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**Local Conference Call  
NATURA Int'l  
1st Quarter 2008 Results  
April 25th, 2008**

**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 (1) key on your touch-tone phone; If at any time you would like to remove yourself from the questioning queue, press star (\*) two (2). Ladies and gentlemen again, if you would like to pose a question please press star (\*) one (1). Excuse me; our first question comes from Mr. Ricardo Fernandes with Banco Itaú.

**Mr. Ricardo Fernandes:** Yes, hi everyone. I was just curious to find out if, during the quarter, in terms of sales in the whole market was there anything that you could point out to as different, an anomaly; something that you could say that could explain the, in my opinion, relatively weak results in terms of the top line growth versus the market? Thanks.

**Mr. Alessandro Carlucci:** Hi Ricardo, good morning, this is Alessandro speaking. As we mentioned before, we do not have yet the numbers of the market and usually in the first quarter the market grows a little less than the average of the year. But we do not have the numbers, so it is difficult to say to you how is the performance of the company in terms of market share.

We did not see nothing abnormal in our top sales in this first quarter, so I do not have any formation to you; I think that we should wait for the numbers of the market that probably we are going to receive in a month, so we are going to be able to share with you some better analysis.

**Mr. Fernandes:** Ok. By any chance, do you conduct - I would assume so or hope so - research amongst your own sales people to discuss with them why is it that they sold 9% more in this year than - or nine something - this year than last year?

What are the problems that they saw in trying to sell X, Y, Z product and if so was there anything that you could share with us that may highlight whether it was competition, whether it was lack of products, innovation, it was price, anything that we could grasp that could be related to what seems to me a relatively poor sales result?

**Mr. Carlucci:** Ricardo, you are right that we are always in contact with our sales force; 15 days ago we had some quality research - and this is something common to us - but we did not see a specific point to explain the growth of almost 10%, so I do not have any specific information about the perception of our sales force.

The only thing that I know that they liked a lot this new launch, our launch "Amor America". They liked the fact that we had some advertisement - even though, as I mentioned before, "Amor America" was launched on March 20, so at the end of the first quarter, so the impact is not totally in this quarter. But they were really happy about the launch because it is a launch in the fragrance area and we are very strong in the fragrance business.

So this is the only information that I have to share with you that is relevant, but we are always in contact with our sales force because, as you know, as a direct selling company we have ways to be in contact with the field so if I have something new I can share with you, but nothing special in this first quarter.

**Mr. Fernandes:** Ok and let me just go back and let me ask another question real quick. In first quarter did you implement as in the past practices, when you had less product launches, promotions?

In other words, was the first quarter similar in standard operating procedure as during 2006 and part of 2007, where in light of a lack of truly innovative products you tried to incentivize sales through promotions of products? Or was it a quarter where there were no promotions and maybe that could help explain the slightly lower sales growth?

**Mr. Carlucci:** Ricardo, usually in the first quarter we have what we call activity campaign; it is a way to maintain the activity of our consultants during January, February; it is summer vacation here in Brazil and we did it again this year. So when we talk about promotion efforts I think that we are doing, we did the same thing that we are used to do in the beginning of the year compared with 2007 and 2006.

The only difference that I could share with you that maybe could explain this lower growth compared with the first quarter of last year is the fact that in 2007 we had more important launches - products, new products than we had in the beginning of this year and, as I mentioned before, because "Amor America" started only at the end of the quarter maybe this could explain the relevance of the new launches, in this year they were not so relevant like in 2007. This is the only difference that I can share with you.

**Mr. Fernandes:** Ok, thanks very much.

**Mr. Carlucci:** Thank you.

**Operator:** Excuse me. Ladies and gentlemen, as a reminder, to pose a question please press star (\*) one (1). Excuse me; our next question comes from Mr. Sean Glickenhau from Citigroup.

**Mr. Sean Glickenhau:** Hi gentlemen, how were you? A quick question about productivity, consultants' productivity. Even that going forward we should be seeing an increase in the marketing expenditures as presented earlier, when do you think we will get to a return in positive productivity per average consultant? Is that something more towards the end of the year or further out? And later I will have a question about that margin reaffirmation guidance.

**Mr. José David Uba:** Hi Sean, this is David speaking. We expect the impact of our marketing program starts to show up in the second half of this year, at least strongly in the second half of this year and we will see probably two effects: the first one that we will probably see happening first is the increase in the activity of our consultants, so the number of consultants placing orders in the company should grow as a percentage of total number of consultants in the next quarters and after that effect we should see some recovery of the productivity.

We expect to increase the growth rate of our sales in the next three quarters but with more, with a stronger effect in the two last quarters of the year. But the increase, higher increase in sales will come first from a higher productivity ... I am sorry, higher activity and then from a higher productivity as a second effect.

**Mr. Glickenhau:** Ok great. Regarding the 23% minimum Ebitda margin, I just want to confirm that that was a minimum of 23% in each year? Because the way it was written it was saying 23% for the three-year period; so I just wanted to make sure that we were not expecting that below 23% in 08 and then a higher margin in 09 and 2010?

**Mr. Uba:** No, I am sorry for the confusion that that expression may have created, but we want to ... we mean actually a minimum 23% each year.

**Mr. Glickenhau:** Great and finally you mentioned the market, I think I understood you said the market grew just over 13% and even though you did not have particular market share data yet, but we should be looking that as comparison to your own growth rate? Did I get that correct, or was that a market growth from earlier on for 2007 for example?

**Mr. Uba:** Sean, for this first semester of course we do not have the data from the market yet, but since the market was growing at 13% last year, unless it is growing - this is more or less obvious – but unless it is growing below 9% we actually might lose some small fraction of market share in the first quarter, but we do expect to increase the sales growth in the remaining quarters and our objective here is to increase our market share for the total year.

**Mr. Glickenhau:** Thanks for the clarification guys, take care.

**Mr. Uba:** Thank you.

**Mr. Carlucci:** Thank you, bye-bye.

**Operator:** Ladies and gentlemen, as a reminder, to pose a question please press star (\*) one (1). Our next question comes from Ms. Lore Serra with Morgan Stanley.

**Mr. Geronimo de Guzman:** Hi, this is Geronimo de Guzman from Lore Serra's team. I had a quick question on the total consultants for Brazil. You said it grew 10.9% in the first quarter, but I was looking at it sequentially and I noticed that there was a small, but there was a drop in the number of consultants for the first time.

Well I am not sure, I mean I have not seen that before; so I am just wondering what your take is on this, what could have driven it and if you see this continuing or changing going forward?

**Mr. Carlucci:** Hi Geronimo, this is Alessandro speaking. This 10% rate of growth in the number of consultants should be a little bit higher in the end of this year and mainly because we are implementing the CNO Project in Brazil, we are going to start the implementation in the second part of this year and one of the main effects with this project - or benefit - is the acceleration of the channel growth and because of this in the beginning of this year and in the end of 2007 we stopped to higher new sales promoters, because with the CNO model we do not need so many sales promoters to manage this new program. So we are going to pass probably one or two quarters without the hiring of new sales promoters because we are going to implement the CNO.

So this is a transitory effect, so we believe that we are going to have a better growth in the average of the year when we think about the number of Natura consultants. This is the explanation because we are having a lower growth in the number, in the total number in Brazil.

**Mr. De Guzman:** So just to be clear, in the first quarter the number of reps relatively to the fourth quarter was pretty much flat; do you expect that in the second quarter to be also the case and then increase in later quarters?

**Mr. Carlucci:** No, no. We are going to see - now I understood better - you are comparing the first quarter with the last quarter?

**Mr. De Guzman:** Yes.

**Mr. Carlucci:** No, we are going to see growth in the second quarter, definitely. The fact is not only what I mentioned before, but January and February are months of summer vacation here in Brazil, so the number of new consultants is very low compared with the average of the rest of the year. So we are going to see growth in the next quarters definitely.

**Mr. De Guzman:** Ok.

**Operator:** Ladies and gentlemen, as a reminder, to pose a question please press star (\*) one (1). Again, if you would like to pose a question, please press star (\*) one (1). Ladies and gentlemen, this concludes today's question and answer session. I would like to invite Mr. Carlucci to proceed with his closing statements. Please sir, go ahead.

**Mr. Carlucci:** I would like to thank you all for your time, for your questions. The questions are always very good and I would like to stress again that we are very confident with our strategy, with the plan and we are sure that we are going to start a new growth cycle and reach the guidance that we gave you. Thank you again and have a good day and a good weekend for everyone.

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

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