower incidence of promotions. Part of this gain was offset by the repositioning of prices in some product lines.

Year-to-date, COGS also posted a reduction, dropping from 31.8% in 1S07 to 31.1% in 1S08. This gross margin increase is mainly the result of the same factors mentioned above.

**Sales expenses** increased from 29.8% of net revenues in 2Q07 to 32.5% in 2Q08 as a result of our program for greater investment in marketing, as reported at the start of the year. Part of this increase was offset by efficiency gains in customer service.

Year-to-date, **sales expenses**, expressed as a percentage of net revenues, also posted an increase of 140 basis points, going from 31.4% in 1S07 to 32.8% in 1S08 due to the same factors mentioned above.

**Administrative expenses** presented a reduction of 90 basis points, going from 12.6% in 2Q07 to 11.7% in 2Q08. The main causes behind this reduction are our overhead freezing program and the end of the CPMF tax. These effects have been partially offset by a higher provision for profit sharing for 2008.

Year-to-date, **administrative expenses** also posted a reduction, going from 13.1% in 1S07 to 12.1% in 1S08 as a percentage of net revenues, due to the same abovementioned factors.

**Other operating revenues and expenses** from 2Q08 were influenced by a gain of R$30.9 million referring to past Pis and Cofins credits over the Company’s freight expenses.

EBITDA from the Brazilian operation stood at R$267.1 million in 2Q08, versus R$212.9 million in 2Q07: an increase of 25.5%. The EBITDA margin increased from 28.6% in 2Q07 to 32.0% in 2Q08. Not accounting for non-recurring effects in the two quarters, we can observe virtually identical EBITDA margins, at 28.5%.

In 1S08, **EBITDA** from the Brazilian operation totaled R$412.5 million, an 18.4% growth over the same period of the previous year, while the EBITDA margin increased from 26.4% in 1S07 to 28.2% in 1S08.

At the end of 2Q08, we counted on 660.3 thousand consultants, a year-on-year increase of 9.7%. Meanwhile, the average productivity per active consultant in the quarter decreased 2.7%, from R$3,150 in 2Q07 to R$3,060 in 2Q08. Year-to-date, average productivity per active consultant went from R$6.0 thousand in 1S07 to R$5.8 thousand in 1S08: a reduction of 3.0%.

## > INTERNATIONAL OPERATIONS

As of 1Q08, we have begun presenting pro-forma results from international operations with a breakdown of results between LATAM[5] operations and other markets. Within the LATAM operation, we highlight two blocs of operation: one block, under consolidation (Argentina, Chile, and Peru) and another, under implementation (Mexico, Colombia, and Venezuela).

The number of consultants in international operations reached 101,700 at the end of 2Q08, up 38.2% versus 2Q07, reinforcing the strength of Natura’s brand outside Brazil.

Investments in international operations, represented by the negative **EBITDA**, totaled R$16.0 million in 2Q08 versus R$10.4 million in 2Q07. Year-to-date, this investment totaled R$32.5 million in 1S08 versus R$18.8 million in 1S07.

For 2008, expenses[6] with international expansion in Latin America, France, and the United States remain estimated at R$97.0 million.

[5] LATAM: Latin American operations, excluding Brazil
[6] Expenses represented by EBITDA

## >> LATIN AMERICA (LATAM)[7] - Pro-Forma Statements of Income

**> Financial Highlights - LATAM** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Total Consultants - end of period* (in thousand) | 101.3 | 70.4 | 43.9 | 101.3 | 70.4 | 43.9 |
| Unit sold – items for resale (in million) | 5.5 | 3.5 | 54.3 | 10.9 | 7.1 | 53.5 |
| Gross Revenues | 61.2 | 44.3 | 38.1 | 109.0 | 80.5 | 35.3 |
| Net Revenues | 48.4 | 34.8 | 38.9 | 85.9 | 63.0 | 36.3 |
| COGS | 18.7 | 12.8 | 46.2 | 32.7 | 21.4 | 52.8 |
| Gross Profit | 29.7 | 22.1 | 34.7 | 53.2 | 41.6 | 27.8 |
| *Gross Margin (%)* | *61.4%* | *63.4%* | - | *61.9%* | *66.0%* | - |
| Sales Expenses | 32.6 | 24.8 | 31.5 | 58.5 | 43.6 | 34.2 |
| Administrative Expenses | 7.4 | 6.1 | 20.6 | 14.8 | 12.1 | 22.0 |
| Others (Income) / Expenses, net | 2.4 | 0.6 | - | 2.1 | 0.8 | - |
| Financial Income, net | (1.8) | (0.0) | - | (0.7) | 0.0 | - |
| Operating Profit | (9.7) | (8.3) | 16.0 | (18.7) | (13.3) | 40.6 |
| Net Income | (10.8) | (9.5) | 13.1 | (21.6) | (16.1) | 33.8 |
| EBITDA | (7.3) | (7.8) | -6.7 | (16.9) | (12.5) | 35.0 |
| *EBITDA Margin (%)* | -15.0% | -22.4% | - | -19.6% | -19.8% | - |

(*) Number of consultants by the end of the cycle 8 of sales

Latin American operations posted a weighted growth of 54.7% in gross revenues in local currency (38.1% in Brazilian reais). It is worth pointing out that the greatest amount of gross profits from these operations was allocated toward marketing and channel growth operations, maintaining EBITDA at the same levels as in 2Q07.

Year-to-date, the weighted growth of gross revenues amounts to 53.3% in local currency (31.6% in Brazilian reais). EBITDA stood at negative R$16.9 million in 2Q08, versus negative R$12.5 million in 2Q07.

The number of consultants in LATAM reached 101.3 thousand at the end of 2Q08, representing a growth of 38.2% over 2Q07.

[7] LATAM: Latin America excluding Brazil

**> Financial Highlights - Operations under Consolidation (Argentina, Chile and Peru)** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Total Consultants - end of period* (in thousand) | 77.3 | 59.9 | 29.0 | 77.3 | 59.9 | 29.0 |
| Unit sold – items for resale (in million) | 4.3 | 3.1 | 37.7 | 8.8 | 6.4 | 36.2 |
| Gross Revenues | 49.5 | 38.6 | 28.2 | 88.6 | 71.2 | 24.4 |
| Net Revenues | 38.2 | 29.8 | 28.0 | 68.2 | 54.9 | 24.2 |
| COGS | 14.2 | 10.9 | 30.3 | 25.1 | 18.6 | 35.0 |
| Gross Profit | 23.9 | 18.9 | 26.7 | 43.1 | 36.3 | 18.7 |
| *Gross Margin (%)* | *62.7%* | *63.4%* | - | *63.2%* | *66.2%* | - |
| Sales Expenses | 20.7 | 15.9 | 29.9 | 36.4 | 29.2 | 24.8 |
| Administrative Expenses | 4.3 | 3.5 | 23.5 | 8.6 | 7.6 | 12.9 |
| Others (Income) / Expenses, net | 0.7 | 0.2 | - | 0.7 | 0.3 | - |
| Financial Income, net | (1.6) | (0.1) | - | (0.5) | (0.1) | - |
| Operating Profit | (2.0) | (0.4) | 372.0 | (1.8) | (0.3) | 422.0 |
| Net Income | (2.7) | (1.4) | 92.1 | (3.8) | (2.6) | 42.3 |
| EBITDA | (0.0) | (0.0) | -37.3 | (0.4) | 0.3 | -252.7 |
| *EBITDA Margin (%)* | -0.1% | -0.1% | - | -0.7% | 0.5% | - |

(*) Number of consultants by the end of the cycle 8 of sales

Gross revenues from operations under consolidation (Argentina, Chile, and Peru) stood at R$49.5 million in 2Q08, posting a weighted growth of 43.0% in local currency (28.2% in Brazilian reais) versus 2Q07. Year-to-date, these operations posted gross revenues of R$88.6 million, representing a weighted growth of 40.2% in local currency (24.4% in Brazilian reais) compared to the previous year.

The total number of consultants in these operations reached 77.3 thousand at the end of the quarter, a substantial year-on-year growth of 29.0%.

**>> Financial Highlights - Operations under Implementation (Mexico, Venezuela and Colombia)** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Total Consultants - end of period* (in thousand) | 24.0 | 10.5 | 128.8 | 24.0 | 10.5 | 128.8 |
| Unit sold – items for resale (in million) | 1.2 | 0.4 | 181.6 | 2.1 | 0.7 | 219.8 |
| Gross Revenues | 11.7 | 5.7 | 104.9 | 20.4 | 9.3 | 118.3 |
| Net Revenues | 10.2 | 5.0 | 104.1 | 17.7 | 8.2 | 117.6 |
| COGS | 4.4 | 1.8 | 140.9 | 7.6 | 2.8 | 169.7 |
| Gross Profit | 5.8 | 3.2 | 82.7 | 10.1 | 5.3 | 89.8 |
| *Gross Margin (%)* | *56.6%* | *63.3%* | - | *56.9%* | *65.2%* | - |
| Sales Expenses | 11.9 | 8.8 | 34.4 | 22.1 | 14.4 | 53.5 |
| Administrative Expenses | 3.1 | 2.6 | 16.6 | 6.2 | 4.5 | 37.4 |
| Others (Income) / Expenses, net | 1.7 | 0.3 | - | 1.4 | 0.5 | - |
| Financial Income, net | (0.2) | 0.1 | - | (0.1) | 0.1 | - |
| Operating Profit | (7.6) | (7.9) | -3.5 | (17.0) | (13.0) | 30.8 |
| Net Income | (8.1) | (8.2) | -0.3 | (17.9) | (13.5) | 32.1 |
| EBITDA | (7.3) | (7.8) | -6.6 | (16.4) | (12.8) | 28.4 |
| *EBITDA Margin (%)* | -71.3% | -155.7% | - | -92.5% | -156.7% | - |

(*) Number of consultants by the end of the cycle 8 of sales

With regard to operations under implementation (Mexico, Venezuela, and Colombia), gross revenues reached R$11.7 million in 2Q08 versus R$5.7 million in the same period of 2007. Year-to-date, the gross revenues of these operations amount to R$20.4 million in 1S08 versus R$9.3 million in 1S07. The total number of consultants in these operations totaled 24.0 thousand at the end of the quarter.

Other markets where we operate (France and the United States) posted operating losses (EBTIDA) of R$8.7 million in 2Q08, versus R$2.6 million in 2Q07, driven by France results, which are still negative, and studies for the implementation of the United States operation.

# > CONSOLIDATED RESULTS

## >> CONSOLIDATED FINANCIAL SUMMARY

**> Consolidated Financial Summary** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Gross Revenues | 1,199.1 | 1,087.5 | 10.3 | 2,122.5 | 1,937.0 | 9.6 |
| Net Revenues | 883.1 | 779.0 | 13.4 | 1,551.1 | 1,381.9 | 12.2 |
| Gross Profit | 616.4 | 536.6 | 14.9 | 1,058.0 | 941.4 | 12.4 |
| *Gross Margin (%)* | *69.8%* | *68.9%* | - | *68.2%* | *68.1%* | - |
| Operating Profit | 204.1 | 174.9 | 16.7 | 314.0 | 283.3 | 10.9 |
| EBITDA** | 241.3 | 199.1 | 21.2 | 372.9 | 323.5 | 15.3 |
| *EBITDA Margin (%)* | *27.3%* | *25.6%* | - | *24.0%* | *23.4%* | - |
| Net Income | 146.7 | 129.4 | 13.4 | 225.6 | 209.7 | 7.6 |
| *Net Margin (%)* | *16.6%* | *16.6%* | - | *14.5%* | *15.2%* | - |
| Total Consultants - end of period*** (in thousand) | 761.9 | 672.7 | 13.3 | 761.9 | 672.7 | 13.3 |

(*) Total consolidated number of Cosmetics, Fragrances and Toiletries products resold by our consultants. Therefore, units sold exclude samples, gifts, resale support material and Crer para Ver products, among others.

(**) EBITDA = Income from operations before financial effects + non-operating income + depreciation & amortization.

(***) Positon at the end of the 9th sales cycle in Brazil and the 8th sales cycle in International Operations.

**Consolidated gross revenues** reached R$1,199.1 million in 2Q08, up 10.3% from 2Q07. Net revenues increased 13.4%.

Year-to-date, **consolidated gross revenues** amounted to R$2,122.5 million in 1S08, a 9.6% growth over 1S07. Net revenues, in turn, increased 12.2%.

The **Cost of Goods Sold** (COGS) decreased from 31.1% of net revenues in 2Q07 to 30.2% in 2Q08. The improvement in the consolidated gross margin was influenced by better cost management in the Brazilian operation.

Year-to-date, the **Cost of Goods Sold (COGS)** also underwent a reduction, going from 31.9% in 1S07 to 31.8% in 1S08 due to the same abovementioned factors, which were partially offset by a lower international operating margin due to the appreciation of the Brazilian real.

The chart below shows the breakdown of the main components of COGS:

**> Composition of Cost of Good Sold** (% Net Revenues)

| | 2Q08 | 2Q07 | 1S08 | 1S07 |
|---|---|---|---|---|
| RM/PM* | 24.0 | 24.7 | 25.0 | 24.6 |
| Labor | 2.6 | 2.7 | 2.9 | 2.9 |
| Depreciation | 1.2 | 1.2 | 1.4 | 1.3 |
| Others | 2.4 | 2.5 | 2.5 | 3.0 |
| **Total** | **30.2** | **31.1** | **31.8** | **31.9** |

(*) Raw material and packaging material

**Sales expenses**, as a percentage of net revenues, increased from 32.0% in 2Q07 to 34.8% in 2Q08, driven by greater marketing investment in Brazil and investments in the expansion of sales channels for international operations.

Year-to-date, **sales expenses**, as a percentage of net revenues, went from 33.5% in 1S07 to 35.2% in 1S08, due to the same factors mentioned above.

**Administrative expenses**, as a percentage of net revenues, dropped from 12.9% in 2Q07 to 12.6% in 2Q08, mainly due to the overhead freezing program and the end of the CPMF tax in Brazil, the effects of which were partially offset by a greater share of international operations and a higher provision for profit sharing for 2008.

Year-to-date, **administrative expenses**, as a percentage net revenues, went from 13.5% in 1S07 to 13.1% in 1S08, due to the same abovementioned factors.

**Consolidated EBITDA** totaled R$241.3 million in 2Q08, against R$199.1 million in 2Q07: a growth of 21.2%. The EBITDA margin increased from 25.6% in 2Q07 to 27.3% in 2Q08.

In 1S08, the **consolidated EBITDA** amounted to R$372.9 million, versus R$323.5 million in 1S07: a growth of 15.3%. The EBITDA margin stood at 24.0% in 1S08, compared to 23.4% in 1S07.

> **EBITDA** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Net Revenues | 883.1 | 779.0 | 13.4 | 1,551.1 | 1,381.9 | 12.2 |
| (-) Cost of Sales and Expenses | 664.2 | 597.2 | 11.2 | 1,222.2 | 1,093.0 | 11.8 |
| **EBIT** | **218.9** | **181.9** | **20.4** | **328.9** | **288.9** | **13.9** |
| (+) Non-operating income | 0.5 | 0.1 | - | 0.7 | 0.1 | - |
| (+) Depreciation/Amortization | 21.9 | 17.2 | 27.6 | 43.3 | 34.6 | 25.3 |
| **EBITDA** | **241.3** | **199.1** | **21.2** | **372.9** | **323.5** | **15.3** |

The chart below shows the reconciliation of consolidated EBITDA per block of operations:

> **EBITDA *pro-forma* by areas of operation** (R$ million)

| | 2Q08 | 2Q07 | Change % | 1S08 | 1S07 | Change % |
|---|---|---|---|---|---|---|
| Brazil | 267.1 | 212.9 | 25.5 | 412.5 | 348.4 | 18.4 |
| Argentina, Chile and Peru | (0.0) | (0.0) | (37.3) | (0.4) | 0.3 | (252.7) |
| Mexico, Venezuela and Colombia | (7.3) | (7.8) | (6.6) | (16.4) | (12.8) | 28.4 |
| France and USA | (8.7) | (2.6) | 230.2 | (15.6) | (6.3) | 147.5 |
| Effects of exchanges variation on translation of foreign investments | (9.8) | (3.4) | 191.2 | (7.0) | (6.1) | 16.3 |
| **Total** | **241.4** | **199.1** | **21.2** | **372.9** | **323.5** | **15.3** |

**Consolidated net income** totaled R$146.7 million in 2Q08 versus R$129.4 million in 2Q07, an increase of 13.4%. The lower growth rate in net income related to the EBITDA is due to the increase in the Income Tax Rate, higher depreciation expenses, and the adverse financial result caused by the operating hedge.

Year-to-date, **consolidated net income** totaled R$225.6 million in 1S08 versus R$209.7 million in 1S07: a 7.6% growth.

## > CASH FLOW

Internal cash flow generation[8] in 1S08 totaled R$269.0 million, up 10.1% year-on-year. A total of R$120.3 million were added to this figure from operating cash flow.

To better understand the working capital reduction in the first quarter, one must consider the extraordinary effects that occurred in 4Q07: an increase caused by the additional reduction of R$122.0 million in accounts receivable on 12/31/07—the result of a more flexible credit policy adopted for Christmas sales—, and the effect of R$25 million in the inventory balance due to lower-than-expected revenues in the period.

Added to these effects observed in the balances of December 2007 were the following transitory impacts on the balances of June 2008: an increase of R$75 million in taxes recoverable and R$22 million in taxes payable; and a R$35 million reduction in accounts receivable due to the credit policy for this year's Valentine's Day campaign (June 12 in Brazil). In addition to these transitory effects, structural growth was also observed, amounting to R$32 million in taxes payable due to the postponement of the ICMS collection period in the state of São Paulo.

[8] (Net Income for the period) + (depreciation and amortization)

### > Consolidated cash flow – *pro-forma* (R$ million)

| | 1S08 | 1S07 | Change % |
|---|---|---|---|
| **Net income** | **225.6** | **209.7** | **7.6** |
| (+) Depreciation and amortization | 43.3 | 34.6 | 25.3 |
| **Internal cash generation** | **269.0** | **244.3** | **10.1** |
| Operating working capital* | 120.3 | (90.1) | |
| Other assets and liabilities** | (45.4) | (18.4) | |
| **Operating cash generation** | **343.9** | **135.7** | **153.4** |
| Capex | (30.1) | (42.8) | |
| **Free cash flow*** ** | **313.9** | **92.9** | **237.7** |

(*) Assets - Accounts receivable, inventories, and short-term recoverable taxes. Liabilities - Suppliers, payrolls, profit sharing and social charges, tax liabilities, provisions, and freight payable.

(**) Assets - Advance to employees and suppliers, short-term deferred income and social contribution taxes, other credits, and long-term assets. Liabilities - Other short and long-term accounts payable and provisions for tax, civil, and labor losses.

(***) (Internal cash generation) +/- (changes in working capital and long-term assets and liabilities) – (acquisitions of property, plants, and equipment).

Fixed asset investment carried out in 1S08 totaled R$30.1 million, mainly allocated to production and logistics capacity expansion and information technology. Accordingly, free cash flow generation in 1S08 came to R$313.9 million, versus R$92.9 million in the same period of the previous year.

Fixed asset investments have been re-evaluated. For the year 2008, these will amount to R$120 million, compared to the R$135 million announced previously.

## > DIVIDENDS

On July 23, 2008, the Board of Directors approved, *ad referendum* of the 2009 Annual General Meeting, the payment, on August 12, 2008, of dividends referring to the results obtained in the first half of 2008 in the sum of R$188.0 million, representing 59.9% of the free cash generation in the six-month period and 83.3% of the net income in the same period. The dividends will result in a net remuneration of R$0.43907 per share to shareholders on July 30, 2008.

## > CONFERENCE CALL & WEBCAST

**Portuguese:** **Friday, July 25, 2008**
**10 am – Brasília (9 am ET)**

**English:** **Friday, July 25, 2008**
**12 pm – Brasília (11 am ET)**

Brazilian callers: +55 11 4688-6301
US callers: toll free +1 800 860-2442
Callers from other countries: +1 412 858-4600
Access code: Natura

**Live online webcast at: www.natura.net/investidor**

## > INVESTOR RELATIONS


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## > Exhibit 1 – Statement of Income for the year (consolidated)

| R$ million | 2Q08 | 2Q07 | 1S08 | 1S07 |
|---|---|---|---|---|
| Gross sales to domestic market | 1,134.4 | 1,041.1 | 2,007.3 | 1,852.9 |
| Gross sales to foreign market | 64.4 | 46.1 | 114.5 | 83.5 |
| Other sales | 0.4 | 0.3 | 0.6 | 0.6 |
| **GROSS OPERATING REVENUES** | 1,199.1 | 1,087.5 | 2,122.5 | 1,937.0 |
| Taxes on sales, returns and rebates | (316.1) | (308.5) | (571.4) | (555.1) |
| **NET OPERATING REVENUES** | 883.1 | 779.0 | 1,551.1 | 1,381.9 |
| Cost of sales | (266.7) | (242.4) | (493.1) | (440.5) |
| **GROSS PROFIT** | 616.4 | 536.6 | 1,058.0 | 941.4 |
| **OPERATING (EXPENSES) INCOME** | | | | |
| Selling | (307.1) | (249.2) | (545.6) | (463.5) |
| General and administrative | (113.6) | (100.5) | (203.5) | (186.9) |
| Management compensation | (3.3) | (3.1) | (6.4) | (5.1) |
| Other operating income (expenses), net | 26.4 | (2.0) | 26.5 | 2.9 |
| **INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS** | 218.9 | 181.9 | 328.9 | 288.9 |
| Financial income | (20.5) | (24.7) | (43.5) | (32.0) |
| Financial expenses | 5.7 | 17.7 | 28.6 | 26.5 |
| **INCOME FROM OPERATIONS** | 204.1 | 174.9 | 314.0 | 283.3 |
| Nonoperating income, net | 0.5 | 0.1 | 0.7 | 0.1 |
| **INCOME BEFORE TAXES ON INCOME** | 204.6 | 174.9 | 314.7 | 283.4 |
| Income and social contribution taxes | (57.9) | (45.6) | (89.1) | (73.7) |
| **NET INCOME** | **146.7** | **129.4** | **225.6** | **209.7** |

## > Exhibit 2 – Balance sheet as of 06/30/2008 and 03/31/2008 (consolidated)

| ASSETS | 06/30/2008 | 03/31/2008 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and banks | 24.0 | 17.7 |
| Cash investments | 245.4 | 439.1 |
| Trade accounts receivable | 312.9 | 316.0 |
| Inventories | 299.7 | 311.6 |
| Recoverable taxes | 134.0 | 60.8 |
| Advances to employees and suppliers | 5.0 | 2.9 |
| Deferred income and social contribution taxes | 70.4 | 50.5 |
| Allowance for losses on swap and forward transactions | - | 5.0 |
| Other receivables | 69.0 | 43.3 |
| **Total current assets** | **1,160.3** | **1,246.9** |
| NONCURRENT ASSETS | | |
| **Long-term assets:** | | |
| Cash investments | 4.9 | 5.0 |
| Recoverable taxes | 26.0 | 27.3 |
| Deferred income and social contribution taxes | 34.1 | 35.5 |
| Escrow deposits | 31.2 | 29.2 |
| Advances to employees and suppliers | 3.2 | 3.9 |
| **Permanent assets:** | | |
| Property, plant and equipment | 512.7 | 519.3 |
| Intangible assets | 5.8 | 6.5 |
| **Total noncurrent assets** | **618.0** | **626.7** |
| TOTAL ASSETS | 1,778.3 | 1,873.6 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 06/30/2008 | 03/31/2008 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Loans and financing | 167.8 | 155.1 |
| Domestic suppliers | 166.5 | 178.2 |
| Foreign suppliers | 2.2 | 2.5 |
| Salaries, profit sharing and related charges | 86.6 | 59.5 |
| Taxes payable | 152.9 | 121.4 |
| Dividends | 188.2 | 237.9 |
| Accrued freight | 20.0 | 17.8 |
| Other payables | 23.5 | 26.8 |
| Reserve for tax, civil and labor contingencies | 14.9 | 14.4 |
| Allowance for losses on swap and forward transactions | 16.9 | - |
| Other provisions | 0.1 | 0.2 |
| **Total current liabilities** | **839.5** | **813.8** |
| NONCURRENT LIABILITIES | | |
| Loans and financing | 184.2 | 266.3 |
| Reserve for tax, civil and labor contingencies | 47.2 | 47.4 |
| Other payables | 9.0 | 8.3 |
| **Total noncurrent liabilities** | **240.3** | **322.0** |
| DEFERRED INCOME | | |
| Investment grants | 1.8 | 0.9 |
| **Total deferred income** | **1.8** | **0.9** |
| SHAREHOLDERS' EQUITY | | |
| Capital | 390.9 | 390.9 |
| Capital reserves | 119.2 | 121.4 |
| Profit reserves | 164.3 | 164.3 |
| Treasury shares | (15.5) | (18.8) |
| Retained earnings | 37.6 | 79.0 |
| **Total shareholders' equity** | **696.6** | **736.9** |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,778.3 | 1,873.6 |

## > Exhibit 3 – Cash Flow Statement (consolidated)

| R$ million | 1S08 | 1S07 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Net income** | 225.6 | 209.7 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortizations | 43.3 | 34.6 |
| Monetary and exchange variations, net, except those referring to tax, civil and labor contingencies | 0.5 | (0.8) |
| Reserve for losses on swap and forward contracts | 14.9 | 17.8 |
| Reserve for tax, civil and labor contingencies, including monetary variation on those reserves | (0.0) | 11.3 |
| Income tax, social contribution and other deferred taxes | (42.9) | (11.5) |
| Proceeds from sale and disposal of property, plant and equipment and intangible assets | 6.0 | 1.8 |
| Other adjustments of income, including provisions in allowance for inventory losses | 6.6 | (2.4) |
| **Subtotal** | **254.1** | **260.5** |
| **(INCREASE) DECREASE IN ASSETS** | | |
| Current assets: | | |
| Accounts receivable | 222.6 | 38.3 |
| Inventories | (52.8) | (48.8) |
| Other receivables | (16.9) | (17.4) |
| Noncurrent assets (long-term assets): | | |
| Escrow deposits | 8.1 | (24.4) |
| Recoverable taxes | (4.6) | (0.2) |
| Other receivables | 1.3 | (2.5) |
| **Subtotal** | **157.6** | **(55.0)** |
| **INCREASE (DECREASE) IN LIABILITIES** | | |
| Current liabilities: | | |
| Suppliers | (8.5) | (47.8) |
| Salaries, profit sharing and related charges, net | (0.6) | (7.6) |
| Taxes payable, net | (48.9) | 6.3 |
| Other payables | 3.1 | (0.7) |
| Noncurrent liabilities (long-term liabilities): | | |
| Other payables | 1.9 | 4.3 |
| **Subtotal** | **(52.9)** | **(45.5)** |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **358.7** | **160.0** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment and intangible assets | (32.6) | (42.9) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(32.6)** | **(42.9)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Decrease in loans | (387.3) | (145.0) |
| Fundings - loans | 185.8 | 247.3 |
| Payments of swap and forward transactions | (6.5) | (15.6) |
| Payment of dividends | (237.7) | (213.6) |
| Payment of interest on capital | 0.3 | 2.8 |
| Acquisition of treasure shares | (21.1) | (22.7) |
| Subventions for investments | 1.8 | 1.3 |
| Sale of treasury shares by exercise of stock options | 2.6 | 7.4 |
| Payment of receivables from shareholders | - | 0.1 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(462.1)** | **(138.0)** |
| **NET DECREASE (INCREASE) IN CASH AND BANKS** | **(136.1)** | **(20.9)** |
| Cash and banks at beginning of year | 405.4 | 275.2 |
| Cash and banks at end of quarter | 269.3 | 254.3 |
| **CHANGE IN CASH AND BANKS** | **(136.1)** | **(20.9)** |

*EBITDA is not used in the accounting practices adopted in Brazil, and thus it does not represent the cash flow for the periods. Also, it must not be deemed as an alternative to net income as an indicator of the operating performance or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and its definition by the Company may eventually not be comparable to the Brazilian LAJIDA or to EBITDA as defined by other companies. Although EBITDA does not provide, according to the accounting practices adopted in Brazil, a measure of cash flow, the Management utilizes it to measure the Company's operating performance. Furthermore, we understand that certain investors and financial analysts utilize the EBITDA as an indicator of the operating performance and/or cash flow of a company.*

*This report contains forward-looking statements. This information represents not only historical facts, but also reflects the wishes and expectations of Natura's management. The words "foresees", "wishes", "hopes", "forecasts", "intends", "plans", "predicts", "projects", "aims" and similar terms intend to identify statements that, necessarily, involve known and unknown risks. Known risks include uncertainties, which are not limited to the impact of price and product competition, product acceptance in the market, the product transition of the Company and its competitors, regulatory approval, currency, currency fluctuation, supply and production difficulties and changes in product sales, among other risks. This report also contains "pro forma" information, prepared by the Company to be used exclusively for information and reference purposes; therefore, they are non-audited figures. This report is updated up to the present date and Natura does not undertake to update it in the event of new information and/or future events.*