Conference Call Transcription – 02/23/06
Fourth Quarter 2005 and Full Year 2005

SLIDE 1 - COVER
Good morning, everyone! I'd like to welcome you all to our conference call to discuss the results of the final quarter and year of 2005. Before we start, I'd like to remind you that the questions and answers transcription will be available on our site both in Portuguese and English.

I'm going to go quickly through the slides and then Alessandro, David and I will be glad to answer any questions you may have.

Let's go directly to slide 2.

SLIDE 2 – CONSOLIDATED GROSS REVENUES
Natura's annual gross revenues grew by 27.7% over 2004, while the final-quarter figure climbed 28.5% year-on-year.

Next slide.

SLIDE 3 - EBITDA
EBITDA for the year increased by 30.8% over 2004 to R$ 564 million, while that for the last quarter figure moved up 36.5% year-on-year.

The next slide shows the EBITDA margin.

SLIDE 4 – EBITDA MARGIN
The margin averaged 24.7% for the year and 26.8% for the final quarter.

Slide 5 shows CF&T target market developments.

SLIDE 5 – CF&T TARGET MARKET (BRAZIL)
As you can see the target market grew 16.5% year-on-year in 2005 through October, in line with average growth between 2000 and 2004.

The following slide shows Natura's market share.

SLIDE 6 – MARKET SHARE CF&T TARGET MARKET (BRAZIL)
Here we can see that Natura's target market share has continued to increase, rising from 18.6% in the first 10 months of 2004 to 20.6% in the same period in 2005, 2 percentage points increase.

Now let's move on to slide 7.

SLIDE 7 - INNOVATION
Investments in innovation also continued to move up strongly.

In 2005 it reached R$ 67 million, equivalent to 2.9% of net revenues.

SLIDE 8 – NUMBER OF NEW PRODUCTS
The total innovation index was close to 70% and 156 new products were launched in 2005.

SLIDE 9 – CONSOLIDATED SALES CHANNEL
Our consolidated consultant numbers exceeded the half-million mark at year-end, almost 20% up on 2004.

SLIDE 10 – SALES CHANNEL IN BRAZIL
Also at year-end, our Brazilian consultants totaled 483 thousands, up by 18.7%.

The next slide deals with productivity.

SLIDE 11 – CONSULTANTS PRODUCTIVITY IN BRAZIL
Annual productivity continued to expand, averaging R$ 12.3 thousands per active consultant, 6.6% more than in 2004 and almost 1% up in real terms.

As you can see from the slide, productivity also increased in the final quarter.

Now let’s move on to growth of the Latin American sales channel.

SLIDE 12 – SALES CHANNEL IN ARGENTINA, CHILE AND PERU
At year-end, consultant numbers in Argentina, Chile and Peru jumped by 37.7% over the close of 2004.

The next slide shows productivity in these markets.

SLIDE 13 – CONSULTANTS PRODUCTIVITY IN ARGENTINA, CHILE AND PERU
Annual consultant productivity in Latin American operations grew by 6.5% over 2004, reaching US$ 2.7 thousands per consultant.

The next slide shows gross revenue growth from international operations.

SLIDE 14 – GROSS REVENUES IN ARGENTINA, CHILE AND PERU
Here you can see that annual gross revenues in dollars jumped by 50% over 2004. Fourth-quarter growth was even higher 54% year-on-year.

SLIDE 15 – OPERATIONAL MARGIN IN ARGENTINA, CHILE AND PERU
Results continued to improve. The operating margin was a negative 12.9% at the end of 2005.

SLIDE 16 – INTERNATIONAL EXPANSION
International expansion program continued to receive the same attention as in previous quarters. Net expenses stood at R$ 31.8 million in 2005 and should reach R$ 35.0 million in 2006.

Now let's move on to slide 17 which deals with capex.

SLIDE 17 - CAPEX
Annual investments totaled R$ 112 million.
In 2006, we expect capex of R$ 180 million, mainly going towards:
— New machinery
— New R&D
— Distribution Center
— IT

The next slide shows annual cash flow.

SLIDE 18 – CASH FLOW CONSOLIDATED FIGURES
Gross cash flow came to R$ 482 million in 2005, 25.1% up on 2004.

After deducting investments in working capital of R$ 35 million and capex of R$ 112 million, free cash flow stood at R$ 336 million, 65.2% up on the year before.

SLIDE 19 – DIVIDENDS AND INTEREST ON CAPITAL
In line with our policy of distributing free cash flow, the Board of Directors approved the payment of dividends and interest on capital equivalent to R$ 3.70 per share.

The Board of Directors approved the splitting of Natura's shares in 1 to 5, so that each one share starts to be represented by five shares beginning March 31, 2006. It aims to allow individual investors to have access to the company's shares lot at R$2.4 thousands, considering the price of R$120.00 per share, instead of disbursing R$12.0 thousands.

Finally, I would like to comment briefly on certain corporate social responsibility aspects.

SLIDE 20 – SOCIAL CORPORATE RESPONSIBILITY
Sales of the Crer para Ver line of products generated R$ 8.9 million. It is worth noting that these revenues come from spontaneous actions of our Consultants.
The Young and Adult Education Program (EJA) exceeded its 2005 target of 50,000 enrolled students, reaching 66,600; and

On the environmental front, our Life Cycle Assessment totaled 10.1 millipoints and refill sales volume stood at 17.4% of the total. The company is continuously reducing the average environmental impact, which is measured by the LCA - Life Cycle Assessment.

That brings us to the conclusion of our presentation and we are now at your disposal for the question and answer session. Thank you all very much.

Q&A Session

Operator: 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, press the pound key.

Operator: Benjamin Abramov of Lusight.

Mr. Benjamin Abramov: Hi guys. First question is one of the pleasant surprises, I guess, over the year has been the growth in the number of consultants. What are you guys doing to attract so many consultants and can you guys keep growing those numbers in the future?

Mr. Alessandro Giuseppe Carlucci: Good morning, is Alessandro speaking. In fact, we didn't change any kind of marketing tool to recruit new consultants compared with the previous year. What we believe that is happening is the fact that our brand continues to be desired and people want to join Natura to sell their products because they like the brand, they believe that we have market to grow so they can generate profit like sellers, like a "consultora" - we call them consultants, so that is why we believe that we are growing but we didn't change anything in our marketing tools to recruit new people.

Mr. Abramov: Do you guys think you can still grow those numbers at least in Brazil at 15% per year?

Mr. Carlucci: We believe that - if I understood - are you asking about our growth?

Mr. Abramov: Yes, of consultants.

Mr. Carlucci: We don't have any reason to believe that we could, we should see a different rate in the next years, even though we have a lot of challenges in the next years and we don't have a guidance to our growth even in the number of new consultants, but there is no reason to believe that we should expect a big change in the rates.

Mr. Abramov: Thank you. My other question is in regards to the average selling price. It hasn't been keeping up with inflation. Is it because of product mix or because you guys have not been raising prices to attract more customers?

Mr. José David Vilela Uba: We - this is David speaking - we have, at least in the last three years, we have adjusted our prices at least according to our internal inflation rate, so we are not having any real decrease in prices, so any change in the average price is due to mix changes in our sales.

Mr. Abramov: All right. Thank you very much.

Mr. Uba: Thank you.

Operator: The next question is from Margaret Kalvar of Harding Loevner Management.

Ms. Margaret Kalvar: Yes, hi. Could you go into a little more detail about the productivity per consultant and whether or not you expect it to continue to grow at the same rate of for its growth to possibly accelerate as new consultants become more seasoned?

Mr. Carlucci: Margaret, what we expect is to maintain the productivity growing in nominal terms, not in real terms, but continue to grow. You know that we have had many new consultants adding our channel, so productivity... is difficult to maintain productivity growing in real terms.

Ms. Kalvar: OK, thank you.

Mr. Carlucci: You are welcome.

Operator: The next question we have comes from José Yordan of UBS.

Mr. José Yordan: Good morning gentlemen. My question is about your working capital. There was a huge difference in the working capital investment from 2004 to 2005 and my question is just if you can help me to understand what the normalized rate of working capital investment is either as a percentage of your sales, or... just help us understand what the... what the level should be going forward on an normalized basis?

Mr. Uba: José, this is David speaking. We had some atypical variations of our working capital during the year of 2005 but at the end of this year we are already back to the normal values for the accounts that add up to the working capital. We should grow the working capital in line with sales, because the main accounts that add up to the working capital are directly linked to sales, like inventory and accounts receivable on the asset side and suppliers on the liabilities side so... and taxes to pay, as well, which are in our case 90% are selling taxes, VAT taxes, so...

Mr. Yordan: And the right base is the 35 million investments in 05? Was that a normalized base to grow it, to grow it on based on your sales growth rate?

Mr. Uba: Yes, from the amount that you are seeing now at the end of 2005 we should grow according to the sales growth for the next years, if I understood your question.

Mr. Yordan: OK, thank you very much.

Operator: The next question we have comes from Lore Serra of Morgan Stanley.

Ms. Lore Serra: Yes, good morning. I am going to ask one question in Brazil and one outside Brazil, so I am going to start with Brazil. You gave some data in your press release that talked about market share of about 21% or 20.6% overall with 33% in cosmetics and fragrances and I know... it's probably not fair to think about or talk about a sort of market share barriers? I assume you think you can continue to take market share, but as you are getting to a pretty high-level of share in places or things like fragrances, as you think about 2006 what are some of the things you can help us understand that would be initiatives for you to drive continued productivity on the sales force side? You had done some things with lower price products, with the aquarela line, I think recently you have done a little bit less of that. Can you give is a flavor or some sense of what some of your initiatives are going to be for 06 to drive continued productivity gains?

Mr. Carlucci: Hi Lore, how are you? Is Alessandro speaking. First of all, we would like to share with you that even though we have 30% in the cosmetics and fragrances categories, if you split those categories - and we don't give those split numbers because is... we don't want to share this part of our strategy with the competitors - but we know that when we split this category that we have different market share between the subcategories included in the cosmetic and the fragrance area. That means for us that we have space to grow, even though we have already 30% of total market share. And what are we planning to do this year? We are planning to continue to innovate in high taxes like you see we have a total innovation index of 70% and we want to maintain high levels of innovation, new products in this category and supported by marketing tools, marketing plans, strong investment in marketing not so different from 2005, but we believe that if we continue to innovate and to support with marketing tools we can still grow, even though we have 30%.

Ms. Serra: Do you... but do you see... do you see a need to think about more affordably price lines in order to expand your target customer base, which I guess was an initiative about a year ago, you seem to have done less of that, or do think you can continue to grow at a sort of more higher-priced product lines?

Mr. Carlucci: OK, I understood your point. No, we don't believe that we need to grow in a specific price point of the market, we believe and we have new products in the high value proposition, in a lower price point of the market, but we are not fixed in one side of the market.

Ms. Serra: OK, let me ask a question outside of Brazil. You announced in your board minutes that you are opening offices in the U.S., U.K. and Russia I guess. And I guess I understand that that is just an initial subsidiary set up, but can you give us a sense, I mean, you are doing it now, I guess, for some reason, so can you give us a sense of how your thinking has evolved in terms of your international strategy?

Mr. Carlucci: OK, you understood well. In fact we decided to open a small company and what are we going to do in those three countries is that we are going to study the market, understand better how is the acceptance of our value proposition by the customers in those countries but today we are only going to study, we don't have a decision to start an operation or other thing in those markets and we selected those three because they are really different, they are important but they are really different, so they are going to help us to understand better the internationalization process in

Natura. Our strategy is still based on opening new markets in Latin America and as you know we started Mexico last year and we are going to open Venezuela and Colombia until 2007 probably and to continue to invest, to build a brand in France and we are now developing a new commercial model in France to increase our volume and to expand our operation in France; even though we are in the middle of developing of this new model that is going to be based on the direct selling supported by the Internet, supported by the flag ship that we already have in France and this is our strategy: focus on Latin America in direct selling and study a new way to develop our business in France.

Ms. Serra: I know you are just starting this study in greater, with a greater emphasis in the U.S., in U.K. and Russia. Do you have a view at this point how long it will take you to assess your potential in those markets?

Mr. Carlucci: I don't know, I don't know, I can't answer your question because it is possible that those studies give us the decision to not go in those markets. We can study for example the U.S. market and decide that we are not going to enter into the market, so it is difficult to say to you when we suppose to start one operation in those markets because we don't know if we are going to really start an operation.

Ms. Serra: OK, thank you.

Mr. Carlucci: You are welcome.

Operator: The next question comes from Mr. Sanchez of Citigroup.

Mr. Celso Sanchez: Hi, good morning, good afternoon actually. I just want to clarify a bit one of the statements made in the press release to see if I understand properly what a renowned trade mark status means. Is that ... what practical implication does that have insofar as it is extended to other sectors beyond the cosmetics industry? Can you help us understand that please?

Mr. Carlucci: Hello Celso, is Alessandro speaking. The high... I don't know how is written in English but the auto-renowned brand that we received in Brazil is like a trademark, that means that no one in Brazil can use the Natura brand independent the category or in the industry that we are talking.

Mr. Sanchez: But you did you not have a trademark already or you had it only for the cosmetics industry before?

Mr. Carlucci: We had only for cosmetics and now we have for all the categories and all the industry in Brazil.

Mr. Sanchez: Does this now then... should we take any message from this that there are other categories that you might be looking to enter sooner rather than later now that you finally achieved this? Were you waiting for this? Was that as a key part of the strategy?

Mr. Alessandro: No, no, this is not a message, is only an effort to be sure that we can protect our brand because we are a very well known brand in Brazil, so it is important for a brand like us to protect, even though we are talking about other industries or categories, but this is not a sign that we want to start in new markets.

Mr. Sanchez: OK, but should you decide to, you now have the ability to ensure that you can use your same brand there obviously, correct?

Mr. Carlucci: Yes, yes.

Mr. Sanchez: Then secondly, can you give us a little bit more... I know there were a couple of questions asked on productivity gains and then you addressed the rate of increase question in terms of the product pricing. Is there a sense that... how you are keeping productivity in line with inflation or in this case at least for this particular quarter by my numbers it grew a little bit in real terms on average for the consultant base. Is it better training or is it more stringent or continue to stringent standards on recruitment? Can you give us a sense for that?

Mr. Uba: Celso, I understand that you are speaking mainly about the last quarter of last year, is last right?

Mr. Sanchez: Correct.

Mr. Uba: Well, I would say that for that particular quarter it is more a matter of the effectiveness of our market strategies and the product... promotions we put in place for the season sales. We would not justify that increase in productivity by a different process of training or better process of training being the same throughout the year. It was more an impact of our marketing strategy for the last quarter.

Mr. Sanchez: OK, and just a follow-up on that same issue, the promotional… you sited in the results promotional impact on the gross margin presumably at net revenue line I imagine, right? And if that is the case, can you give us a sense is that something that you did for competitive reasons? Was there pressure to do that promotion to maintain share or is it something you are just doing to build the brand further?

Mr. Uba: That was not a direct response to any pressure from competitors, I would say that was just a good planning for the last quarter, we... it happened, worked out very well and it was not a response to any initiative from the competitors, we just were very happy to organize our plan for the last quarter. And then for the next year, as Helmut mentioned before, we are expecting productivity in real terms to keep constant in this year, 2006.

Mr. Sanchez: OK, thank you.

Mr. Uba: Thank you.

Operator: The next question we have comes from Robert Ford of Merrill Lynch.

Mr. Robert Ford: Good day everybody. David, I apologize if this is a redundant question, I couldn’t make out your comments, your voice was very muffled unfortunately on my line, but I am trying to establish a level of comfort with respect to the competitive environment and given the strength of the Real I was surprised to see the gross margin decline; given this comparison even though overall SG&A was down I was expecting some operating leverage when it came to selling expenses but that was up as a percentage of sales as well. Can you talk a little bit about competitive environment and what you are seeing in terms of the response from Avon and L'Oreal and possibly others as you take greater market share in Brazil?

Mr. Carlucci: Hi Robert, is Alessandro speaking. You know that this is a repeated question asking us about what can the competitors do against our market share that is growing the last year and of course they are fighting, they want to grow but we are not seeing that they must or they are going to change something in their strategy that could affect in a strong way our business and our goals. So we didn't see any main change in the last year and I don't have reasons to believe that in 2006 we should expect something really different from the competitors. Of course that they are going to fight, they are going to increase their launches but nothing so relevant to mention or to share with you.

Mr. Ford: How do I square that with the gross margin pressure and the higher selling expenses in percentage of sales?

Mr. Carlucci: Could you repeat your question?

Mr. Ford: David, I am trying to, I am still... I totally understand what Alessandro was saying and I think you guys have a tremendous momentum behind the brand, but I am trying to understand how that corresponds with the decline in gross margin given the tremendous strength of the Real year on year and the benefit it had to packaging as well as the higher selling expense. I know you had... there was quite a bit of operating leverage on that fixed component of G&A but your selling expenses as a percentage of sales are higher too, so am trying to get comfortable with the domestic environment and your comments but then you look at the onus within the income statement and it does appear that there might be a little bit of pressure or response to competitor... stepped-up competitor promotions or advertising.

Mr. Uba: OK. I would say that the fact that we lost 0.1% on our gross margin in the last quarter of 2005 was more because of mix, a different mix in our products than on a response to a higher pressure from our competitors. The gain... let me isolate for the fourth quarter. The gain from the valuation of the Real alone would be - let me see here my numbers - would be, combining the valuation of the Real and the increase in domestic prices, would be 0.6% and what we are seeing here is a loss of 0.1%, so what we would have to explain was a difference of 0.7% of net sales, which is a very small variation and it can be totally explained by changes in the mix of products, we have different margins in different categories so some small differences in the mix can explain this 0.5% change in our gross margin.

Mr. Ford: Maybe we could take this out fine David, because my understanding was that 25% of your cost of goods sold was dollar-denominated and I got the Real up 23.6% on average for the fourth quarter, which would suggest to me almost six points of a decline in terms of costs of goods sold; there are timing issues as well, but if you bought it on average in the spot market in the fourth quarter the pure impact of the Real is very big and it would offset quite a bit in terms of packaging but I am sure there were changes in terms of the dollar cost as well.

Mr. Uba: Yes, but you should not forget that some other raw materials that were... are linked to the price of the oil, which increased a lot in 2005, they also have a tremendous impact in our cost of goods sold so that compensated a little bit for the gain in the exchange rate of the Real in 2005. Plastics, for instance, which are large part of our packaging they increased more than the internal inflation in 2005 and again do not forget that we adjust our prices in line with the general price index in Brazil, actually even a little lower than that. So all things together... what we are saying is that for the last quarter we did some changes in the mix and also larger sales of promoted items, that is also true, but the main reason for the change in gross margin comes from the mix in the last quarter of 2005.

Mr. Ford: Great, I understand it and then can you give us some comfort on the selling expense trend?

Mr. Uba: Are you talking about selling expenses?

Mr. Ford: Yes, just selling expenses, not all of SG&A. SG&A as a whole showed some tremendous progress but selling expenses in themselves were up as a percentage of sales.

Mr. Uba: Well, this is... we had an increase for the year of 0.8% and the main reason for that, which are in our comments on the results for the last year are increase in the international expansion effort; as you know, in the new operations we expand the sales force at very high rates in the first years of those operations so that actually increases the sales expenses, the consolidated sales expenses as a percentage of sales. And also we had here in Brazil something which is good news but in fact increase the sales expenses a little bit. We had an improvement in the receipts profile from our consultants, they are paying with less delay and that decreased some revenues from some interest rates. We charge them when they pay out of the proper date, so that decreased those revenues that are being usually... we deduct from the selling expenses so this amount that we deduct from selling expenses actually decreased in 2005 when compared to 2004 so this is a interesting effect, but the net selling expenses increased a little bit because our... the receipt profile for consultants improved in 2005.

Mr. Ford: That is very useful, thank-you David. Further questions if I may and one is what do you expect to happen to the ICMS tax rate for cosmetics in Sao Paulo State? My understanding is that that it is scheduled to return to its prior levels late this year. The other issue is with the trademark that you have obtained. Does it give you any idea to go after Avon and their launch of their copycat product?

Mr. Carlucci: Hi Robert, is Alessandro again. Talking about the ICM, we don't know what is going to happen in the middle of the year. They are going to decide if they are going to maintain some benefits or not or they are going to change, but today we don't have any good information to share with you, so about this we don't have anything to say. And I would like to ask you to repeat the second part, I did not understand.

Mr. Ford: Alessandro, I was talking about the Avon launch of their naturals one, which is a kind of a copycat. I don't know if your brand protection would actually encompass

Avon's naturals, which seem to be a kind of a copycat or a reproduction of some of your existing products.

Mr. Carlucci: Bob, you know that we are one of the companies that use the biodiversity and natural ingredients to add value to our products and we are sure that even though we are one of the first companies that started to use that kind of technology, we are not going to be the only company, so not only Avon, other companies are starting to use this kind of technology and of course that we are worried but I personally don't believe that Avon is going to change their platform, their technology platform to the naturals, I believe that this is one product, this is one action so it is part of the marketing war, so we are taking a look, we are planning some marketing campaigns and launches but I don't believe that we should be really worried because I don't see today that they are changing their technical platform to the naturals - talking about specifically Avon.

Mr. Ford: Great, thank you very much Alessandro.

Mr. Carlucci: You are welcome.

Operator: Our next question is from Ms. Daniela Bretthauer of Banco Santander.

Ms. Daniela Bretthauer: Hi, good afternoon to all. A quick question regarding the increase in capex for 2006. Is there any implication on your dividend payment policy as a result of the higher capex? In 2005 you were able to pay again 80% of the net earnings, but 100% of the free cash. With such higher capex can we assume a reduction in the payout ratio? Can you comment a little bit on that?

Mr. Uba: This is David speaking. I would not expect any change in our dividend policy or in the payout ratio even the payout as compared to the net income. As you see, in 2006 we are increasing our capex in R$70 million, which is still a small portion of the dividend, the total dividends we paid for the exercise of 2005, which is 340 so we are very confident that even with this increase in the capex, our payout ratios should be roughly the same. We'll go on with our policy of paying around 100% of the free cash flow and we do not expect the capex to increase again in 2007 at the same rate it increased in 2006 or it is going to increase in 2006. So even if the dividend, the payout might be slightly smaller in 2006 it should go back to the normal levels in 2007 and even for 2006 this payout, if it decreases, is going to decrease by a very small number. So I wouldn't change the expectation for dividend policies in the short term.

Ms. Bretthauer: When you say capex should go back to normal levels, are you talking about 80 or R$100 million?

Mr. Uba: At this moment I would say it should stay around more a 180 than lower than that for the remaining years. We right now we have identified excellent opportunities of investing a part of our results with very large returns, much higher than our cost of capital, so it should stay around 180 for the remaining years. But we do not expect any dramatic increase as we are seeing in this 2006 exercise.

Ms. Bretthauer: So your guidance is that 2007 beyond we use 180 also for our models? Around 180 or 180 in 2006 was the peak? I am a little confused here.

Mr. Uba: Actually we are not providing any guidance for many years, I am just telling you some expectations we have right now, it is too... we are still too far… 2007 we didn't have our plans for that particular year yet, so what I am saying is that our expectation that we should not have any big increase for the next years after 2006.

Ms. Bretthauer: OK, and just on your pricing. As you mentioned, in 2005, your price was a little lower than inflation. What is the strategy for 2006? Are you... I know that in the beginning of the year is when you carry on your price increase. Can you give us a sense as if you will be in line with inflation, higher or lower, anything on pricing that you can give us in terms of guidance?

Mr. Uba: Well, this in 2006 will be exactly in line with inflation that we had in 2005, so this year will be exactly in line with the general price index for consumer products in the year.

Ms. Bretthauer: OK, thank you and congratulations on the fourth quarter results.

Mr. Uba: Thank you, thank you very much.

Operator: The next question comes from Lore Serra of Morgan Stanley.

Ms. Serra: Yes, I guess I just wanted to get a bit more of your perspective on market growth. In your presentation you have a chart with growth in the target market, 16.6% nominal from 2000/2004, about 7% real. But I guess the data both for 04 and the year to date data you have presented for 05 show that the real growth has been more at a double-digit, 10% to 12%, something like that. As you think about 2006 there's a number of positive indicators we're starting to see: real wages turn positive; a little bit more employment gains; interest rates coming down; obviously that may be less important for you, but in terms of your target market would you expect to see growth continue at this double digit real pace or, as crazy as it sounds, do you think that there are factors that could cause the market growth to accelerate from the level of the last couple of years?

Mr. Uba: Laura, we... you are right, we expect the market to grow between, I would say, 7 and 10% in real terms per year at this moment. We do not have any sign that we should change this perception we have for the current year, for 2006, nor for the next years, so for 2006 we are expecting something below two digits. As we said, we keep our expectation of the target market to grow from 7 to 10 in real terms, not more than that at this moment.

Ms. Serra: What I wanted to understand though, is that just being conservative for planning purposes? Because if I understand the numbers correctly the growth was more like 11% in the first 10 months of 05, if I did the math right and 13% for 04 so, by saying 10, maybe I am grasping at straws here but you are a kind of saying a bit of a deceleration when one might argue for the opposite and maybe that is just conservative given the start of the year.

Mr. Uba: No, we are not just being conservative. We have some signs, we still have to better process those signs and gather some better data to better form our expectation for the year, but we have some evidences that growth in 2006 might be slighter below the one that we saw in 2005. It is... for the moment it is something that we still have to better understand, because we... everybody is expecting a higher growth for the economy as a whole in 2006 and in spite of that our target market might be growing at a slightly lower rate. One explanation we might give right now is that the performance we saw in 2005 was still very highly influenced by the growth of the economy in 2004, which was 5%. So now in 2006 we might be suffering a little bit from the lower growth in the economy in 2005, which is one of the lowest growth in the emerging markets, as you know. So we still have to wait a little bit, but at this moment, by the signs we have, we are not being just conservative, we have some evidence that the market might grow at a lower rate in this year.

Ms. Serra: OK, thank you.

Mr. Uba: Thank you.

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

Mr. Bossert: OK, so we end our conference call. Thank you very much for joining us and I hope joining you in the next conference call at the end of April. Thank you very much. Good day.

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