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Question & Answer Session

Operator: Excuse me, ladies and gentlemen; we will now begin the question and answer session. If you would like to ask a question, please press star (*) one (1). To remove your question from the queue, press star (*) two (2).

Our first question comes from Ms. Andréa Teixeira, with JP Morgan.

Ms. Andréa Teixeira: Good morning, everyone. I would like some clarification on the timing of this new action plan, in terms of margins. If it stays at 23%, which I believe has a lot to do with the scale you mention in the press release, that would give you a productivity gain of 200 basis points in order to finance this marketing increase. I would like to understand when this is going to happen, and if this margin would be flat, though I imagine it would be a curve.

Another thing I would like to point out is the R$400 million increase in marketing investments. How much did marketing represent in SG&A, at least in previous sales expenses, and how much is it going to represent in the near future, with the R$400 million? And I imagine the R$400 million increase is going to happen on a yearly basis, so I would like to confirm that. Thank you very much.

Mr. José Davi Uba: Good morning, Andréa, this is Davi Uba.

Ms. Teixeira: How are you, Davi?

Mr. Uba: I'm fine. Let me explore your question a little bit, and then Alessandro will add to it. Let me try and organize the numbers here; we have two effects from the relative reduction in expenses. The first is a reduction in operating expenses with an impact on cash, a reduction even in variable expenses, due to the increase in productivity, a series of already identified processes, whose planning is already in progress and which we have already started to implement, and we will finish the implementation of these programs throughout the first half of this year.

These measures will result in savings in direct variable expenses, of approximately R$400 million for three years, accumulated throughout three years. These savings are directly linked to increases in marketing investments. What I mean is that the financing of the increase in marketing, which is approximately the same amount, comes from this reduction in operating expenses. At the same time, in terms of our freezing program for the company's overhead—which took force in the beginning of last year and we intend to maintain until the end of 2010—in 2010 we will get an additional effect from a 200 basis-point reduction in this group of expenses related to net revenues.

So these are two slightly different effects: one is associated with variable expenses, and the other is linked to fixed expenses, so the marketing effort in Brazil is linked to the first effort. The second one will allow us to keep the EBITDA margin at around 23%, helping us finance international expansion, which also grew in the period, starting to have a stronger impact in relation to net revenues. But this international expansion will start to be offset by the increasing dilution of fixed costs, which in the future will have a 200 basis-point effect. So…

Ms. Teixeira: Right, just to... I'm sorry, Davi, just to confirm: what I understand from your second statement about the 200 basis-point reduction is that the 23% margin would come back in 2010; that is, in 2008 we would still have an effect from the implementation of this plan, which is a three-year plan; a negative effect, let's say.

Mr. Uba: No.

Ms. Teixeira: Because I imagine, given that you are working with three publicity agencies at the moment, that marketing has a current effect, an effect that will result in a negative impact in 2008, let's say, from a purely financial standpoint. Correct?

Mr. Uba: No. This is not what the plan determines. Even though the effect from the dilution of fixed costs will have its full impact in 2010, it has already started to happen. We had some impact in 2007, and we will have some in 2008, because the figures have been fixed since January 2007. No, what the company is saying here is that this 23% EBITDA margin is a goal for each year, including 2008.

Ms. Teixeira: Okay.

Mr. Uba: So of course this additional investment in marketing amounts to R$400 million, but the annual installments are also increasing, and just like the savings will also grow; the plan determines a balance between these four elements: higher investments in international expansion, higher marketing investments on one the hand, reductions in operating expenses and a dilution of fixed costs on the other, so that each year we can keep the EBITDA margin at around 23%.

Ms. Teixeira: Thank you, I really appreciate this clarification you just made, it really helps. But one of the things that I just wanted to confirm and ask is why have we seen articles in newspapers about you hiring these three agencies, and why would that improve things? I just wanted to understand: the R$400 million increase refers to the next three years? And how much was this level in the past, that is; how much is the delta, what is the increase in marketing expenses?

Mr. Alessandro Carlucci: Hi, Andréa, this is Alessandro speaking. Before anything, I believe it is important to remind you that, having in mind our business model, when we talk about marketing expenses it goes way beyond investments in advertising and communication. Usually, when companies talk about marketing, they mention those a lot. But in our case, an important part of our marketing investments is linked to the training of construction companies, one of the accounts that are going to grow the most in our company in the next few years.

Another important part is the launching of products, the way it is done by our consultants. And yet another important part, although not as significant for retail companies, for example, is advertising. Advertising fits into a context; we are not going to invest these R$400 million in advertising alone. On the contrary, advertising will increase too, but we are going to invest a lot, as I mentioned before, in the quality of our relationship with consultants. In that respect, we have initiatives that we have been mentioning, like Casa Natura, which consists of physical facilities where we are going to meet the consultants. We have the expansion of the *Consultora Natura Orientadora* (CNO - “Counsellor Natura Consultant”) model, which is a way of establishing a closer relationship with them and helping productivity grow; helping to increase and accelerate the channel’s growth. In sum, there are many initiatives. So the R$400 million involves a number of marketing efforts, on advertising and… I am sorry, we do not disclose information on how much of our sales expenses come from marketing efforts, because we think this is a very strategic information and, I repeat, it doesn’t only reflect advertising, but all marketing investments. So, unfortunately, I will not be able to give you this information.

As for the three agencies, we actually believe that by hiring new agencies that will get to know Natura, agencies that have creative competency, we will manage to increase the our communication efficiency. The decision to increase the number of agencies was basically based on the following: having a broader portfolio able to serve the different sub-brands of our company and the main launchings, which was also one of the things we mentioned. Our investments will be focused on the main launchings, and a certain dedication from some agencies and sub-brands would be very helpful in that sphere. So this was the reason why we decided to have more agencies. But the most important thing I have to tell you is that this increase in marketing is not only going to advertising, but also to a series of other initiatives that I have already mentioned.

Ms. Teixeira: Perfect, Alessandro. Could you comment a little bit on the innovation index? We saw a very important and very positive increase in this fourth quarter. Do you think it is consistent, and that it can still have a positive effect throughout the year? Can you give us an idea of what is the target; will it go back to 70%? When do you think you can go back to the 68%, 70% level that you had in 2005? Thanks.

Mr. Carlucci: Look... Andréa, we don’t define or disclose a target for this figure; it is an index, so we do not have a target for 2008, but we have an expectation that it will grow with time. I cannot tell you if 70% is the best figure; I would even tell you that this is not a “the higher, the better” type of index. Reaching 100% is our primary goal because of the fact that eventually we are going to have a big rotation in the portfolio, and some products have a longer life cycle. We do want it to start increasing again, but we do not have a defined target that we believe is ideal for us to reach at the end of the year.

Ms. Teixeira: Perfect, thank you very much, Alessandro.

Mr. Carlucci: No problem, thank you.

Operator: Our next question comes from Ms. Daniela Bretthauer with Goldman Sachs.

Ms. Daniela Bretthauer: Good morning, everyone. Before asking my question, which actually consists of two questions, I want to mention something that is in the release. It says that the EBITDA's minimum level is 23%, it isn't *around* 23%. The release says that a minimum level of 23% is going to be maintained throughout these three years.

Well, my question is wheathre you could comment a little bit on what happened in the fourth quarter, because my perception was that operations in Argentina, Chile, and Peru had already reached a breakeven point and that from then on they would keep improving profitability. What happened in the fourth quarter, which was a different case, and when will they break even? This is the first question.

Mr. Uba: Daniela, I will begin by saying that you are absolutely right, the release does say that 23% is the floor, and the floor is the minimum level, not "around". You are absolutely correct. Just a second and we will go to your second question… First question, actually.

Mr. Carlucci: This is Alessandro. Basically what happened in Latin America, Daniela, is that we were slightly frustrated with the results of our Peruvian operations, and that was basically due to the unfortunate event—it makes me very sad to have to comment on this fact—of the earthquake that happened in Peru. We, our consultants, and the entire country spent two months in a very difficult position, so we lost some results; nothing too concentrated or specific. It doesn't represent a deviation from the structural route; on the contrary, right after that, we did not have anyone else directly involved, thank God. But it did affect our sales results for two or three months, which was a slight frustration. But, to make our Peruvian team proud, we are very, very happy with the results achieved in Peru. In fact, it was actually our first operation to reach the breakeven point, so they are not being linked to this external fatality. That was basically it; there is no structural matter that you should be concerned about.

Ms. Bretthauer: But from now on, for instance, in the first quarter...

Mr. Carlucci: I don't have a forecast to give you, and we do not do this, but the breakeven is a technical breakeven, which has already been reached. We had a 3% negative margin, which represents our mistake in two-month sales due to this fatality. There is no change in our expectations for you to take into consideration. We are very excited about these countries, and we will keep growing; they will generate cash, everything is fine.

Ms. Bretthauer: The second question is: how much was the price increase in March? I mean, what is the forecast for the price increase in March? Can you comment on it already?

Mr. Carlucci: We can comment because it is already published in our cycle-5 magazine. The price increase is a weighted average increase of approximately 4.2%.

Ms. Bretthauer: Okay. Finally, Alessandro, could you give us an update on CNO's strategy? How is the roll-out for that going?

Mr. Carlucci: Yes, I can. Overall, I will tell you what we are going to do: as of the middle of this year, we will begin implementing the *Consultora Natura Orientadora* model in all other Brazilian regions. Today it is concentrated in the Midwest region, it is a pilot we were carrying out there, and from mid-2008 on it will be implemented in all other regions, up to mid-2009. This means that by the end of the first half of 2009, the entire Natura network will be operating with the contribution of CNO consultants.

Ms. Bretthauer: And what about that 7,000 figure you mentioned in the conference yesterday? Is it the approximate number of CNOs you expect to have by the end of 2009?

Mr. Carlucci: That's it, it is an estimate. It may vary, obviously, but 7,000 is the approximate figure.

Ms. Bretthauer: OK, thank you very much.

Mr. Carlucci: Thank you.

Operator: Our next question comes from Mr. Marcel Moraes, with Bradesco Corretora.

Mr. Marcel Moraes: Good morning everyone, Davi, Carlucci. I would like to go back to the EBITDA margin matter. Where does the United States expansion issue come in? I imagine you will have some additional expenditure with this expansion in 2009; is it all addressed by this 23% level?

Mr. Uba: Yes, 23% is the Company's consolidated EBITDA margin and, therefore, after it is accounted for, the efforts we put into the expansion of the United States, Latin America, and France operations—all of the Company's operations are included in this 23% floor, which is also 23% over consolidated net revenue.

Mr. Moraes: You mentioned that investments in internationalization amount to approximately R$90 million this year. Do you have any idea how this could evolve in 2009, due to the expansion in the United States?

Mr. Uba: We have some idea of how this could evolve in certain intervals, but we avoid making forecasts for the long term because international expansion is a very volatile process; it depends on how the new operations are going. When we start an operation in the United States, what we are going to invest in 2009 really depends on the initial results we get there; it will depend a lot on the evolution of our six operations in Latin America. This is why we prefer to define the investments for a twelve-month period only.

Mr. Moraes: But just to try and quantify it somehow, today when you look at the Brazil margin at 26%, and the consolidated margin at 23%, you have 300 basis points being used; how can this grow? Could it be 400 or 500 basis points? Just so I can understand what you are thinking.

Mr. Uba: Our plan determines a gradual increase in the investment's absolute value. Let me put it this way: the value of the investment in international expansion depends, first of all, on the actual chances that are being created, the concrete possibilities that arise as we penetrate the market, recruiting the first consultants, organizing our distribution system, measuring the acceptance of our value proposal to consultants, and the acceptance of the brand's attributes by consumers. This is actually an advantage of direct sales: we can have a gradual progress, focused on certain regions, and measure with great accuracy how the brand is going to be consolidated in that market.

So, in terms of the expansion plans, the more we invest in this process, the more it depends on the reaction of our partners, especially our consultants, throughout the time. This is the first determining factor. The second is a boundary condition established at this 23% floor. The combination of these two elements will define, with time, the progress of the investment. Of course, even with a number of responses from the market, we always have an interval in investments in which we can position ourselves. The response from consumers and consultants does not define the precise amount we are going to invest in the following year; what we are saying is that within an interval in the investment, we are going to position ourselves so as to respect the 23% EBITDA margin floor. This is the rationale.

Mr. Moraes: Understood. Perfect. Thank you.

Mr. Uba: Thank you.

Operator: Ladies and gentlemen, I would like to remind you that if you would like to ask a question, please press star one. Our next question comes from Mr. Ricardo Fernandes, with Banco Itaú.

Mr. Ricardo Fernandes: Good morning. My first question is about what has changed in your figures ever since the end of 2007, because a while ago you said that this increase in marketing is around 25% and will result in a 100 to 200-basis point decrease in the EBITDA margin; that is, a 21% or 22% EBITDA margin. Now you are saying that this number is 23%; I never actually thought that 21% or 22% was a reasonable number—I held on to 23%; and now you are going back to it. I mean, you say one thing a month ago, then something else now, and that is not very good in terms of our trust in the Management, and it doesn't help the share value, don't you agree? That was it.

Mr. Uba: Well...
We talked about the 100 to 200 basis points figure at the end of the third quarter, about five months ago from today, not 30 days, this is my first remark. The

second remark is that the company had already been working on a productivity growth program, and this has been said for a year now. Those who follow us know that it has been a year since we started to make an effort to increase productivity; planning productivity growth. We have concluded this program in the last five months and we have identified real opportunities.

The organization is now committed to reaching these goals, and we are now formalizing this commitment. So, if it is possible to determine what has changed in these five months, it was the conclusion of this plan, the dissemination of the plan within the company, and the fact that the organization is certain that the plan is feasible and will be executed. This is the change that occurred in the period.

Mr. Fernandes: Okay. I follow Natura very closely, and I can tell you that the first time I ever heard about this decrease in margins due to marketing was in the beginning of December, basically. So maybe there has been a communication failure on your side, because I think I do my job reasonably well. The bad thing is that you shouldn't say something like this when in a short period of time… If the study was yet to be completed, because if you look at the share value, it has fallen at an absurd level, in my opinion, which was chiefly due to that, because the market went, "Well, so the company is going to spend a lot more money in marketing but will not earn more, it will actually lose, which means that the competitors will beat the company", so they started to sell. I believe that communication should be a bit more careful. That was my comment, but thank you for clearing it all up in the press release.

The second question was on R&D. I understand that a few years ago one of the initiatives to improve the really innovative products launched was to give out bonuses or compensations to the R&D agency based on the success of the product, not so much on the amount of launchings. I would just like to confirm if there is any incentive of that sort to that team.

Mr. Carlucci: Ricardo, this is Alessandro. There has been no change in our bonus policy for the team involved in product innovation. This team has been encouraged to launch successful, quality products for the last 38 years in the company's history, so there was no change in this policy. What we are announcing now is that we are going to be more focused, reducing the number of launchings and prioritizing the four or five most innovative launchings in the company, be it in terms of selection or marketing investments as a whole.

So, there was no change in the bonus policy for the team that develops these products; what is happening is an adjustment for us to be more focused on the amount and quality of our launchings. When I say quality, obviously I do not mean the products' inherent quality, because that is our company's trademark: all of our products have distinguished quality in all aspects. When I say quality I mean the planning and adequacy of marketing investments to support that launching.

There has indeed been a small change in that sphere, in relation to what we did last year, when we had sparser investments. So this is the change we are announcing, and more than that, we are going to do it and you will see it very soon, I hope, because it would mean that our marketing initiatives are being efficient, and you will feel that as consumers.

Mr. Fernandes: Okay. And just to clear something out in terms of hiring these people—sorry, I forgot the name of the person from J&J—, there is something I read in the paper that has apparently been confirmed: Natura is supposed to look more closely at classes C and C-, developing products for this particular purchasing power segment. Is this the case? How are you going to take care of Natura's image, so that it continues to be a, let's say, premium brand—not as much as an import, but better than its peers?

Mr. Carlucci: Ricardo, it's José Vicente Marino who comes from Jonhson & Johnson to be the Vice-President of marketing and sales. His challenge is not to help us increase and focus our performance in class C, and this is not even our strategy. José Vicente Marino is going to take a job that is being fulfilled by me, actually, which is a fundamental position in our company, especially now that we are going to increase marketing investments. He brings along experience, knowledge, and expertise in managing a company and in our industry. And our strategy is not to concentrate our growth in class C; we do want to grow and gain market share with this class, but our strategy is not divided into social classes. It takes into consideration the categories, the added-value of our brand, defining some different positions in the same categories.

We believe that as long as the customers are willing to pay for Natura's distinguished quality, they should be able to count on two or three value alternatives. When I say value it is not just price points, it is value per se, the amount I receive from customers when I buy a certain product; because we increase their satisfaction.

An example that we have used historically is lipstick. Women in general own lipsticks of different values, because they want different results from each one of them. Natura offers lipstick in a price range of R$8.90 to R$25, so we have prices for everyone. What we are absolutely not going to do is give up the quality and innovation advantages of our products in order to make less expensive products; we are not going to do that. As you properly put it, it would damage the reputation of our brand. That we will never do; what we will have is different value proposals, but always complying with the differentials and attributes of our brand. José Vicente Marino is coming to take over a fundamental position in our company, but not with this specific challenge.

Mr. Fernandes: Great, thank you.

Mr. Carlucci: Thank you.

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

Ms. Juliana Rosembaum: Hi, good morning everyone. I will begin by saying thank you for clarifying that the minimum EBITDA margin is consolidated, because I heard some interpretations in the market that it was the Brazilian margin, which means that it would cause a reduction in the margin, from the 26% level to 23%. So, that was an important clarification.

I would like to explore with you a little bit the reduction in the number of SKUs and how this should be operationalized. I mean, are there going to be fewer launchings or are you going to remove a lot of things from your current mix? And in fact, how is it going to affect the mix, considering the company's margins from now on? Is there any line that should be discontinued, any kind of product? What is the strategic positioning behind this reduction in the number of SKUs? Thank you.

Mr. Carlucci: Juliana, this is Alessandro. Good morning, how are you?

Ms. Rosembaum: Fine.

Mr. Carlucci: We are going to do these two things you mentioned: we are going to have a reduction in the number of existing products and, at the same time, we are going to reduce the number of launchings—otherwise the current reduction would have a topic effect and we would have the same problem next year if we keep launching too many products.

Both things are going to happen and none of them is drastic. In terms of the exclusion of the current SKUs, we are not going to remove any significant products, from a brand-building standpoint. Some products are not so significant from a revenue point of view but are the only ones that represent the consumer's need, and therefore they will be kept. What we are going to do—actually, what we have already done—is to use some filtering criteria, and not only in the economical scope; we have seen that some products are reducing industrial, logistics, and even marketing efficiency because they have relatively low sales. In terms of brand building and satisfying consumer needs, these products can be replaced by others and, therefore, receive small marketing investments.

So there will be no drastic effect on the current mix. The same thing goes for launchings, and even though we will have a reduction in the number of launchings in comparison to the last two years, we will continue to have a large number of launchings. We do not have the figures to tell you, but we have been launching approximately 200 products; this figure will not be reduced to 30, but it will not be maintained. We probably want to go back to the figures we had three years ago, that is, we will continue to be a highly innovative company, with many launchings, but more focused, so that the products launched have a longer life cycle. Based on the two previously-mentioned effects, they are going to get more attention and more marketing investment, so this is our rationale.

Ms. Rosembaum: I was actually trying to quantify how much help we can get in order to maintain the EBITDA margin at 23%. How much is the gross margin going to help?

I imagine that if you had a more significant impact on the reduction in the number of SKUs, you would be able have a great efficiency gain, which would even enable this gross margin gain. So, I am trying to make these two factors compatible. It doesn't have a strong impact, or it could be quantitatively small in terms of number of SKUs, but do you think the impact is disproportionally relevant? Is that it?

Mr. Uba: Juliana, good morning, this is Davi. Let me explore the impact of this reduction, the portfolio refining in gross margin.

Evidently, maybe the most important criterion for you to discontinue a product is the sales performance of the said product, not necessarily in terms of margins. At first, I wouldn't link this reduction in SKUs to any impacts on the margin; that is, the mix of the portfolio margins shouldn't be affected by this reduction, because it will be very much oriented towards sales performance and consumer acceptance of the product, and there is no visible correlation between the margin and the sales volume, so there is no expected effect on the margin.

On the other hand, the portfolio reduction will indeed contribute to the increase in the efficiency of the manufacturing and distribution process—especially distribution—in the physical separation of products and preparation for delivering them to consultants. And even more than that: we will have to buy materials for packaging and raw materials in larger amounts, because now the entire volume is spread over a smaller number of products, resulting in an impact on the manufacturing process. This is one of the many elements that comprise our efficiency gain program, which is part of those R$400 million; it is not the most important element, but it is one of them, and it is indeed going to reflect on the gross margin.

Ms. Rosembaum: All right, perfect. I would also like to talk about the increase in the average term of payment to the consultants. I know that you normally do it, but I believe the impact was a little higher this quarter. I would like to know if you had any kind of good response or any kind of signal that this increase is something that should be adopted in the future, with more consistency, and what impact this could have in terms of sales. Do you really believe this is a good sales leverage?

Mr. Carlucci: Juliana, what we learned is that this initiative brought good results to a group of consultants and was innocuous to another group. What we are planning to do, with a much lower capital cost than this year—even though capital cost is very small for us—is to repeat or use this experience next year, addressing this initiative to those consultants that have more sales leveraging power due to the term offered, as we have already identified.

Ms. Rosembaum: Perfect, thank you very much.

Mr. Carlucci: Thank you.

Operator: Our next question comes from Mr. Valter Bianchi, with Fundamenta.

Mr. Valter Bianchi: Good morning, gentlemen, this is Valter. I would like to get a better understanding of this process of entering the United States market. Last year, you mentioned that the Latin American market had an estimated potential of

US$17 billion. Your intention was to reach a 4% to 5% market share. Nothing was said about the United States' potential, which appears to be a reality for 2009. So, my first question is: what is the potential of the US market, and what market share do you expect to get in that market?

Mr. Carlucci: Valter, this is Alessandro. Since we already have a very solid history in Latin America, with consistent growth in results, we feel comfortable to make this forecast, because we have indicators and certainty that it is possible to do so—not easy, but possible. We are determined to reach this 4.5% market share you mentioned.

As for the US market, where we haven't even started our operations, we are unable to provide as good a guidance as we provide for Latin America, and therefore we are not disclosing this information. What we do want is to have significant business; the American market is very competitive; it is not the kind of market where you can be of little significance, because it requires a considerable effort to enter it. So we want to have an important business over there, but I am unable to tell you a market share percentage or what kind of market we intend to occupy.

Mr. Bianchi: Okay. Could you at least disclose how do you intend to get there? Are you going to have an own-manufacturing operation, or are you going to get remittances from factories in Brazil, or maybe Mexico? Do you already have a design of this model?

Mr. Carlucci: The design of the model... In terms of logistics we already have the design, because we certainly do not foresee having any additional industrial facility to serve the market, which it is going to demand if it is successful. And why don't we need it in the beginning of operations, if it is the case in most of our operations? Because the expansion model thought direct sales consists of gradual growth; it is different from retail, where from one day to another you can be present in 50% of the country, by means of an agreement with great retailers, so it's necessary to have a very vigorous start from a stock and production standpoint. This is not our case. In our case, growth is organic, gradual, so I can start an operation with production in Brazil, and as it grows and brings positive results I will start planning what would be the best location to have production.

The possibility of eventually having a factory in Mexico or in the United States is not ruled out, but this is for the long term.

Mr. Bianchi: All right. My last question is on the announcement you made about the virtual store. What I understand is that the purpose is to serve the market of Brazilians who reside abroad. Please, correct me if I am wrong, and if it is true, do you have any idea of what that market is; what's its size?

Mr. Carlucci: Valter, this is a brand-building strategy, not a business strategy. To be very honest with you, according to some data I verified about six months ago, this market is irrelevant to our businesses. What we want is to offer our products and our brands to people all around the world by means of a low cost initiative, regardless of whether Natura has its own operation there or not. Many Brazilians ask us for that, including people who know us, so it is a marketing, brand-building initiative, not a business unit.

Mr. Bianchi: Perfect. Thank you very much.

Mr. Carlucci: Thank you.

Operator: Our next question comes from Ms. Andréa Teixeira, with JP Morgan.

Ms. Andréa Teixeira: Thanks for taking my second question. Could you tell me a little bit about the foreign exchange effect? I imagine that part of the improvement in the fourth quarter margin was due to a foreign exchange improvement in costs. On the other hand, I know there is also a negative effect possibly on the top line, due to the increase in the competitiveness of imports and so on.

I would like you to give us an idea of how much you think would be embedded in this 23% margin, in terms of foreign exchange perspectives for 2008. The other question is about how much it represents nowadays… I have a vague idea of how much it was last year, but how much does the cost in US dollars represent to you? Thank you.

Mr. Uba: Andréa, this is Davi. Look... The impact of this period's exchange variation on the fourth quarter margin is very small. Answering the last part of your question, currently approximately 20% of our materials are not important, but have some sort of readjustment linked to strong currencies—one part to the US dollar, another to the euro. So if we take only the US dollar, it is still a smaller proportion than that. And remember that all materials represent roughly 80% of our COGS.

So, you can see that the impact of the appreciation of the real and the devaluation of the US dollar versus the real turns out to be relatively small. In this goal of reaching a 23% floor, we are not computing any benefits coming from an eventual appreciation of the real versus the US dollar in this period. This floor does not depend on a later appreciation of the real versus the US dollar, or even a small appreciation versus the euro. In fact, this higher appreciation occurred versus the US dollar, which results in an even smaller impact on costs, because a large portion of our imports and restatements with strong currency are also linked to the euro. I do not know if that was a reasonable answer, or if you still have any doubts.

Ms. Teixeira: No, Davi, it's perfect. As for the second part of my question, have there been any initiatives from other competitors due to the fact that the foreign exchange is more attractive for them to reduce the products, because prices are more competitive? I mean, do you believe that with this price increase you are implementing in March, the competitors will behave in the same way, on average, or will these products be a little bit more competitive, at least in retail?

I know that in terms of direct distribution it is probable that the other competitor will not be willing to give up this margin increase, but what about competitiveness with the retail market? Thank you.

Mr. Carlucci: Andréa, this is Alessandro. Actually, even though imports have been more significant in recent years, due to the devaluation of the US dollar, they still represent a very small portion of our market. So, this is not going to change average prices in the market as a whole; the large players on the Brazilian market are companies located in the country, dealing with local costs, therefore affected by Brazil's inflation.

So, I do not see any material impacts on our increase as a result of this effect you are suggesting, because, I repeat, imports still play a relatively small role in our market, so we are not concerned in this sense.

Ms. Teixeira: Okay. perfect, Alessandro. Thank you very much.

Mr. Carlucci: Thank you.

Operator: This concludes the question and answer session. I would like to turn the floor over to Mr. Carlucci for his final considerations.

Mr. Carlucci: I would like to thank you all for your attendance and questions, and for following our company. I would also like to reinforce that we are very excited to keep growing in Latin America, preparing this plan for the United States, and resuming a growth cycle in Brazil, maintaining good profitability in the company as a whole. Have a great weekend and thank you for the time you dedicated to Natura.

Operator: That concludes Natura's conference call. Thank you for participating, and have a wonderful day. Thank you.