São Paulo, Brazil, February 18, 2009 - Natura Cosméticos S.A. (São Paulo Securities, Commodities and Futures Exchange – BM&FBovespa: NATU3) announces today its results for the fourth quarter of 2008 (4Q08) and the year 2008. The financial and operating information included in this report, except where otherwise indicated, is presented on a **consolidated basis**.

> CHANGES TO THE BRAZILIAN CORPORATE LAW

On December 28, 2007, **Law 11,638** was enacted, and in December 4, 2008 the Provisional Measure – MP 449 was edited, changing and adding new provisions to the Brazilian Corporate Law (Law 6,404, of December 15, 1976).

The main objective of the change was to update the Brazilian Corporate Law to converge the accounting practices adopted in Brazil with those of international standards.

The comments and *pro-forma* financial statements contained herein are presented in accordance with Law 6,404, for better comparison purposes, **and do not take into consideration the changes implemented by Law 11,638, unless otherwise indicated**. The effects of Law 11,638 are presented at the end of this document.

Our comments and *pro-forma* financial statements will be presented in compliance with Law 11,638 beginning on Jan. 1, 2009.

> SUMMARY

Natura posted strong results in 2008, reflecting the effectiveness of its action plan, as announced earlier in the year. Consolidated net revenue in 2008 rose 17.7% to R$3,618.0 million. Net income increased by 17.3% to R$542.2 million, while EBITDA rose 22.5% to R$859.9 million versus the prior year, with a margin of 23.8% (22.8% in 2007) – exceeding the guidance of at least 23.0%, disclosed early in 2008, and which remains for 2009 and 2010.

Natura ended the year with cash balance of R$350.5 and net debt of 0.11x the EBITDA in 2008. It is worth noting that our Treasury maintains a foreign exchange hedging policy, limiting the financial and operating exposure to safe standards, and does not engage in speculative derivative operations.

Our commitment to sustainable development has also generated important results. The sales of products related to the *Programa Crer para Ver*[1] rose 50%, generating a net result of R$3.8 million, which will be invested to enhance public education in Brazil. Focused on implementing more efficient processes, Natura has advanced in its goal to reduce its GHG[2] relative emissions by 33% within five years, by 2011. In 2008, it reduced relative emissions by 3.0%, representing 9.0% in two years.

As previously announced, our action plan, which comprises additional marketing investments of R$400 million to the period of 2008-2010, began to show its first results in the second half of 2008, when net revenue in Brazil increased 20.7%, compared to 11.1% in the first half. The rationale behind the plan was in one hand to improve and increase investments in marketing to accelerate our growth in sales, financed by gains in productivity, and on the other hand to strengthen our culture, the commitment to sustainability and promote a evolution in our organizational model.

The key points supporting the plan are:

- Focus on product innovation;
- Innovate our commercial model, aiming to strengthen our relationship with our sales consultants and increase their productivity;
- Invest more and better to improve communication and marketing efficiency;
- Implement the business process management culture, serving Business and Regional Units, in order to increase the company's efficiency;
- Enhance our corporate culture by investing in the development of leadership that follows our values;
- Improve the quality of our relationships.

Improvements in our commercial model include the implementation of the *Super Consultant* (CNO in Portuguese) project, reaching six thousand CNO's at the end of 2008, corresponding to 65% of the total, and that should be completed during the first half of 2009, with approximately nine thousand CNO's. With the objective of strengthening our relationship with our consultants, the project has already contributed to a growth of 15.5% in the Brazilian channel. We will fortify this link by opening the *Casas Natura*, relationship and training centers.

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[1] Natura's *Crer Para Ver Program* invests in projects that promote improvements in Brazil's public education using funds from sales.
[2] Greenhouse Gases

Managing our product portfolio was also essential. We began by reducing the number of items from 930 to 739, focusing efforts on the most relevant ones. We believe this is a way to rationalize costs and improve focus on management, which maximizes the results of communication and training of consultants, generating benefits for the final consumer. We applied the same strategy in developing new products, as to concentrate our strength in projects that are capable of delivering important commercial impacts. The strength of this creative capacity may be evidenced through our innovation index[3], which increased from 56.8% in 2007 to 67.5% in December 2008. We focused our investments on four launches – the product lines *Naturé*, *Tododia*, *Amor América* and the anti-wrinkle *Chronos Politensor de Soja* - whose sales exceed our expectations.

In order to provide support to all initiatives, in addition to the increased brand exposure, we increased our additional marketing expenditures by R$88.0 million in 2008, funded by productivity gains in the amount of R$93.8 million in the year. This gain resulted from more efficient management of the product loss prevention process, gains in manufacturing and raw material costs, a reduction in the sales catalogue cost, and an increase in the share of our consultants' orders placed via the Internet. These investments aim to increase our market strength and reduce the share of promotions and discounts in our marketing strategy.

Throughout 2008, we implemented a corporate model based on process management serving Business and Regional Units. This new model promotes a closer management of our consultants and consumers, decentralizes decision-making, and increases company efficiency with fewer levels of hierarchy. The Business Units are responsible for product development as well as for the management and results of brands and categories, interacting with Regional Units that are responsible for consultant relationships, sales management and local results.

We began a structured process to strengthen our corporate culture, reaffirming the values and beliefs of the Company, because we believe that this is the main differentiation of our organization and backbone of our actions. Accordingly, the development of engaged leaders and management model consistent with our essence are fundamental to our evolution.

Aiming to provide transparency to our governance system and room for Natura's stakeholders to actively follow our management, we also started a systematic process of stakeholder engagement in 2008, which will improve the quality of all of our relationships.

[3] Innovation index: share of the sale of new products launched in the last 24 months.

INTERNATIONAL OPERATIONS

We maintained our investments in expansion in other Latin American countries, where business is still growing above 50% in local currency, with market share gains, positioning Natura as one of the major direct sales companies in the markets where it operates.

For operations under consolidation (Argentina, Chile and Peru), net revenue grew 39.6% year-on-year in local weighted currency in 2008, while EBITDA remained virtually at breakeven. The sales channel is still growing consistently, with expansion of 30% in the year, totaling 90.0 thousand consultants.

Operations under implementation (Mexico, Colombia and Venezuela), which are still undergoing investments and channel building, posted a net revenue increase of 113.0%, and closed the year with 28.2 thousand consultants.

We remain enthusiastic about our growth opportunities in the region, given the sound acceptance of our value proposition and adherence to the direct sales model. We believe the brand's international expansion as a globally-known brand is still an important growth driver.

CONFIDENCE IN TIMES OF CRISIS

The journey we started in 2008 has already proven itself to be the right way and we will continue to proceed on the same path. The sound performance of our plan to regain growth and the evolution of our management model are our primary objectives. When we reach these goals, we will be prepared for a new expansion cycle, as an increasingly innovative and productive company, that is adjusted to the challenges of its time.

Amid an international financial crisis, which, in one way or another, will impact several sectors of the economy, we have reason to be confident given our solid fundamentals, as follows:

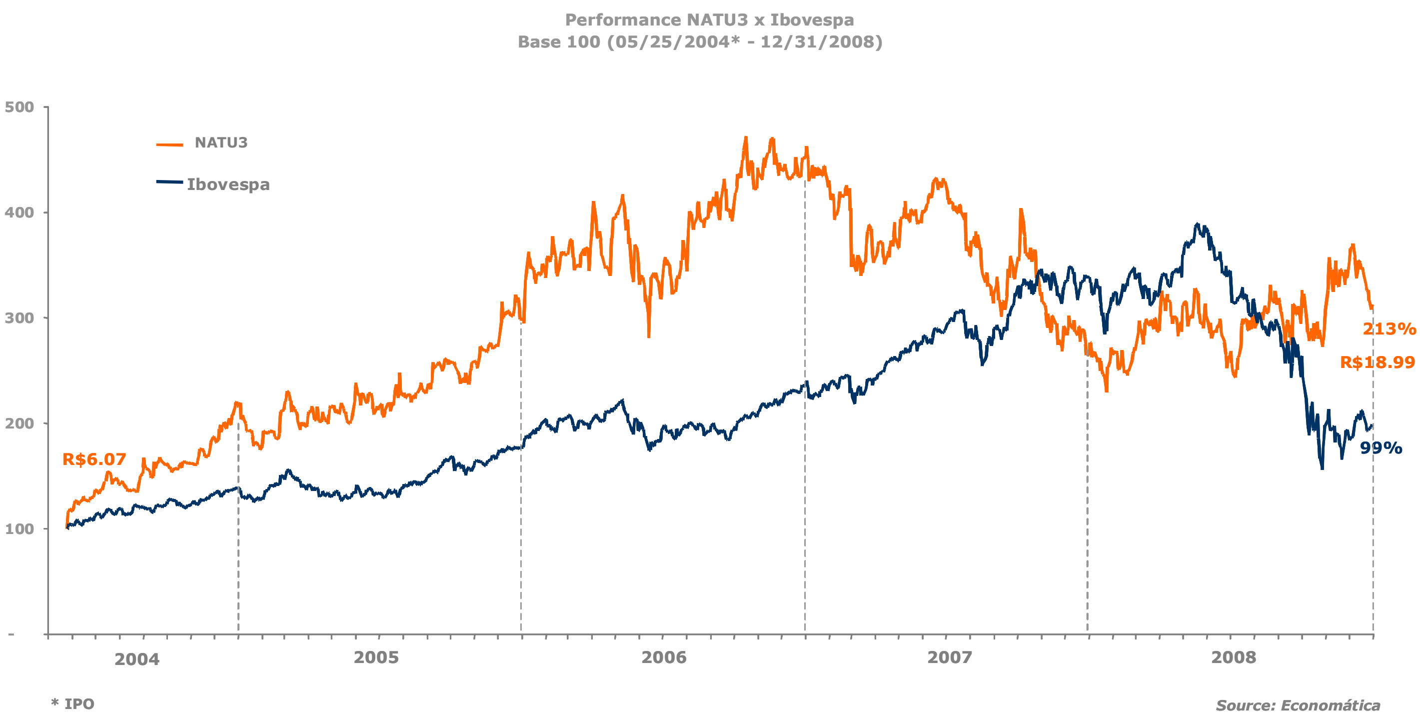
- Brazil, our main market, should be less affected by the crisis;
- We are the market leader, counting on an admired brand and consumer preference – in 2008, we increased our share from 42% to 47% in consumers' preference, while the second place decreased its share from 18% to 16%;
- Low debt and growing capacity to generate cash, allowing for continuous business expansion;
- Business model based on direct sales, not relying on credit;
- Focus on the personal hygiene, fragrances and cosmetics market, which has historically remained defensive during slow economic cycles;

Additionally, we identify an opportunity for companies such as ours, with a proposed value based on sustainable development where environmental challenges are catalysts for innovation and value creator to all stakeholders, highly appropriate to changing global economic scenario. We continue to execute our action plan, with a management that is prepared and motivated to overcome the challenges ahead in an innovative way.

> CAPITAL MARKETS

As of the end of 2008 Natura's shares (NATU3) traded on the BM&FBOVESPA had appreciated 213% since its IPO, versus an Ibovespa appreciation of 99% in the period. During 2008 our share price appreciated 18.0%, despite the Ibovespa's depreciation of 41.2% in the same period.

Below is NATU3's graph of performance from the IPO to the end of 2008.



> COSMETICS, FRAGRANCES, AND PERSONAL HYGIENE SECTOR IN BRAZIL

According to data by the Brazilian Personal Hygiene and Cosmetics Industry Association (Sipatesp/Abihpec), the growth of our target market[4] for cosmetics, fragrances, and personal hygiene products in Brazil came to 24.6% between September and October 2008 when compared to the same period in 2007. Discounting the period's CPI[5], growth stood at 17.1% in real terms.

In the first 10 months of 2008, the nominal year on year growth of the target market was 16.3%. In real terms, excluding the CPI in the period, growth was 9.3%.

The table below shows the breakdown of the target market in two segments — cosmetics & fragrances and personal hygiene — as well as Natura's market share in these segments. The Company posted a market share reduction of 50 basis points in the target market, going from 21.9% in 10M07 to 21.3% in 10M08.

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

	Core Market (R$ million)			Market Share - Natura (%)		
	10M08	**10M07**	**Change %**	**10M08**	**10M07**	**Var. pp**
Cosmetics and Fragrances	5,583.3	4,741.0	17.8%	33.1%	34.6%	(1.5)
Personal Hygiene	6,405.4	5,563.2	15.1%	11.1%	11.0%	0.1
Total	**11,988.7**	**10,304.2**	**16.3%**	**21.3%**	**21.9%**	**(0.5)**

Source: Sipatesp / Abihpec.

The direct selling segment has also continued to expand in Brazil, with transactions totaling R$18.5 billion in 2008, up 14.1% on the previous year. The segment has currently two million active resellers, forming a sales channel 7.2% larger than the year before, according to data by the Brazilian Association of Direct Selling Companies (ABEVD)

[4] Target Markets: Skin Care, Sunscreen, Make-up, Perfumes, Fragrances, Hair Care, Shaving Cream and Deodorant. It does not include Diapers, Nail Polish, Sanitary Napkins, Hair Dye and Oral Hygiene products.
[5] IPCA of 6.41% in the period

> BRAZILIAN OPERATION – Pro-Forma Statement of Income

> Financial Highlights - Brazil (R$ million)

	4Q08	4Q07	Change %	12M08	12M07	Change %
Total Consultants - end of period* (in thousand)	730.6	632.4	15.5	730.6	632.4	15.5
Unit sold – items for resale (in million)	93.0	77.5	20.0	299.1	265.9	12.5
Gross Revenues	1,451.4	1,256.4	15.5	4,642.0	4,115.9	12.8
Net Revenues	1,073.3	893.5	20.1	3,405.3	2,926.9	16.3
Gross Profit	722.8	605.5	19.4	2,332.1	1,987.9	17.3
Gross Margin (%)	*67.3%*	*67.8%*	*-0.4 pp*	*68.5%*	*67.9%*	*0.6 pp*
Sales Expenses	340.5	284.4	19.8	1107.8	922.7	20.1
Administrative Expenses	118.4	117.3	1.0	394.1	371.5	6.1
Management compensation	4.1	2.2	89.8	13.9	9.5	45.2
Others (Income) / Expenses, net	(0.4)	4.4	-	(31.3)	(3.4)	818.1
Financial Income, net	(14.3)	0.4	-	(11.2)	9.6	-
Operating Profit	274.4	196.9	39.4	858.9	678.0	26.7
Net Income	190.2	155.3	22.5	628.0	527.8	19.0
EBITDA	280.1	217.3	28.9	929.6	759.9	22.3
EBITDA Margin (%)	26.1%	24.3%	*1.8 pp*	27.3%	26.0%	*1.3 pp*

(*) Number of consultants by the end of the cycle 17 of sales

Net revenue from the Brazilian operation totaled R$1,073.3 million in 4Q08 versus R$893.5 million in 4Q07, up 20.1%. This increase results from the excellent execution of Natura's action plan. The difference between the growth of gross revenues and net revenues was once again driven by the positive effect of reduced tax expenses due to changes to the tax replacement mechanisms for the Cosmetics and Hygiene sector in some states, and the decentralized distribution.

In 2008, **net revenue from the Brazilian operation** came to R$3,405.3 million, up 16.3% compared to 2007 (R$2,926.9 million).

Cost of goods sold (COGS) as a percentage of net revenue went from 32.2% in 4Q07 to 32.7% in 4Q08. This increase was mainly driven by the price adjustment in a few product lines and the depreciation of the Brazilian Real versus the US dollar, the latter offset by the positive effect of hedging operations in the financial result. These impacts were partially offset by improved product loss prevention and a lower average tax rate on sales.

In 2008, **Cost of Goods Sold** fell from 32.1% of net revenue in 2007 to 31.5%. This reduction, and subsequent gross margin increase, resulted mainly from the following: (i) improved manufacturing cost management (material and expenditures); (ii) lower level of promotions; (iii) rationalization of the product loss prevention process; and (iv) positive tax effect, as already mentioned above. These gains were partially offset by a greater share of sales of supporting material, that have lower margins than regular products, and by the price adjustment in a few product lines.

Selling expenses as a percentage of net revenue remained stable at 31.7% in 4Q08, versus 31.8% in 4Q07. Additional expenses related to the roll-out of the CNO[6] program, and the regionalization of the commercial area were offset by a more efficient collection management and by productivity gains in the processing of sales orders by our consultants.

In the 12 month period, **selling expenses** as a percentage of net revenues rose 100 basis points, from 31.5% in 2007 to 32.5% in 2008, as a result of our program for greater investment in marketing, mainly allocated in advertising, events, training and product experimentation. This increase was partially offset by efficiency gains in customer service, and by the reduction in Natura's unitary catalogue costs.

Administrative expenses as a percentage of net revenues posted a reduction of 210 basis points, from 13.1% in 4Q07 to 11.0% in 4Q08. This reduction was due mainly to the following: (i) provision for civil lawsuits in 4Q07; (ii) end of the *CPMF* tax; and (ii) lower project expenses. These gains were partially offset by a greater provision for profit sharing related to results in 2008, reflecting changes in our variable compensation model, which makes more of our compensation tied to performance.

In 2008, **administrative expenses** as a percentage of net revenue also declined to 11.6%, versus 12.7% in 2007, basically due to the same factors mentioned above.

[6] Advising Natura Consultant (*Consultora Natura Orientadora*)

Other operating revenues and expenses in 2008 were impacted by a gain of R$30.9 million in 2Q08, due to untimely *PIS* and *COFINS* tax credits over the company's freight expenses.

EBITDA from the Brazilian operation totaled R$280.1 million in 4Q08 versus R$217.3 million in 4Q07, up 28.9%. The EBITDA margin grew from 24.3% in 4Q07 to 26.1% in 4Q08.

In 2008, **EBITDA** from the Brazilian operation totaled R$929.6 million, representing a growth of 22.3% versus 2007 (R$759.9 million), while the EBITDA margin rose from 26.0% in 2007 to 27.3% in 2008.

At the end of 2008, we counted on 730.6 thousand consultants in the Brazilian operation, a year-on-year increase of 15.5%, showing the first results of the CNO project, which already sums over 6,000 Super Consultants. Meanwhile, the average productivity per active consultant in this quarter decreased 0.5%, from an average R$3,530.00 in 4Q07 to R$5,511.00 in 4Q08. In the 12 months ended Dec. 31, 2008, productivity decreased 0.5% to R$12,126.00 from R$12,188.00 in 2007.

> INTERNATIONAL OPERATIONS

> Financial Highlights - International Operations (R$ million)

	4Q08	4Q07	Change %	12M08	12M07	Change %
Total Consultants - end of period* (in thousand)	118.9	86.2	37.9	118.9	86.2	37.9
Unit sold – items for resale (in million)	6.5	4.9	31.1	23.0	16.2	42.2
Gross Revenues	92.1	56.2	63.8	270.2	185.7	45.5
Net Revenues	72.5	44.3	63.6	212.7	145.8	45.9
Gross Profit	44.2	27.0	64.0	131.3	92.5	41.9
Gross Margin (%)	*61.0%*	*60.9%*	*0.2 pp*	*61.7%*	*63.5%*	*-1.7 pp*
Sales Expenses	47.2	32.6	44.9	151.5	110.5	37.1
Administrative Expenses	25.0	11.9	110.4	65.5	34.7	88.9
Financial Income, net	4.4	(0.2)	-	6.2	(0.2)	-
Operating Profit	(32.3)	(17.3)	87.1	(91.8)	(52.5)	75.0
Net Income	(34.0)	(18.3)	86.3	(98.3)	(57.3)	71.6
EBITDA	(26.9)	(16.4)	63.9	(82.2)	(49.5)	65.9
EBITDA Margin (%)	-37.2%	-37.1%	*-0.1 pp*	-38.6%	-34.0%	*-4.7 pp*

(*) Number of consultants by the end of the cycle 17 of sales

As of 1Q08, we have begun presenting pro-forma results from international operations with a breakdown of results between LATAM[7] operations and other markets. Within the LATAM operation, we highlight two blocs of operation: one bloc, under consolidation (Argentina, Chile, and Peru) and another under implementation (Mexico, Colombia, and Venezuela).

The **net revenue** growth in weighted local currency was 43.5% (63.5% in reais) in 4Q08 versus 4Q07. In 2008, this growth came to 50.9% year-on-year (45.9% in reais), therefore rising as a percentage of total net revenues to 5.9% versus 4.7% in 2007.

[7] LATAM: Latin America excluding Brazil

Investments in international operations, represented by negative **EBITDA,** totaled R$26.9 million in 4Q08 versus R$16.4 million in 4Q07. In 2008, this investment totaled R$82.2 million.

The number of consultants in international operations reached 118.9 thousand[8] at the end of 2008, up 37.9% versus 2007, which corroborates the strength and potential of the Natura brand outside Brazil.

>> LATIN AMERICA (LATAM)[9]- Pro-Forma Statements of Income

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

	4Q08	4Q07	Change %	12M08	12M07	Change %
Total Consultants - end of period* (in thousand)	90.0	69.4	29.6	90.0	69.4	29.6
Unit sold – items for resale (in million)	4.9	4.3	15.8	17.9	14.2	25.9
Gross Revenues	72.8	46.2	57.5	214.7	157.4	36.4
Net Revenues	55.6	35.6	56.3	164.4	121.2	35.7
Gross Profit	33.7	21.2	59.1	101.5	76.3	33.1
Gross Margin (%)	*60.6%*	*59.5%*	*1.1 pp*	*61.8%*	*62.9%*	*-1.2 pp*
Sales Expenses	27.0	19.3	40.2	85.0	65.6	29.7
Administrative Expenses	6.6	5.2	28.4	19.6	17.0	15.6
Financial Income, net	4.3	(0.2)	-	5.9	(0.1)	-
Operating Profit	(4.3)	(3.1)	39.8	(9.0)	(6.2)	44.9
Net Income	(5.4)	(3.7)	44.8	(13.3)	(9.7)	36.6
EBITDA	0.6	(2.9)	(120.9)	(1.4)	(5.1)	(72.3)
EBITDA Margin (%)	1.1%	-8.0%	*9.1 pp*	-0.9%	-4.2%	*3.3 pp*

(*) Number of consultants by the end of the cycle 17 of sales

Net revenues from **<u>operations under consolidation</u>** (Argentina, Chile, and Peru) stood at R$55.6 million in 4Q08, posting a weighted growth of 34.7% in local currency (55.7% in Brazilian reais) versus 4Q07. In 2008, these operations posted net revenues of

[8] Position at the end of Cycle 17
[9] LATAM: Latin America excluding Brazil

R$164.4 million, representing a weighted growth of 39.6% in local currency (35.6% in Brazilian reais) compared to the previous year.

EBITDA from these operations was again near breakeven in 4Q08, at positive R$0.6 million, versus a negative R$2.9 million in 4Q07. In 2008, EBITDA was also virtually at breakeven (negative R$1.4 million), with a significantly better margin that improved from -4.2% to -0.9% when compared to 2007. It is worth mentioning that the higher gross profit from these operations was allocated to additional marketing expenses and to expansion of the sales channel.

The total number of consultants in these operations reached 90.0 thousand at the end of the year, a substantial year-on-year growth of 29.6%.

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

	4Q08	4Q07	Change %	12M08	12M07	Change %
Total Consultants - end of period* (in thousand)	28.2	16.4	72.1	28.2	16.4	72.1
Unit sold – items for resale (in million)	1.5	0.6	137.1	5.0	1.8	170.3
Gross Revenues	17.1	8.5	100.1	50.4	24.8	102.9
Net Revenues	15.0	7.5	100.7	44.0	21.7	102.8
Gross Profit	9.2	5.1	80.6	26.5	14.3	85.7
Gross Margin (%)	*61.5%*	*68.3%*	*-6.8 pp*	*60.3%*	*65.9%*	*-5.5 pp*
Sales Expenses	15.1	9.8	54.5	50.4	33.3	51.3
Administrative Expenses	5.1	2.6	100.2	14.7	9.8	50.0
Financial Income, net	0.1	(0.0)	-	0.3	(0.2)	-
Operating Profit	(11.1)	(7.2)	53.9	(38.8)	(28.6)	35.5
Net Income	(11.7)	(7.5)	55.2	(40.8)	(29.8)	37.0
EBITDA	(11.0)	(7.0)	56.8	(37.9)	(28.0)	35.7
EBITDA Margin (%)	-73.1%	-93.5%	*20.5 pp*	-86.2%	-128.8%	*42.6 pp*

(*) Number of consultants by the end of the cycle 17 of sales

With regard to **operations under implementation** (Mexico, Venezuela, and Colombia), net revenues reached R$15.0 million in 4Q08 versus R$7.5 million in the same period of 2007. In 2008, net revenues from these operations amounted to R$44.0 million versus R$21.7 million in 2007. The total number of consultants in these operations reached 28.2 thousand at the end of the year.

Other markets in which we operate (France and the United States[10]) posted operating losses (EBTIDA) of R$16.6 million in 4Q08, versus R$6.6 million in 4Q07, driven by the French results, which are still negative, and by expenses related to the analysis and planning of the United States operation. In 2008, this loss totaled R$42.8 million, due to the same abovementioned reasons.

> CONSOLIDATED RESULTS

>> CONSOLIDATED FINANCIAL SUMMARY – *Pro-Forma*

> Consolidated Financial Summary (R$ million)

	4Q08	4Q07	Change %	12M08	12M07	Change %
Gross Revenues	1,543.5	1,312.6	17.6	4,912.2	4,301.6	14.2
Net Revenues	1,145.8	937.8	22.2	3,618.0	3,072.7	17.7
Gross Profit	767.0	632.5	21.3	2,463.4	2,080.4	18.4
Gross Margin (%)	*66.9%*	*67.4%*	*-0.5 pp*	*68.1%*	*67.7%*	*0.4 pp*
Operating Profit	248.5	178.1	39.5	779.5	617.3	26.3
EBITDA*	259.6	199.4	30.2	859.9	702.0	22.5
EBITDA Margin (%)	*22.7%*	*21.3%*	*1.4 pp*	*23.8%*	*22.8%*	*0.9 pp*
Net Income	162.6	135.6	20.0	542.2	462.3	17.3
Net Margin (%)	*14.2%*	*14.5%*	*-0.3 pp*	*15.0%*	*15.0%*	*-0.1 pp*
Total Consultants - end of period** (in thousand)	849.5	718.6	18.2	849.5	718.6	18.2

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

(**) Positon at the end of the 17th sales cycle in Brazil and the 17th sales cycle in International Operations.

Consolidated net revenues reached R$1,145.8 million in 4Q08, up 22.2% from 4Q07 (R$937.8 million). In 2008, **consolidated net revenues** amounted to R$3,618.0 million, 17.7% above 2007 (R$3,072.7 million).

[10] Expenses related to feasibility studies. The USA operation was postponed for an indeterminate period of time.

The **Cost of Goods Sold** (COGS) increased from 32.6% of net revenues in 4Q07 to 33.1% in 4Q08. The lower consolidated gross margin was influenced by the price adjustment in a few product lines, and by the depreciation of the Brazilian Real against the US dollar, the latter offset by the positive effect of hedging operations in the financial result.

In the year, the **Cost of Goods Sold** (COGS) fell as a percentage of sales from 32.3% in 2007 to 31.9% in 2008 due mainly to improved manufacturing cost management, lower rates of product loss and promotions, and a lower average tax rate in the Brazilian operation.

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

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

	4Q08	4Q07	12M08	12M07
RM/PM*	27.6	26.2	25.8	25.4
Labor	2.5	2.5	2.7	2.8
Depreciation	1.1	1.1	1.2	1.2
Others	1.9	2.8	2.2	2.9
Total	**33.1**	**32.6**	**31.9**	**32.3**

(*) Raw material and packaging material

Selling expenses as a percentage of net revenue remained stable at 33.8% in 4Q08 and 4Q07. This increase is basically a result of the sales channel expansion in international operations and the regionalization process of the Brazilian commercial area. These expenses were partially offset by productivity gains in Brazilian customer service ad by the reduction in Natura's unitary catalogue costs.

In 2008, **selling expenses** as a percentage of net revenue increased from 33.6% to 34.8% year-on-year, due to higher marketing expenses in Brazil, as planned and previously disclosed in our action plan, as well as to the strong sales channel growth in international operations.

Administrative expenses, as a percentage of net revenues, decreased by 130 basis points, from 13.8% in 4Q07 to 12.5% in 4Q08. This reduction, a result mainly of events in the Brazilian operation, was partially offset by higher expenses in the international operations, which include the feasibility studies and planning of the US operation and a greater provision for profit sharing related to 2008 results.

In the year, **administrative expenses** as a percentage of net revenue decreased from 13.2% in 2007 to 12.7% in 2008, basically due to the same abovementioned factors.

Consolidated **EBITDA** totaled R$259.6 million in 4Q08, compared to R$199.4 million in 4Q07, a growth of 30.2%. EBITDA margin expanded from 21.3% in 4Q07 to 22.7% in 4Q08.

In 2008, **EBITDA** reached R$859.9 million, up 22.5% from the R$702.0 million recorded in 2007. The margin was above the minimum established by our guidance for the three-year period 2008-2010, at 23.8% in the year.

The chart below shows the breakdown of consolidated EBITDA per bloc of operations:

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

	4Q08	4Q07	Change %	12M08	12M07	Change %
Brazil	280.1	217.3	28.9	929.6	759.9	22.3
Argentina, Chile and Peru	0.6	(2.9)	(120.9)	(1.4)	(5.1)	(72.3)
Mexico, Venezuela and Colombia	(11.0)	(7.0)	56.8	(37.9)	(28.0)	35.7
France and USA	(16.6)	(6.6)	151.3	(42.8)	(16.5)	159.5
Effects of exchanges variation on translation of foreign investments	6.4	(1.4)	n/a	12.5	(8.3)	n/a
Total	**259.6**	**199.4**	**30.2**	**859.9**	**702.0**	**22.5**

Natura's risk management policy is to maintain its projected results, during periods of six months or longer periods, as independent as possible from exchange rate variations. Our protection model, which takes into accounts exchange variations in the purchase of raw materials, external investments and in the balance of other currencies, had a positive effect on our **net financial result** in 4Q08 and in 2008.

Consolidated net income totaled R$162.6 million in 4Q08 versus R$135.6 million in 4Q07, an increase of 20.0%.

The lower net income growth rate as compared to EBITDA in 4Q08 was due mainly to higher income tax expenses, affected by the method of calculating linearly the actual annual rate, which was greater than planned.

In the year, **consolidated net income**, totaled R$542.2 million, versus R$462.3 million in 2007, representing a growth of 17.3%, and net margin of 15.0% in both years.

Greater income tax expenses in 2008 were due mainly to the following: (i) no interest on equity was declared; (ii) increase in loss from subsidiaries in relation to pre-tax income; and (ii) smaller impact of the reversal of provision for goodwill.

> INCOME RECONCILIATION – LAW 6,440 TO LAW 11,638

Next, we present a consolidated EBITDA reconciliation comparing the calculation according to Law 6,404 and the new Law 11,638:

> EBITDA reconciliation - Consolidated (R$ million)

	12M08	12M07	Change R$MM
EBITDA (in accordance with Law 6,404)	**859.9**	**702.0**	**157.9**
Administrative Expenses	(13.1)	3.6	(16.7)
EBITDA (in accordance with Law 11,638)	**846.7**	**705.6**	**141.1**

Next, we present a consolidated net income reconciliation comparing the calculation according to Law 6,404 and the new Law 11,638:

> Net income reconciliation - Consolidated (R$ million)

	12M08	12M07	Change R$MM
NET INCOME - Law 6,404	**542.2**	**462.3**	**80.0**
Administrative Expenses	(13.1)	3.6	(16.7)
Depreciation and amortizations	(1.6)	(1.4)	(0.2)
Financial (expenses) income	(14.5)	2.1	(16.6)
Income tax and social contribution	5.2	(1.1)	6.3
NET INCOME - Law 11,638	**518.1**	**465.4**	**52.7**

General and administrative expenses were affected by two main events: (i) negative R$13.0 million as a result of the reversal of foreign exchange gains in the translation of investments overseas, which no longer affect the result; and (ii) negative R$5.1 million related to the total value of options granted is now accounted for in the result throughout their vesting period.

Financial expenses were negatively affected by R$13.9 million because of marking outstanding derivative operations to market. The only purpose of these contracts is to protect the company against foreign exchange variations (hedge) that affect operations. All our hedging operations are substantially matched (perfect hedging) to carry financing up to its maturity. The abovementioned effect is transitory in the company's result, and occurs due to the accounting practices adopted in Brazil, that which requires the marking to market only the transactions with derivatives and not the loans and funding tied directly to these instruments.

It is worth noting that these effects do not have any cash impact.

> CASH FLOW

Cash generation totaled R$499.1 million in 2008, versus R$171.3 million in 2007.

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

	12M08	12M07	Change %
Net income	**542,2**	**462,3**	**17,3**
(+) Depreciation and amortization	88,0	74,9	17,4
Internal cash generation	**630,2**	**537,2**	**17,3**
Operating working capital*	29,7	(207,2)	
Other assets and liabilities**	(56,2)	(34,6)	
Operating cash generation	**603,7**	**295,4**	**104,4**
Capex	(102,7)	(124,1)	
Free cash flow* **	**501,0**	**171,3**	**192,5**

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

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

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

Internal cash flow generation[11] in 2008 totaled R$630.2 million, up 17.3% year-on-year. A total of R$29.7 million was added to this figure from operating working capital.

[11] (Net income for the period) + (depreciation and amortization)

To better understand the working capital reduction in 2008, one must consider the events that occurred in 2007: (i) the extraordinary reduction of R$122.0 million in accounts receivable on 12/31/07 — the result of a more flexible credit policy adopted for Christmas sales; and (ii) the effect of R$25.0 million in the inventory balance due to lower-than-expected revenues in the period.

Added to these effects were a few transitional impacts totaling R$24.0 million in taxes recoverable (net of the taxes payable effect, also transitional), resulting from changes to the tax replacement mechanisms of some states, in addition to structural effects totaling: (i) R$15.0 million in taxes payable due to the postponement of the ICMS collection period in the state of São Paulo; (ii) R$32.0 million in inventories, due to decentralization and broader coverage of international operations; and (iii) R$28.0 million in payroll due to the change in the variable compensation policy. Considering these effects, our working capital has evolved in line with our growth and business strategy.

Capital expenditures made in 2008 totaled R$102.7 million, mainly allocated to production and logistics capacity expansion and information technology. Forecasted capital expenditures for 2009 amount to R$140 million.

> DIVIDENDS AND INTEREST ON EQUITY

On February 18, 2009, the Board of Directors approved a proposal yet to be submitted to the Annual Shareholders' Meeting to be held on March 23, 2009, related to the payment of dividends and interest on equity referring to the results of the fiscal year 2008, in the amount of R$442.2 million and R$57.5 million (R$48.8 million net of withholding income tax), respectively.

Of the above amount, R$188.0 million was already paid on August 10, 2008, as dividends related to the first half of year 2008. The outstanding balance to be paid on April 8, 2009, after approval at the Annual Shareholders' Meeting shall be R$254.2 million as dividends and R$48.8 million as interest on equity (net of withholding income tax).

These dividends and interest on equity related to the 2008 results will represent jointly a net remuneration of R$1.15 per share (R$0.95 per share in 2007), accounting for 98.0% of the free cash generation[12], and for 90.6% of the net income[13] in the year of 2008.

[12] (Internal cash generation) +/- (changes in working capital and in long-term assets and liabilities) – (acquisition of fixed assets)
[13] Net income including the effects of Law 6,404/76

> CONFERENCE CALL & WEBCAST

Portuguese: **Friday, February 20, 2009**
10 am – Brasília time (8 am EST)

English: **Friday, February 20, 2009**
12 pm – Brasília time (10 am EST)

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

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

> INVESTOR RELATIONS

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> Exhibit 1 – Consolidated Income Statement – In accordance with Law 11,638

R$ million	**4Q08**	**4Q07**	**12M08**	**12M07**
Gross sales to domestic market	1,449.7	1,255.3	4,635.7	4,111.5
Gross sales to foreign market	93.6	56.9	275.3	188.9
Other sales	0.3	0.3	1.3	1.2
GROSS OPERATING REVENUES	**1,543.5**	**1,312.6**	**4,912.2**	**4,301.6**
Taxes on sales, returns and rebates	(397.8)	(374.7)	(1,294.2)	(1,228.9)
NET OPERATING REVENUES	**1,145.8**	**937.8**	**3,618.0**	**3,072.7**
Cost of sales	(378.8)	(305.4)	(1,154.7)	(992.3)
GROSS PROFIT	**767.0**	**632.5**	**2,463.4**	**2,080.4**
OPERATING (EXPENSES) INCOME				
Selling	(387.7)	(316.9)	(1,259.3)	(1,033.2)
General and administrative	(127.7)	(129.7)	(404.5)	(383.7)
Employee profit sharing	(17.8)	(5.6)	(56.9)	(28.7)
Management compensation	(4.1)	(2.2)	(13.9)	(9.5)
Other operating income (expenses), net	(9.1)	2.4	28.4	4.0
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	**220.6**	**180.5**	**757.1**	**629.3**
Financial expenses	(70.5)	(14.4)	(119.1)	(58.3)
Financial income	66.0	16.3	109.7	51.0
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**216.0**	**182.4**	**747.7**	**622.0**
Income tax and social contribution	(77.5)	(43.6)	(229.6)	(156.6)
NET INCOME	**138.5**	**138.7**	**518.1**	**465.4**

> Exhibit 2 – Consolidated Balance Sheet at 12/31/2008 and 12/31/2007 – In accordance with Law 11,638

ASSETS	2008	2007 (Restated)
CURRENT ASSETS		
Cash and banks	350,5	405,4
Trade accounts receivable	470,4	535,5
Inventories	333,6	251,1
Recoverable taxes	122,4	49,4
Advances to employees and suppliers	77,0	52,3
Deferred income tax and social contribution	38,1	-
Unrealized	6,9	3,6
Other receivables	64,2	25,5
Total current assets	**1.463,2**	**1.322,8**
NONCURRENT ASSETS		
Long-term assets:		
Temporary cash investments	5,3	4,8
Recoverable taxes	20,8	22,3
Deferred income tax and social contribution	37,0	34,3
Escrow deposits	41,0	38,6
Advances to employees and suppliers	2,1	4,5
Property, plant and equipment	494,0	474,4
Intangible assets	52,6	63,8
Total noncurrent assets	**652,7**	**642,8**
TOTAL ASSETS	**2.115,9**	**1.965,6**

LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007 (Restated)
CURRENT LIABILITIES		
Loans and financing	190,6	289,0
Domestic suppliers	182,6	173,6
Foreign suppliers	3,6	2,1
Salaries, profit sharing and related charges	130,7	87,1
Taxes payable	177,8	118,5
Dividends and interest on capital	311,9	237,9
Accrued freight	25,6	18,0
Reserve for tax, civil and labor contingencies	15,8	13,4
Allowance for losses on swap and forward transactions	-	6,4
Other payables	29,1	21,4
Sundry accruals	-	0,9
Total current liabilities	**1.067,5**	**968,2**
NONCURRENT LIABILITIES		
Loans and financing	289,5	260,0
Reserve for tax, civil and labor contingencies	51,1	51,0
Other payables	9,3	7,3
Total noncurrent liabilities	**349,9**	**318,4**
SHAREHOLDERS' EQUITY		
Capital	391,4	390,6
Capital reserves	140,5	154,4
Profit reserves	161,7	165,2
Valuation adjustments to shareholders' equity	5,2	(8,4)
Treasury shares	(0,4)	(2,7)
Accumulated losses	-	(20,1)
Total shareholders' equity	**698,4**	**679,0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2.115,9**	**1.965,6**

> Exhibit 3 – Consolidated Cash Flow Statement – In accordance with Law 11,638

R$ million	12M08	12M07
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	518.1	465.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortizations	89.6	76.3
Inflation and exchange rate fluctuations, except those related to tax, civil and labor contingencies	46.2	(15.9)
Allowance for losses on swap and forward contracts	(94.0)	25.3
Reserve for tax, civil and labor contingencies, including adjustment for inflation	5.6	(4.8)
Deferred income tax and social contribution	(33.6)	(22.9)
Proceeds from sale and disposal of property, plant and equipment and intangible assets	7.7	8.2
Interest on loans	30.4	23.6
Expenses on stock options plans	5.1	7.4
Other adjustments of income, including allowance for inventory losses	1.5	9.6
Subtotal	**576.7**	**572.2**
(INCREASE) DECREASE IN ASSETS		
Current assets:		
Trade accounts receivable	65.1	(164.1)
Inventories	(84.1)	(28.1)
Other receivables	(26.1)	(5.5)
Noncurrent assets (long-term assets):		
Escrow deposits	(15.3)	(68.1)
Recoverable taxes	1.5	(1.3)
Other receivables	2.5	0.9
Subtotal	**(56.4)**	**(266.3)**
INCREASE (DECREASE) IN LIABILITIES		
Current liabilities:		
Suppliers	9.0	(31.1)
Salaries, profit sharing and related charges, net	35.4	(1.1)
Taxes payable, net	59.3	64.0
Payment of contingencies	(1.1)	(0.4)
Other payables	17.8	(0.6)
Noncurrent liabilities (long-term liabilities):		
Other payables	2.5	3.0
Subtotal	**122.9**	**33.8**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**643.2**	**339.7**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(102.7)	(124.1)
Others investments	-	0.6
NET CASH USED IN INVESTING ACTIVITIES	**(102.7)**	**(123.5)**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of loans and financing - principal	(556.4)	(570.3)
Repayments of loans and financing - interest	(18.1)	(14.2)
Funding - loans and financing	429.4	913.5
Payments of swap and forward contracts	9.4	(21.8)
Payment of dividends and interest on capital	(425.9)	(391.1)
Capital increase	0.8	2.8
Acquisition of treasury shares	(21.1)	(22.7)
Sale of treasury shares due to exercise of stock options	2.6	7.5
Share payment by shareholders	-	0.1
NET CASH USED IN INVESTING ACTIVITIES	**(579.3)**	**(96.2)**
Effects of exchange rate changes on cash and banks	(16.1)	10.2
INCREASE (DECREASE) IN CASH AND BANKS	**(54.9)**	**130.2**
Cash and banks at beginning of year	405.4	275.2
Cash and banks at end of quarter	350.5	405.4
INCREASE (DECREASE) IN CASH AND BANKS	**(54.9)**	**130.2**

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