

Conference Call Transcription – 04/28/06
First Quarter 2006 (1Q06)

Operator

Good morning ladies and gentlemen. At this time we would like to welcome everyone to Natura's **2006 first quarter results** conference call. Today with us we have: Alessandro Carlucci, the CEO, José David Uba, the CFO and Helmut Bossert, the Investor Relations.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After Natura's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through Natura's IR website: www.natura.net/investor. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website. We remind you that questions, which will be answered during the Q&A session, may be posted in advance in the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Natura management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore, depend

on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Natura and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Helmut Bossert, Investor Relations Manager. Mr. Bossert, you may begin the conference.

SLIDE 1 - Cover

Good morning and welcome everyone! Let's begin our conference call on the Company's Earnings of the first quarter of 2006. Let's move on to the slides and then Alessandro, David and I will be available for any question it should be considered necessary.

Let's move on to slide number 2.

SLIDE 2 – Market Share CF&T Target Market

In the left side of the presentation we see that, with preliminary data, the target market grew 9% in the first two months of 2006 when compared to the same period of 2005.

In the right side of the slide, we have the Company's market share, which increased to 21% in the first two months of 2006 from 18.6% in 2005, a increase of 240 bps.

Let's move on to slide number 3.

SLIDE 3 – Cosmetics and Fragrances Brazil

In the left side we see that the Cosmetics and Fragrances market increased 9.6% in the first two months of 2006 when compared with the same period of 2005.

In the right side, Natura's market share increased from 33.3% in the first two months of 2005 to 38.6% in 2006, which means a 530 bps increase.

Let's move on to slide number 4.

SLIDE 4 – Toiletries Brazil

The Personal hygiene market increased by 8.7% between the first two months of 2005 and 2006, as we see in the left side and;

Natura's market share increased to 10.3% in 2006, from 9.8% in 2005.

Let's move on to slide number 5.

SLIDE 5 – Consolidated Gross Revenues

Natura's gross revenue increased 18.3% in the first quarter of 2006, when compared to 1Q05. Despite the fact that it was below the average growth reported in the previous years, is still an important performance for the Brazilian scenario.

Slide number 6.

SLIDE 6 - EBITDA

EBITDA reached R\$ 113 million in the quarter, that is, 191bps higher than the reported in the previous year.

In the next slide, we'll present EBITDA margin.

SLIDE 7 – EBITDA Margin

EBITDA margin has reached 22.1% when compared to 22.3% in the first quarter of 2005.

In the next slide we will comment on the company's innovating performance in the first quarter of 2006.

SLIDE 8 - Innovation

Innovating investments continued to grow expressively in 2006, recording a R\$ 15 million and representing 3.0% of net revenue.

Let's move on to slide 9.

SLIDE 9 – Number of New Products

The Total Innovation Index decreased from 72% in the first quarter of 2005 to 63.9% in this quarter. The main reason for this reduction lies in the index composition; it is calculated based on the products released in the last 24 months. The number of releases in the first quarter of 2004

was very high. In the calculation of the 2006 index, the releases of the first quarter of 2004 are excluded, which produces a less impressive number effect.

Let's move on to slide 10.

SLIDE 10 – Consolidated Sales Channel

The number of consultant reported an expressive growth of 17.7% in the first quarter of 2006. We have reached 529 thousand consultant in consolidated terms.

In slide 11 we have the same data referring to Brazil.

SLIDE 11 – Sales Channel in Brazil

By the end of March, there were 492 thousand consultants in Brazil, a 16.4% increase at the end of march 2006 compared with march 2005.

In the next slide, we'll see the productivity evolution.

SLIDE 12 – Consultants Productivity in Brazil

The productivity grew 30 bps in the first quarter of 2006, reaching R\$ 2,540 by the medium consultant's average.

Let's move on to the channel evolution in Latin America.

SLIDE 13 – Sales Channel in Argentina, Chile and Peru

In Argentina, Chile and Peru the channel presented impressive 38.5% growth, in March, in a Year-over-Year comparison.

In the next slide, we have the figures for the productivity in the operations channel in Argentina, Chile and Peru.

SLIDE 14 – Consultants Productivity in Argentina, Chile and Peru

The consultants' productivity in the operations of Latin America grew 300 bps over the same quarter of the previous year, reaching US\$ 590 per consultant.

In slide 15, we present the evolution in the gross revenue of the international operations.

SLIDE 15 – Gross Revenues Argentina, Chile and Peru

As we can see operations in Argentina, Chile and Peru continued to grow. In the first two months of 2006 Revenues growth was reached 51,2% over the same period of 2005.

In slide 16, we present the result of these operations.

SLIDE 16 – Operational Margin Argentina, Chile and Peru

The operating loss decreased to a negative margin of 19.5% in the first quarter of 2006, from 24% when compared to 1Q05.

Let's move to slide 17.

SLIDE 17 – International Expansion

International operations continue to receive the attention we pointed out in the previous quarters. Net expenses in the first quarter of 2006 amounted to R\$10.2 million and are expected to reach R\$35.0 million in 2006, as previously announced.

On the next slide, we will talk about CAPEX.

SLIDE 18 - CAPEX

CAPEX totaled R\$26 million in the first quarter 2006, a 62.8% increase over the first quarter of 2005.

I would like to remind you that CAPEX is estimated at R\$180 million. The main investments will be the following:

- New machinery
- New research and development
- Distribution Center
- IT

Let's move on to the next slide to comment on the cash flow in 1Q06.

SLIDE 19 – Cash Flow consolidated figures

Gross cash generated in the first quarter of 2006 reached R\$ 107 million, 12.3% higher than the created in the first quarter of 2005.

After the R\$ 63 million invested in working capital and CAPEX of R\$ 26 million, the free net cash created reached R\$ 18 million, a 74% decrease over the same quarter of 2005.

With this slide, I close this brief presentation. Let's move now to the Question and Answers session.

Thank You

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the question and answer session. If you have a question, please press the star key followed by the one key on your touch-tone phone. If at any time you would like to remove yourself from the questioning queue, please press the pound key.

Our first question comes from Ms. Juliana Rozenbaum with Deutsche Bank.

Ms. Juliana Rozenbaum: Hi everyone again. Can you just help me confirm the market share figure for cosmetics and fragrances at the end of the year of 2005?

Mr. Uba: At the end of the year, Juliana, we don't have here but exactly now, but I can send you by e-mail and I sent to everybody that is connected.

Ms. Rozenbaum: OK, but was that around like 35%, 36%, right? Or because I have like the 10 months but not really the year end. I was just wondering if I get the right data, then it is a significant increase from the end of the year to the 38.6 that you are reporting for the first month of the year. So I would just like to understand if you see any different competitive dynamics that would explain this jump?

Mr. Bossert: Juliana, the first to explanation we have is that this market share is seasonal, so there are some differences between direct sales in the first quarter compared with retail, the ordinary retail system, so there is seasonality, specifically in the cosmetics and fragrances category.

Mr. Uba: One of the reasons, Juliana, is that we have a higher sales volume on the seasonal dates of the year, like mother's day and Christmas. We sell relatively more on those periods than the retail.

Ms. Rozenbaum: Sure, but you increased the market share in a seasonally weak couple of months, so I am just assuming that is a good thing, because even in a seasonally weak, because there was no big day like mother's day you still had a...

Mr. Carlucci: You know, Juliana - is Alessandro speaking - we should take care about deep conclusions when we see only two months of market share, because sometimes you have some campaigns from one company or from other big companies that could change the market

share if you take a look only in a two months basis. We should take some care about some deeper conclusion about the market share, only taking care the two months, or the first two months of this year.

Ms. Rozenbaum: Ok. On a similar subject, how about the reaction from your ... I mean, did you see any reaction in terms of Avon's new campaign, or new product line that appeals to the nature component of the cosmetics as well? Did you get any sense of that?

Mr. Carlucci: You know that we are always aware about the competition actions and strategy and they are doing their best effort to increase their market share, so of course that they are fighting, but I can't share with you some specific action that impact us in a different way. They are developing nice marketing strategies; nice marketing campaigns, we respect them, but I don't have any one specific to share with you, to say we received a huge impact on this, or that action.

Ms. Rozenbaum: OK, so that alone is a good thing, right? If you had perceived a huge impact that would not be a good thing, so that is great. Just another quick question; can you more or less provide a distribution of Capex throughout the year? Will it really be concentrated on the second half of the year, or in the next three quarters should we expect more or less a linear distribution?

Mr. Uba: Usually it is more concentrated in the second half of the year and it should be the same for this year.

Ms. Rozenbaum: OK, that is perfect. Thank you.

Mr. Uba: OK, thank you.

Operator: Thank you. Our next question comes from Lori Serra, of Morgan Stanley. Please go ahead.

Ms. Lori Serra: Good morning. I have a couple of questions, let me first start out with the market growth. Taking your comments to be careful about extrapolating from short periods of data, I guess I am inferring from the market data you guys have presented that since, let's say, November of last year through February, that the market has decelerated fairly dramatically toward a rate of, I guess, around 9%, 10% from what had been through the start of 05 something more like 18% or even a low higher than that growth rate. So my question for you is, I mean, that is a fairly sharp deceleration in the final months of the year. As you think about that deceleration, is there something that you

think ... I know the economic factors and I am sure the environment for sure ion the terms of the consumer slowdown at the end of 05, but I am wondering if there is anything else you would think that would help explain that kind of a sharp deceleration?

Mr. Carlucci: Hi Lori, it is Alessandro, good morning to you.

Ms. Serra: Good morning.

Mr. Carlucci: The market growth in 2006 may be more volatile than previous years in terms of market growth, as we will have presidential elections and the soccer world cup. Credit availability has grown considerably in Brazil recently and financial institutions and retail stores have provided consumers with a substantial offer of credit lines, most of it driven towards real estate and durable goods. 2006 will host the soccer world cup and we are Brazilian, Brazilians become naturally attracted towards TV sets and similar equipment. While this scenario maybe affect the share of pocket of potential consumers, it is too soon to conclude about future expectations, because so far we only have a narrow figure - first two months - of what has happened in the market. Those things we can share with you about what can happen in our market this year, but is too soon to conclude something about the market growth in this year.

Ms. Serra: But if I understood correctly when you reported the fourth quarter you put 10 months of data and you didn't report the last couple of months of the year and now is when you had started to talk about in the fourth quarter conference call there was being a concern about the slowdown and I guess you have that data now. So could you just, at least fill us in what do you think the market growth rate was in November, December of last year? Because I am inferring from the data that it is at that sort of 9% to 10% level, so you have four months at that lower rate for the industry, but maybe that is wrong and you have data ...

Mr. Uba: Lori, you are right. There is a deceleration of the growth rate in the market during 2005, at the end of 2005 mainly, and still in this first quarter of 06. We started 18% in the first bimester of 2005 and the growth rate in the last bimester of last year was only 12% and now it is around 10. So it is very clear a deceleration in the growth rate for the market.

The reason for that, that is more or less obvious, is also the decrease in the growth rate of the GDP in Brazil last year. In 2004 it was 5% and it dropped to a little bit above 2.5% in 2005.

There is a length effect on the CFT market, but surely what we are seeing now is a direct impact of a slower economy last year as compared to 2004. As this year there are some strong expectations that the economy should grow again at least at 4%, we might expect again a higher growth rate for the CFT market, maybe starting in the second half of this year, maybe. But the reason is a slowdown in the economic growth last year - that is the main reason.

Ms. Serra: OK. So I guess this is a question that is going to be hard to ask as you don't want to give specific thoughts in terms of growth, but the idea that there is a certain range of thoughts about what you should do in terms of growth this year that the people like myself have. Do you think that those rates of growth are realistic? If the market growth decelerates to the extent that it has?

Mr. Uba: You are right when you said that it is a very tough question for us, very difficult to answer. What can I say? Let me give you some elements of the scenario and then make some discussions. The CFT market might grow again at higher rates in the second half of this year. Let's not forget that is a very volatile year because of the World Cup, because of the presidential elections at the end of the year. We probably will be an increase in government expenses also this year that might drive consumption a little bit. We are now changing for 2.5 GDP growth to probably 4/ 4.5 again. All this combined results in a very volatile, unstable scenario for the CFT market. Although we should not have real growth, real I mean after inflation below 5% this year. This year it will be a little bit harder to estimate our sales growth as compared at least to the last two years, but there is nothing else that we can give to you to help you.

Ms. Serra: Ok that is helpful. Then let me ask you a bit more tangible question that you probably can answer. The first quarter we saw a big increase in your administrative expenses on a year-on-year basis and I guess what hasn't been clear to me is that I guess when we look at your numbers on a quarterly basis we see a lot more fluctuations on a quarterly basis than maybe a lot of other companies. As we think about the higher expense levels on admin in the first quarter, should we think about now you are evening out to R\$ 80 million a quarter and so the first quarter was the last quarter of, maybe, catch up - I don't know if that is the right way to say it - or should we think about the admin cost continuing to build over the course of 06?

Mr. Uba: Let me see how can I answer this question to you. First of all, large portions of our administrative expenses are discretionary expenses

that fluctuate along the year according to the intensity of our projects, R&D activities and also IT investment. So they can fluctuate along the year - that is right.

What I can tell you is that they will be a little bit higher than 2005 because there is a strong impact on these expenses from our strategic drives as R&D expenses; IT investment and the international expansion strategy for the company. They will be higher than in 2005, but probably they will fluctuate from quarter to quarter, as we did in the last years.

Ms. Serra: OK, thanks very much.

Mr. Uba: Thank you, Lori.

Operator: Thank you. Our next question comes from Robert Ford, of Merrill Lynch. Please go ahead.

Mr. Robert Ford: Good day everybody. I wanted to ask a question that was completely unrelated to financials and Alessandro, when I look at the fragrance category for example, it just seems to be kind of impossible to really innovate it. But then this Humor launch looks really intriguing and I know I am not the average Brazilian consumer, but when I look at the positioning and the little bit yet behind the products it just appears incredibly compelling in terms of the proposition.

Can you talk a little bit about what the take up has been on Humor in initial sales and what the innovation pipeline looks like in terms of potentially offsetting not just the seasonal factors that are at play in this next quarter, but also some very successful innovation that you had last year, like Spilol or the elimination of animal fats in hand soaps?

Mr. Uba: Just hold a second, Bob.

Mr. Carlucci: Hi Bob good morning, how are you? Nice to hear you, let us talk about the recent launch that we had in the fragrance area that is Natura Humor.

Even though we are not sharing specific numbers I can say to you that we are really happy with this new launch. It is a new way to develop fragrances with concepts; with history; with a nice marketing campaign. Even though the large part of this launch is not included in the first quarter, because it was launched in March 12, so the most part of Natura Humor is going to be in the second quarter of the year. Even though we are really happy, it is a launch with a lot of success in our opinion. Of course that we are talking about the first impressions, a product should develop, should be developed in the first six months, not

only in the first month, so it is soon to conclude, but are happy. Talking about the pipeline, we are developing our pipeline as well. In the first quarter we had less new products than we had in the first quarter of 2005. First of all because in 2005 we had maybe an atypical big number of new launches and probably in this year we have a fewer one than we would like to have, but nothing structural and nothing that can be a problem in the future. Our pipeline is developing well and we are sure that we can launch new products in the last part of the year.

Mr. Ford: And then just lastly if I might Alessandro, can you talk a little bit about what the response has been to the change in the Vitrine? I have got your number 6 cycle, the Revista. Is it fair to assume that from this point forward the Vitrine is kind of gone, you have gone to the new magazine approach? Can you talk a little bit more about the circulation changes that you made in terms of the quantities? I understand the one I am holding probably had a double in terms of the circulation in the launch, your not going to be printing that many every cycle, but my sense is that you are bringing up, or beating up the distribution. Is that correct?

Mr. Carlucci: Yes Bob. First of all, again as you said, we launched the magazine - Natura Magazine, we are calling like this - 20 days ago, so it is too soon to conclude again. But we are receiving well comments, our sales force is very happy.

Some clients are saying that this new magazine represents more our brand and our value proposition so we are really happy with the first results more in a qualitative way than in a quantitative way, because it is a little bit soon to conclude how this magazine is going to impact our sales in the short term.

Personally, I believe that the evolution of our magazine is going to impact in the medium term, not in the short term, because it is going to help us to build the brand.

You are right then in the first cycle, in the first campaign, we increased the quantity, but again we didn't finish this cycle, the number 6, to conclude if we are having more or less impact in the sales. Again, this action is more based on the fact that we believe that it is going to help the brand construction than to increase in the short-term sales.

Mr. Ford: And just one last question and this is completely ridiculous, but when I look at this magazine am I seeing a lot more subliminal advertising or am I just becoming completely neurotic?

Mr. Carlucci: I don't know really how to answer your question. We don't intend to do some subliminal advertising. What we really intend to

do is to share some values; to share some opinions and to help people to try to build a better world; taking care of the nature; taking care of themselves; to their families; to the society. So it is not subliminal, it is directly objective opinion and value proposition about our brand.

Mr. Ford: OK, I will e-mail David some page numbers and some remarks and he can be my benchmark on my level of neurosis. But thank you very much.

Mr. Carlucci: You are welcome. Thank you too Bob, bye.

Operator: Thank you. Our next question comes from Jose Jordan, of UBS. Please go ahead.

Mr. Jose Jordan: Hi, good morning everyone. My question goes back a little bit to the growth in the market. When you look at the productivity domestically, the items per reseller and even the number Reais per reseller there is a market slowdown in the first quarter. My question was do you think this is all related to the slowdown in the market, or do think that the quality of the additional consultants is beginning to come down and it is something that is more structural, of a structural concern, or is this just a temporary issue with the market growth? How do you think about, you know, what the cause of this decline is?

Mr. Carlucci: Hi Jordan, good morning, is Alessandro speaking. We are not seeing a bad quality of the new consultants and we don't think that there is something structural in the productivity. In fact there are some combined effects that I can share with you. We must first consider that we have been growing the number of consultants and the market share at very substantial rates in the last three years. So it is not obvious to expect that the average productivity will grow at similar rates when compared to recent years. This is the first point.

Secondly, we grew more than 40% in the last two years the number of Natura consultants, we are talking about 140 thousand consultants more than two years ago and we know that newer consultants have less productivity than old ones. That doesn't mean that they are bad and the old ones are good, that means only that they sell less than the old ones because they have less clients and they know less about Natura and our value proposition.

Finally, a certain frustration from lower sales in this quarter may have caused some impact on productivity as well. So there is not a structural problem in the productivity, it is a combined effect probably of those things that I mentioned.

Mr. Jordan: But in a way what you are saying is that as the number of consultants grows, that there is basically more saturation of consultants and there is just fewer opportunities for them to exploit over time? Is there any way... what is your estimate of penetration? Is this wall, let's say, going to be hit in the next two, three years or is it something that could be much further out in terms of when consultants start knocking on doors, will they more increasingly get the answer "I already do business with someone else, thank you very much"?

Mr. Carlucci: You are welcome. Marginally, of course that the more consultants you have, more saturated is going to be the market. I have difficulty to share with you how long can we increase the number of new consultants and grow or maintain the productivity. This is difficult to share with you; this is not something mathematic to share.

There are two points to share with you that in my opinion are important: first of all, we strongly believe that we are far from a saturation point, that means that we cannot have a new one consultant that all the new sale is going to be stolen, to stole from an older one. We believe that we are far from this point.

The second one is the fact that a main competitor in Brazil, Avon, they have more than 1 million reps, so we believe that we are far from a saturation point, even though, as I said, marginally more consultants you have, more they are going to share the market and probably compete with another one. But we are far from the saturation point.

Mr. Jordan: OK, thanks a lot.

Mr. Carlucci: You are welcome.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press star one.

The next question comes from Celso Sanchez, with Citigroup. Please go ahead.

Mr. Celso Sanchez: Hi, good morning. Just following on that theme a little bit about saturation and consultants. Can you update us on any thought you have on the *orientadora* strategy that we have heard about? I know it was a little limited trial basis, have you seen better results that make it more encouraging that you might move up the implementation of that or if you have a horizon for what you might see more markets on trial for that structure? That is the first question, please.

Mr. Uba: Celso, this is Davi speaking. What we are doing now is running a project on this experiment, a pilot project on this experiment. It is too soon for announcing any results.

We are very, very careful with any experiment affecting the structure of our sales distribution. We are careful in the relationship with our consultants, with our sales force and therefore we want to be absolutely sure that the model that we are redesigning, that we are testing, are absolutely strong and seamless before we start to spread it throughout the market.

We do not expect to have any final conclusion on this model in the short term, we might have it by the end of this year or first half of next year, but right now we are working in improving it, testing the new versions of it, before we can announce the final conclusions or even start spreading it, ok?

Mr. Sanchez: That is great, thank you, that is helpful. Then the second question just on Avon results this morning, they mentioned a doubling of advertising spent in the region, I will start to be more specific on that. I know that you remarked that you have seen a lot more activity from them over the last few months. Is there any thought to, if it stays at this level, is there something that you think might change the communication strategy at all and I guess in a bigger picture sense, is there something that you think is more heavily concentrated perhaps in Brazil or do see it in Mexico, and perhaps even in Venezuela, where you are ramping up, I suppose?

Mr. Carlucci: Celso, we really don't know if it is more concentrated in Brazil or in other countries in Latin America. In Brazil we saw a bigger effort the advertising campaign, but I don't believe that this is individually an important point to us, because, as you know, for a direct selling company like Natura advertising is a part of our marketing effort. We invest a lot in training; we invest a lot in recognition; we invest a lot in the magazine, the new one. This is the most effort that we are doing in the beginning of this year and we spend some money in advertising. Different from the retailers, the advertising is a part of our marketing effort, is not as important as for the traditional channel. So I don't believe that this effort specific in advertising from the competitors should affect so much our strategy or our results.

Mr. Sanchez: OK, thanks very much.

Mr. Carlucci: You are welcome.

Operator: Our next question comes from Ms. Juliana Rozenbaum, with

Deutsche Bank.

Ms. Rozenbaum: Hi, just a follow-up question. You mentioned previously that you were slightly disappointed with sales growth in the quarter and that was one of the reasons behind the increase in inventories. Can you give us some color on if that was concentrated in any specific product line or things like high ticket items instead of low ticket, I mean, any color so to help us understand why you were disappointed, why you were expecting something higher than the actual growth that you saw?

Mr. Carlucci: Juliana, hi, is Alessandro again. When you take a look deeply in the frustration, you are right, is concentrated in some products or categories, but not because of their characteristic, but because they were involved on those marketing campaigns that didn't reach the results that we expected. So yes, are concentrated, but not because of lower ticket or because we are talking about make up and colors, but only because they were involved on those marketing campaigns. But unfortunately we are not sharing which one are they, because this is strategic information. The most important thing to share with you is the fact that we know where are the opportunities and we solve them for the future.

Ms. Rozenbaum: Ok, thank you. But if I am not wrong, this is actually the first time when you are disappointed, I mean is there any reason why your marketing campaign ... because they didn't really change, so why your marketing campaigns didn't provide you with the results that you were expecting? Could you at least identify what happened, what was different in this quarter?

Mr. Uba: Well Juliana, I would start saying that we are not free of mistakes; sometimes you can make some mistakes. Part of the explanation is that we made some mistakes.

A second one, which is not very important, but also might explain a little bit is that we are undergoing right now some structure changes in the company because of the growth; because of our strategy of international expansion; so there is a lot of different processes; some changes in the organization; so this might also have increased a little bit the probability of making some mistakes, but you know we have tens of different initiatives in our marketing effort. It is absolutely possible that we make some mistakes sometimes. We are not so desperate because of that; we regard that as a natural aspect of the business. We identified the mistakes, we corrected them and we might have some in the future, we are not infallible.

Mr. Carlucci: And adding something, Juliana, even though we are a little bit disappointed, we consider that we had a good result in the first quarter, especially when you compare with the market growth. So we are here to look for all the opportunities, but we are not sad with the results. We believe that we could do better, but when you compare our growth with the market growth we are not sad.

Ms. Rozenbaum: Absolutely, don't take me wrong on that; that was not what I was trying to imply, but thank you anyway. It was very helpful.

Mr. Carlucci: Thank you.

Operator: Thank you. Our next question comes from Celso Sanchez, of Citigroup. Please go ahead.

Mr. Sanchez: Hi. Sorry, just a quick follow-up on the Paris operation, the France operation. I understood that there might be demand for a broader selection of products, that you are getting positive feedback on that. If that is correct, would you consider a larger number of SKUs for the Ekos line, or do you think other product lines might even be useful in that operation? Thanks.

Mr. Carlucci: Celso, you are right. We are being demanding and we want to increase the number of SKUs in our France operation, not only in Ekos line, but probably launching new lines and sub-brands of Natura, even though we don't have a specific, defined time to do it but we, yes, we want to increase the value proposition of Natura in the France operation. Let me share with you something important. Two months ago we launched an extension of Ekos line, an important extension, a skin care line in Ekos and this is very important for the France operation. It is the first time since we opened the store that we are offering skin care products under the Ekos line.

Mr. Sanchez: Great. When you said new line that you would like to launch there, I would assume that are lines that already exist in Brazil, or would there be potentially entirely new lines, specific for the French market?

Mr. Carlucci: Sorry, could you repeat, Celso?

Mr. Sanchez: Sorry, you said that obviously you would like to grow beyond just perhaps Ekos in France. Would you consider launching

entirely new lines or will they be lines from Brazil that now will be represented in France?

Mr. Carlucci: We are planning to launch new lines, probably existing in Brazil, with some kind of adaptation for the French market, but we are planning to launch existing lines in Brazil, completely new for the French market.

Mr. Sanchez: OK, thank you.

Mr. Carlucci: You are welcome.

Operator: This concludes today's question and answer session. I would like to invite Mr. Bossert to proceed with his closing statements. Please sir, go ahead.

Mr. Bossert: Thank you very much. I think it was a very good conference call today and I hope to see you in the next conference call again. Thank you, have a good day.

Operator: That does conclude the Natura audio conference call for today. Thank you very much for your participation and have a good day.