Operator:

Good afternoon, welcome to Hypermarcas 4Q10 results conference call. Today with us we have Mr. Claudio Bergamo, CEO, and Mr. Martim Prado Mattos, CFO and Investor Relations Officer.

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

Today's live webcast may be accessed through the Company's Investor Relations website at www.hypermarcas.com.br/ir. Everyone connected to the webcast, please press Crtl+F5 to visualize the presentation.

We would also like to inform that statements during this conference may constitute forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that could cause the Company's actual results to differ materially from those set forwards in the forward-looking statements.

Now, I will turn the floor to Mr. Claudio Bergamo, who will begin the presentation. Mr. Bergamo, you may begin your conference.

Claudio Bergamo:

Thank you very much. Thank you very much all for participating for the conference call for the results for the 4Q10, which actually marks the end of the year of 2010. So, we will basically split up the presentation in two pieces, in one we will talk about the highlights, I will do that myself talking a little bit over the overall things that happened in the Company in 2010 and then Martim will talk about the specific results for the quarter and for the year and then we will open for the Q&A.

So, if you come to page five, just to give a brief overview on the highlights for Hypermarcas. I think there is one message we want to convey for 2010 that was a year with a very strong profitable growth each we will show later, with a very strong growth in total revenues, both in terms of the total metrics as well as in terms of the organic and same brand sales metrics.

In terms of competitive position, it was a very good year for Hypermarcas, very intensive year where Hypermarcas basically through all the activities we have done both in terms of acquisitions, organic and operations, the Company became the largest and the most complete Brazilian player for the consumer healthcare products in the Country.

In the 4Q, the Company reached peak historical performance results, both in terms of revenues as well as in terms of EBITDA and as well as cash earnings. In terms of perspectives, I think it is very important to mention that despite cyclical economic downturn that Brazil is living now, the Company has many upsides ahead that we think are very positives looking ahead.

So, if you go to page six, just to give you a brief overview on the results. The Company reached 2010 R$3.2 billion in revenues, R$734 million in EBITDA, and R$558 in cash earnings. In terms of metrics, what does that translate into? The Company grew in the year 61%, slightly above our targets of 50% for the year. In terms of organic growth, the Company ended the year with 17% organic growth, also above our guidance of 15%.

In terms of gross margin also the Company ended up in a very good level of gross margin despite all the diminishing effects of the mix along the year, we closed with 58%, at the top of our band, of our target. In terms of EBITDA, the Company ended with 23.2%, slightly below our target of 24% and 25% and we will talk about that later. And in terms of net cash earnings, the Company ended close to 18%, also at the lower end of the band.

So, basically, if you look along all the metrics, the Company ended up with a pretty good year, it was a tough year, very intense, many activities in many fronts, but we are very glad that we ended in a good shape and we were able to deliver the results that we expected and we promised all, for many of you guys.

If you go to page seven, we are talking a little more in details about what we have performed during the year and, as many you know, this framework that we use to summarize our actions. We had very intensive actions in all of the three chapters here, both in terms of the strategic acquisitions as well as in terms of organic growth and as well as in terms of operating platforms.

We announced nine acquisitions in the year, reaching close to R$4 billion in total enterprise value of these acquisitions. All the acquisitions, as we always promise since the IPO and in the follow-on and everything we said is that we focused on the two key basic units; the Pharma, Beauty and the Personal Care business units.

All the acquisitions we performed very large fit with the existing platform, both strategic and operational, very synergistically of our platform which strengthened the competitive position and we also maintained our discipline in terms of entry multiples and now most of these acquisitions entry multiples were in line with our historical levels, close to 7x EBITDA after phase 1 and phase 2 initiatives.

In terms of organic growth, it was also a very intensive year. We launched over 400 items in the year, which is more than one item per day in the year, both in the consumer sectors as well in the pharmaceutical sectors. We were able to deliver many success cases in re-launching dormant brands, such as Monange, Risqué, Bozzano, Biocolor, among others. We have been able to develop very innovative products for Brazilian consumers with the Brazilian type or taste, and we have invested heavily to improve our points of sale management and distributions for many of our brands.

In terms of the operational platform as well the year was very intense. We have integrated most of the Company's systems within the first 180 days. We have recently done a benchmark with IBM and they found up actually in integrating SAP at Hypermarcas is a world-class benchmark according to them given the speed that we have been able to make such large amount of integration.

We have pursued many cost reduction initiatives for raw materials and levering our economies of scale, which we will see in the increase of our gross profit margins and in the same brand sales for the year we gained close to 6% on a same basis comparison given many of the initiatives along the year.

As well we have been able to deliver many productivity gains in many of the production sites we acquired. We are pursuing and have pursued a plant consolidation program, especially for the Pharma sector which we will end the year integrating all the sites in Anápolis and develop the largest production pharmaceutical site of Latin America, and we have also pursued many improvements in our logistics also in terms of the network as well as in terms of productivity of our houses, as well as in terms service to the clients.

If you go to page eight, and it is very important, in the year, Hypermarcas was able to strengthen its competitive position through many of these activities and it became the largest and most complete Brazilian company for the consumer healthcare sectors and products.

If you split it up the two main business units, in the Pharma we ended the year as the largest national player, only behind Sanofi-Aventis, which is the number one, so we are the number one largest domestic player and number two in the total rank.

The Company has the largest set of business segments coverage and participates in many of the most important or the main segments in the market with a superior brand portfolio and with a leadership position in many segments.

The Company now is the number one OTC player, number one OTX, the number one in Similars, the number two in cosmetics RX, number two in dermo cosmetics, number one condoms and then number one in sweeteners. But I think it is very important those results because that was part of our strategy, which was be able to gain in coverage and enter new segments complementary to the platform since the IPO, which is what we call here the horizontal growth as well as many of our initiatives with a focus to have vertical growth which is to become the leader in many of these segments. I think we are very happy that we were able to implement our strategy during 2010 and to achieve such important position.

In the Beauty and Personal Care, I think the history is pretty similar in that sense, the Company was able to end the year as the largest domestic player in the Health Service market, only behind Natura which competes in the door to door, and even among on many multinationals, is the second player only behind Unilever and larger than many of other players in the Country.

The Company has the largest business segment as well, so we are present in most of the most important segments of Brazil, especially the ones we believe will grow faster in the future. We had the best brand portfolio with many, many brands in many of these segments. And similar to Pharma, with a very important leadership position in many of these segments, number one in moisturizes, number one in nail polish, number one in men's care, number one in diapers, number one in body oil not counting the number two also as well in many important positions.

It is very important to become the number one, because once you are the number one, the largest player, there are many synergies that you can get out from the business in the mid and in the long run.

Going to page nine, in the 4Q the Company reached its historical peak operational results. I think we have not had historical results since the IPO in April 2008, where we can see the Company started at the 2Q with R$256 million in revenues for that quarter and we ended the year now with R$943 million. If you look at the 4Q08, it was R$456 million, 4Q09 R$703 million and 4Q10, R$943 million. Basically, if we take the 4Q08 over the 4Q10, basically the Company doubled its size in this year. Again, that is part of the strategy we performed, and we are happy that we were able to do that, but more important is that we have been able to do that and continue delivering profits accordingly during this period.

And as you can see on the right side of this chart, the Company reached R$224 million in EBITDA for the quarter, which is more than 2x the 4Q08. That is not an easy task but we are very happy that we have been able to do that.

If you go to page 10, again, another very important set of, I think a little bit behind, I think a little bit over the future and at the end of the 2H, I remember when we did our follow on in the 1H of the year and we did the follow on with close to 35% of the proceeds already at hand for the investors and we said that our objective was to continue our strategy because there were many, many opportunities for a further consolidation and further strengthening with the businesses.

And people were very skeptical and I think that is fine because and that is how it works. But I think now looking behind as you can see we were able to perform quite pretty good acquisitions in the 2H using the proceeds of the follow on accordingly.

The first three were already announced in the 3Q that was the Pom Pom soap, very important to make Pom Pom brand as we had done for Monange and Bozzano which is basically transform the brand into a generalist brand for baby care strengthening its position on diapers, as we have done for Monange for women's care and Bozzano for men's care. For Pom Pom, very good perspective for Pom Pom, probably it will become a brand with over R$500 million in revenue in a very short period of time.

The Bitufo acquisition was important in the perspective of the previous acquisitions we have done for Sanifill, really complementary to Sanifill to improve our position in the oral care especially in the toothbrush, which is the segment we believe we will grow faster in Brazil and it is the most profitable segment. Bitufo has a very strong position with the dentists, with a visiting force for dentists and that was a very interesting asset.

We are very fortunate to also acquire three important products from Sanofi-Aventis that because of the CADE they had to sell. These brands were very complementary to our platform, very synergistically because we can basically plug and play on our existing doctor visiting force.

So, by the end of the year, we announced the two largest acquisitions for the year, which we closed the deal in the 1Q, but we announced in the 4Q, which was Mabesa do Brasil, a very important acquisition because it enables Hypermarcas to become the largest player in the diapers business as well allows the Company to have licenses

from Disney, not on the baby care where we used to have before with Hydrogen but as well for the diapers. Again, the same way, we will explore opportunities for growth in the baby care with Pom Pom, we will do also with the same business with the brand as a generalist brand not only for diapers but as well for the baby care as a whole.

And the last company, the largest acquisition that we are happy Hypermarcas had performed, Mantecorp, which was a company with an extraordinary set of brands in the OTC, OTX, RX and dermo cosmetics business which we know is a very fast moving in a very dynamic market in Brazil. So, that acquisition basically enabled Hypermarcas to become the largest and most complete domestic pharmaceutical player in the Country.

Going to page 11, I will talk a little bit about the prospects, as many of you have been following, by the end of the 4Q and the beginning of this year, we had a reversion of macroeconomic trends, given that the inflation has picked up, spiked up in Brazil, in September of last year. The Country was growing very strongly and because of that the Government was obligated to increase interest rates.

So, on our opinion, we are living a cyclical reversion which is believed it should settle down by the 2H or by the end of 2011. But the fact is that for 2011, we will see some impacts on our businesses, the main impact that we believe will be a slight reduction of the purchasing power given the increase of inflation, the increase of bad debt for end consumers, the increase of working capital cost and a slight reduction in investment levels for the companies.

That per se, specifically for us, Hypermarcas, will probably likely impact a reduction of short-term demand and a probable reduction of clients' inventories and credit. We will follow that along the year with you guys in our quarters and we will monitor that very closely to see that what the size is of this potential likely impact our business.

For the time being, we do not anticipate that as being a major change in our position, also because we had many internal initiatives that we believe will more than offset these impacts that will come out of the market. Because of that we are still maintaining our guidance and we will continue monitoring very close that with all of you guys.

Going to page 12 and talking about these upsides, as you probably all have been following, given all the acquisitions we have made both in 2009, 2010 and many of the initiatives we have been pursuing, the Company has many upsides ahead in which we are working very, very closely, therefore with very discipline we created a new chapter in our performance comments, talking about the synergies we will be capturing in 2011. We will be following that with you guys very closely as well to give more transparency, but the fact is that we have many, many opportunities now at handing in Hypermarcas, which we are working on.

Just to summarize that, in the Pharma business, we have a very extensive pipeline of new products for the next three years. Especially for 2011, we have been working very tough, very closely during 2009 and 2010 and you will see from the results of that. We have already seen the results in 2010 and you will see the continuation of those results in 2011. Just to give an idea, in the generics business, at the top 50 main drugs, when we acquired Neo Química, they used to have 50% coverage of the top 50 drugs, we will probably end this semester with close to 95% of coverage. That was the target that

we set up and we were able to achieve that target. We are launching many, many products every quarter.

That is part of the second point here, which is we believe in the continued growth of Neo Química generics. This segment, as per se is a segment which is growing very fast, and we believe it will continue growing very fast and we already became the number three player in the last month and we believe that we will became a very solid third player in 2011, behind only Medley and EMS, with the initiatives we have been pursuing.

We have all set of chapter on the Mantecorp integration, which will give many, many opportunities for improvement in the Company both with the clients, given that we have bargaining power, the trade has increased substantially due to this acquisition, so that we became the largest player in all of the drug store channels of Brazil and that will help us in many of the initiatives of gaining better shelf distribution, gaining better shelf space and gaining points of numerical and weighted distribution for many of our brands as well the strength of our doctor visiting business force with Mantecorp, as well the plant consolidation in Anápolis which we believe we will be able to deliver that by the end of the year or eventually even before, we are working very firm on that to be able to be operating that plant from October on.

In terms of logistics, as maybe some of you already have been following, we were able to build the new warehouse in a record time of 197 days, so that is a really record time and we developed a new warehouse with over 30,000 pallets space, the largest warehouse for pharmaceuticals in Latin America.

In the Personal Care, you will continue to see new launches of dormant brands. We are in the process of starting the re-launch of Pom Pom now in April, we really develop a fantastic, we have been working close to 1.5 year on this new launch and we have been able really to develop a very good relevant position for consumers when we start seeing that from April on and as well as other brands that are in this process of re-launch as we have done for Monange, Risqué, Bozzano and Biocolor.

And as part of that strategy, we will continue seeing many new product launches in the following periods, as you know, we have been investing in a new innovation center in Barueri and that was ready by the end of the year, in the 4Q, and that innovation center, I also invite some of you to go there and see what is the most modern innovation center for these type of products of Brazil.

As well, improvements, we continue to see improvements in our management of the point of sale and we will consolidate the businesses, the operations for diapers, oral care that were the last two acquisitions so we will see consolidations along this year which will reduce our cost and improve our productivity.

So, guys, that is basically what I had to say, and I am sorry for my English, it is a little real tough to say it, but I am open up with Martim to the Q&A. Thank you very much.

Martim Prado Mattos:

Good afternoon, everyone. If you can skip to page 14 we will go through the main highlights of our financial results and then we will open to Q&A. So as you have seen,

the total net revenues for 2010 were of R$3.2 billion, a growth of 61% under IFRS already. And if we look only at our organic base of that R$3.2 billion, meaning R$3.2 billion in net revenues, we had a growth for the year of 17%.

For the quarter, we reached almost R$950 million in net sales, a 34% growth comparing to the 4Q09 that, if you all recall, was very strong quarter we grew over the 4Q09 over 35% organically. But looking only at the organic base of the 4Q10, meaning R$785 million in net sales, we had an organic SBS growth of 12% during the quarter.

If we disregard the negative impacts that are coming from Foods and Home Care, the organic growth would have been of 26% on the year, for the year 2010, and 21% for the 4Q. So again, the areas where we focus our initiatives in the Company we had a very strong organic growth, well ahead our own expectations.

And the highlights for both of these business units, meaning Pharma and also Beauty and Personal Care, we can again comment on Risqué performance, Monange, Bozzano, which were cases we highlighted a lot to you along the year, but also we cannot disregard the very good impact that we had through the year coming from Farmasa, the brand we made to Farmasa, especially in prescription drugs and also OTX, a mix between OTC and prescription drugs, Lisador, Rinosoro, Tamarine, Epocler also OTC brands coming from either BN or Farmasa that also had very good performances through the year. Besides that Biocolor was also a highlight among the Beauty and Personal Care brands.

Going to next page, page 15, we can see that the average gross profit for the Company for the year of 2010, again under IFRS already, was of 57.2% and this margin was a little bit higher than the gross margin of 56.3% that we saw for the year of 2009. Using the same methodology comparing the gross profit margin of the same business that we had last year, the same brands that we had for 2009, the gross profit was almost 62%, so a margin accretion of almost 600 p.p., which is quite positive.

So, this will be the improvements we had for the quarter in terms of our organic base, but because of acquisitions done through the year with businesses that structurally tend to have the lower gross profit margins than the businesses we have before, especially generics, Similars and also diapers and especially diapers, that mix caused an impact of 4.7 p.p. for the whole year and so that is why the gross profit margin increased only by 0.9 p.p. in the year.

So, the same we can apply toward the quarter, so we had an average profit of gross profit of 55% compared to 53.2% in the 4Q09. The improvements caused a positive impact of 5.3 p.p. and the dilutions, the mix dilution coming from, again, diapers and generics consumer caused an impact 3.2 p.p. for the quarter.

On the next page, page 16, that is the EBITDA for the year which is R$734 million, a growth for 46% compared to the EBITDA we had for the year of 2009. For the quarter, we reached R$224 million, a growth of 45%. In terms of margin, for the year of 2010 we reached a figure of 23.2%, a margin dilution of 2.4 p.p., but in the quarter we reached 23.7% comparing to 22% that we had in the 4Q09. So, a margin accretion of 1.7 p.p.

It is important to highlight that especially for the year, this dilution of 2.4 p.p. is highly impacted by all the synergies that we still have yet to be captured in all the acquisitions that we did through the year of 2010. The pace of acquisition, as Claudio mentioned, was very strong, it was higher than in previous year so that made us accumulate more inefficiencies from the businesses we acquired.

Going to the next page, cash earnings, which is the net income adjusted by non-cash events that affect our P&L, that figure reached R$550 million in 2010, a growth of 28% and R$169 million for the quarter, a growth of 26%. In terms of cash earnings per share, we see that in 2007 we had a cash earnings of R$1.06 per share, a growth of R$0.02 per share and for the quarter of R$0.31, a growth of R$0.01 per share.

This figure I think it is quite important to comment because even with all the inefficiencies that affected our EBITDA that I mentioned previously and with all the dilution we had through the year with some stock issuances related to the follow on, the acquisition of Neo Química and also the acquisition of Sapeka, even with all these dilution effects, we had a growth of our cash earnings per share.

If we move to the next page, 18, talking again about our leverage, as we tend do, we ended the quarter with R$1.8 billion in net debt, but considering the acquisitions that we announced already but are not reflected on our figure because they were being closed by 2010, so on a pro forma basis, our net debt was of R$2.8 billion.

The R$2.8 billion is break down into a gross debt of R$4.3 billion, as you may see on the chart on the right side of the slide here, composed by almost R$3 billion in loans and financing, especially debentures, and accounts payable of R$1.4 billion, which is back to the previous owners of companies acquired in the last years. By the end of the quarter, on a pro forma basis as well, our cash position was still very solid, close to R$1.6 billion, which reconciles with the figure of R$2.8 billion of net debt in the quarter.

So, without any further delay, I would like to go to the Q&A session.

Robert Ford, Merrill Lynch:

Hi, good afternoon everybody, and thanks for taking my call. And congratulations Claudio and Martim on the very successes in the quarter, it was very impressive. You had mentioned, Claudio, that the higher interest rate environment might have impact in terms of client inventory and credit availability. And in addition to the prior things, I was curious if you had begun to see that yet in your own business.

And then, you also mentioned some of the opportunities you have in Mantecorp, I certainly foresee there would be a quite a bit of low hanging fruit and I was wondering if you can give us sense of how that is going, my understanding was at least the administrative consolidation processes could actually be rapid in terms of the development.

And then if you could also please comment on pricing and volume trends that you have seen so far, you mentioned innovation, but so far you are launching two items per day, so the pace of innovation even though it is up against, you know, more than 400 from the prior year, looks as if you could be twice that rate.

And then lastly, if you could just touch on some of the struggling operations, it looks as if at least in the early part of 2011, the HC business is bouncing back somewhat, but that certainly is still perceiving some difficulty in detergent and steel wool. I know that is a lot, and I am happy to repeat if you missed any of that laundry list. Thank you.

Claudio Bergamo:

Well, that is a long set of questions, so let me see I will tap all of them, if I miss one, please help me. In terms of economic environment, we are not seeing still directly to our business, but we are seeing some impacts on the business of all our clients.

So, to what extent in terms of, especially some level of bad debt for our clients, slightly increasing a little bit and normally when that happens, clients tend to be a little more conservative in terms of credit for the clients, distributors and the wholesalers. So, they tend to be more conservative in terms of giving credit for the small and medium shops. The derivative effect of that, if that continues, would be a reduction of inventories for our distributors, and as a consequence we could see a reduction of our orders.

We do not see that still on a large scale, this is very small. We believe that the Government is taking the right actions. In the beginning, the Government, I think it was a very good surprise, I think the Government was giving a very clear message that they will attack inflation, which at the end is the major disease that none of us want to see in Brazil. I mean, I myself have lived high inflationary periods many years ago, and I must say that that is the thing we should not see again. So, that is the major risk. And I believe that the Government is taking the right actions to offset that.

Talking a little bit about the second chapter, which is I think Mantecorp. Mantecorp, just to give you a brief highlight, to be frank, we are seeing more good news than bad news. We are seeing things we have not seen before but on the good side. I think we will probably be able to implement phase one and two ahead of the timing we announced by the end of the year. And that will be a really good time, I think we will be able to anticipate close to six months the timing.

So, our target now is to try to have at least 65% to 70% of initiatives done by the end of March, and all the rest done by the end of June. I think the good news, in the case of Mantecorp, is that most of the short-term synergies are, say, one-type synergies. So, that means it is just a question of reducing costs and that is under control, we are very optimistic.

Do not forget, we always say that we have brought gross profit for Mantecorp, R$270 million of gross profit. And Mantecorp, all the needs for structure to conduct the business we have, and also we have seen a structure which is far larger than we expected before, which will help us to reduce the cost faster than we expected and its business at the end, it was a business of 25 products and brands, so it is not a very complex business, it is very small, but very profitable. We are very optimistic about that on the cost side.

On the revenue side also we have had surprises, because their strategy towards gaining distribution was very conservative, given that the family was much more looking for dividends as opposed to growth. So, we expect that, again, we have

anticipated that, we have included in our projections that, but we think that probably the SBS for Mantecorp might be larger than we anticipated before.

Talking about now, I think this question was what? Help me, I think it was about innovation, can you help me?

Robert Ford:

Yes. Innovations, and I was also curious as to respect to pricing. I know you were going to take some pricing earlier on the year and I was curious as how that is being received by the market place, by consumer, by retailers, wholesalers, and your competition.

And if your volume trends, I mean, you are very optimistic or you sound very confident in terms of your volume trends, and I was wondering if you could talk about that within the context of maybe some of the pricing you are taking, as well as the pace of innovation which again appears to be double the rate of a very high rate last year.

Claudio Bergamo:

Yes. I think in terms of pricing I think we are in a good moment. The Government announced for the pharmaceutical businesses the largest price increase I think from the last years, up to 6%. And that is good news because in the pharmaceutical piece of the business nobody really questioned that, and we will be able to make that implemented by April 1st. The good side of that is that we have not seen major cost increases in that proportion so far, so we might see some margin improvements because of all that.

And in terms of the consumer sectors, especially in the home and beauty and personal care also we have been pursuing a price increase from April on, and we have not seen major difficulties in doing that, many of the players are doing the same thing. So, we believe we will be able also to implement the price increase by April. Again, so far the costs have not increased at the same pace. I think it is good news on the price side.

I think on the volume side, so far we have not seen a major impact in our segment. Again, do not forget that we have been focusing Hypermarcas on the segments which are less penetrated than the segments in the market. What that means is that normally that segment, which is the consumer health care segments are the first to grow and the last to drop. So, that is the good news.

The segments which are with that trend, as you know is the cleaning and home care and food, which unfortunately are the opposite; they are the segments which are more penetrated, and they tend to be the first ones to drop, and the last to grow. Fortunately that business now represents 12% of the business and we have dropped a lot last year, so I believe we might see some cannibalization in these markets.

In terms of innovation, you are right. As you probably have been following us since the beginning, you know that we have been investing in the infrastructure for innovation for the last two years in the Company. And that infrastructure was set up by half of last year, and those investments are coming out now through the acceleration of innovation, which we believe that is the good part of all that will probably or might offset

some downturn on the economics side due to this large amount of new products we will introduce.

Robert Ford:

Great. That is fantastic. Thank you very much, Claudio.

Andrea Teixeira, JPMorgan:

Hello, everyone. I just wanted to reconcile, if possible, Claudio and Martim. First of all, it is more of a strategic question regarding your synergies and I appreciate that you put the details there, but you mentioned about R$115 million on your annualized basis, and I wanted to reconcile that with Mantecorp, which I believe you have set total synergies of R$140 million, I believe, if I can recall; R$115 million in the first two phases and then additional R$30 million later.

I wanted to reconcile that, I know one is annualized and the other one is in NPV, but even when we calculate the increased margin, I would think that is mostly Mantecorp, should we think about that being mostly Mantecorp? In other words, Neo Química and the other acquisitions are mostly done? That is my first question.

And then the second one is a more technical question regarding the quarter. We saw the R$45 million in other operating results, which are included in your EBITDA. So, I was wondering if part of your guidance of 24% to 25% EBITDA margin includes some of those non-recurring items, and should we consider, should we continue to see those coming in? And what is the rate, because they have been very erratic and I understand it is tax credit.

And on that technical note, also if we should see more what is considered non-recurring for your lawyers, assuming you are not going to do any major acquisitions going forward. Thank you. Sorry for all the questions.

Martim Prado Mattos:

No problem. So, in regard to the synergies, let us clarify some points. What we included here on a quarterly basis going forward is the potential we have, on an annual basis, so we are talking about R$115 million of additional EBITDA potential. And that figure, we try to include that estimation, but you may see that on a note below that table, and that potential is only for the acquisitions finalized by the end of 2010. So, it does not include Mantecorp or Mabesa in it.

So, if you were to reconcile that with the synergies forecasted with the acquisition of Mantecorp and also Mabesa, we would have to add the synergies projected by the time of those acquisition to the potential of R$115 million. So, in all these figures we are mentioning here, they are all annual figures that would increase our EBITDA. There is no net present value here.

Andrea Teixeira:

So on top of that, would it include Mabesa and Mantecorp basically, right?

Martim Prado Mattos:

Yes. Correct. That is it. Actually, Mantecorp target, as you know, is R$225 million annualized base by be the beginning of next year, which again, as I said, we believe we might anticipate that probably in six months. But we do not want to anticipate that, by the end of the 1Q we will do a very firm highlight on that given that many of the initiative are happening right now, in that front.

So, with that I mean, we have much more good news than bad news I think for Mantecorp and we might see the R$225 million even before than we expected. And the other wave of R$275 million also we might see a little earlier. So, in terms of Mantecorp, I think I am extremely, let us say, comfortable with the targets, to be frank.

As I said, because most of the initiative depends on cost reduction, I mean, they do not depend on market outcome. It depends basically in reducing cost. We know how to reduce cost. So in that sense we think we will do it, but I think it was a bit more on specific sides to implement on Mantecorp.

Probably, we will repeat this target, stable with the updated synergies coming from Mantecorp and also Mabesa. But the figure that we mentioned at the time is R$120 million in synergies on our annual basis for Mantecorp and approximately R$80 million for Mabesa. So the potential will reach almost R$250 million.

Andrea Teixeira:

R$250 million?

Martim Prado Mattos:

Yes.

Andrea Teixeira:

OK. Alright. Great. And on the other question, regarding the non-recurring items, the tax credit and also the lawyers and fees from the acquisitions, if you can comment how much of that we should be seeing going forward and if your guidance adjusts for that.

Claudio Bergamo:

I think one way to look at that, Andrea, if you do a quick math and say, well, it will end the year with 23.7% in terms of EBITDA and we are not saying, we are very transparent in saying that we have overlaps in terms of structure, because the speed of the acquisitions was faster than the speed of reduction of the structure, especially in the commercial sections. And that from one hand is good news, because we are very cautious not to try to make it too fast and put at risk the market share of the companies we acquired.

So, normally when we reduce phase 1 type of costs, we start in administration functions and we end in the sales functions, so that is the last one. So there is a certain speed that we have to do in order to not put the businesses at risk, but if you do a math, and say, well let us assume that, as Martim said, all the synergies that we have

put now and here, let us say that additional synergies, not including Mabesa and Mantecorp is added in the base, but they would represent a 3.2% over net sales for 2010.

If you add the 23.7% and then you add the 3.2%, then you would get to 26.9%, and that is something that we are not talking anymore, because many people have some issues regarding the concept of Marpex, but still it is valid the principal that a part of our budget is still Marpex, like it or not, especially because of the generics that we have been investing heavily as well as in the beginning of the year.

So that one for the year was of R$65 million and again if you consider that as non-recurring, we would have another 2.1% that if you add that with the 2.2% the Company would get to 29%.

And then you say, well, but in the other businesses, the other net effects, you should not account them and if you reduce this total amount for the year, which is 2.2% you ended up with 26.8%. So, basically if we have zero net and including the Marpex that we will not need any more in the midterm, the potential will be 26.8%.

Coming to a point in the other adds, for the existing platforms, I am not talking about the Mantecorp or Mabesa, if you are talking about the other adds, and Martim can give more technical explanation for the quarter itself, but most of that amount for the year which is of R$70 million is tax and the synergies in taxes.

And those synergies in taxes, we will continue having, and especially now with Mantecorp, because when you put both businesses together you start seeing certain types of credits that the previous business could not capture before because they did not have the condition to do it. And when you put both the businesses together you start being capable of capturing those certain credits. That is why we will probably continue seeing that in 2011 and basically that is why we feel comfortable with this still in 24% to 25%.

Andrea Teixeira:

Claudio, I appreciate all the comments and how you broke that down, but is that VAT mostly? So, in one day we are going to see as you incorporate those companies together, I assume we are going to see that flowing into your top line, right? I mean, I would probably think that is going to be part of your operating cash flows and not detached from your numbers, or should we continue to see those numbers as other operating revenues?

Martim Prado Mattos:

Most part of these tax synergies that Claudio mentioned will be included in the other operating income and expenses, especially for the recent acquisitions. Going forward, I think probably the trend is that we have two effects, both what Claudio mentioned, one are the synergies being captured and affecting our entire P&L, and the other one is those tax events not occurring anymore, they start becoming a current event for the Company instead of being credits that we book after these acquisitions.

Andrea Teixeira:

And the source is that is excise tax or VAT?

Martim Prado Mattos:

It depends on the acquisition, but we usually see this type of opportunities, both in federal taxes as well as in state taxes. You know that tax regimes are very complex in Brazil and they usually change a lot as well. So with a bigger company, I think that Claudio mentioned, we have a bigger flexibility in terms of how we can operate the Company, what distribution centers we can use or what company we can use to produce or distribute our products.

And once we see that, once we change those variables, in a lot of cases we end up having lower taxes for the entire Company. I am not sure if that was a good explanation, but basically that is what happens, that is why we book these credits once we buy these companies. We see ways of improving the operations of these companies, once we acquire them, and having that possibility, in a lot of cases we can start having more credits, more tax credits than they had before.

Andrea Teixeira:

Right, so we should continue and they are mostly sales taxes, right? That is why you include them in EBITDA, because otherwise you would be doing bellow the line, right? And we should see, they are also tax, but you also had it at the end of the year, so we should see that happening as you flow for the year, you calculate those tax benefits and we should be seeing that in the four quarters of 2011 and going forward, right?

Martim Prado Mattos:

Yes.

Andrea Teixeira:

OK. Perfect. Thank you very much.

Gustavo Oliveira, UBS:

Good morning, everyone. I have one follow up on the R$45 million in the sales tax, it has been around 2.2% of the total sales, going forward with your tax planning calculations or your estimates, what would be a fair number? You think that would go up to 3%, 4%, how can we forecast that number, going forward, as percentage of your sales?

Claudio Bergamo:

Gustavo, I think the number for the year, 2.2% as an average is probably a good metric.

Gustavo Oliveira:

OK, so although you are going to capture more, you will not expect it to change as a percentage of you total business.

Claudio Bergamo:

No, I think the percentage will be about 2.2%, but again, on a quarter-over-quarter basis, you might see some ups and downs, but this is a line that you have look at it a little longer, so that can be on a moving average, something around 2.2%.

Gustavo Oliveira:

OK. Then I have another question on your Home Care and Food business. You mentioned in the past that you could eventually be interested in selling those businesses, divest from those businesses, because now you are focusing your Company as a consumer health care company and obviously the Home Care and the Food business are not necessarily part of this strategy.

However, your same brand sales are not stabilizing and when do you think that could stabilize and do you think that would be important for you to sell the business, or it does not matter? I want to understand a little bit of this strategy on that.

And also you could argue that perhaps your competitors are lowering prices aggressively and you are not following, because you gross margins are improving in those two businesses. So, perhaps you could give us some more visibility on what is going on there.

Claudio Bergamo:

Unfortunately, on the strategic side, at this point, clearly the Home Care and Food become like a non-core business for Hypermarcas, and given that you have to look at the natural ones that are valued more between Hypermarcas basis. And there will be only a movement and we foresee that it will be accretive for shareholders, otherwise we would probably continue operating the business up to the point we see that, you know, there is a natural moment that we will probably trade what the business really values for.

In terms of continue operating the business, the issues you have in these businesses is to start the operations of the segments themselves, which are segments that are less attractive when you compare to the other segments in the consumer health care, because in Brazil the history of these segments developed before than the other segments and given that they have a higher penetration level and are more commodities types than segments that you have in other places.

Hypermarcas is much more focused now in innovation and focusing on businesses where you can really invest in the brand as opposed to these businesses. So, given that these businesses per se certainly have a lower perspective in terms of growth, but they can become a good cash cost, and that might be a second option for the strategy if we do not find a natural owner then we can have as a cash cost.

Given that we have such a year, do not forget that 2009 was an excellent year for these businesses, especially for the powder detergent which grew a lot, last year was not so good, so I think that in part we have started this year in a best situation, but what I mean basically is, if we do not grow the business well, we should grow the business only in a 5% to 7%, which is the basic organic growth of Brazil, yet it will be higher than the 15% that we expected for the year.

So, the plan B is basically managing the business as a cash cost and to do that basically the business will grow slow but we will not also jeopardize the growth of the other businesses as a whole. So, basically that is the situation.

And it is very important also to mention that the specific sectors that happened in the three-key segments of our business which are the culinary business, tomato business, the powder detergent, steel wool, specifically in the culinary, as you know, we bought the business from Unilever, so the big selloff, before the sale is done, Cargill has a different behavior. So, I think it is very positive, in that respect, we are start seeing some differences of utilization in terms of behavior in the market, for this business and also Heinz bought the lower end brand which was Quero and I believe that Heinz also will not have such a low price behavior as Quero used to have.

So I think on the culinary, the trend is really positive, on the powder detergent I think the trend is not so positive yet, but I think the price war will come down and in the steel wool as well, as we all saw what happened with Bombril, I think Bombril now is investing back in their brand so we see it as a good sign as well.

So in summary, the plan B which means managing the business as a cash cost means that in the culinary we are seeing good signs, in the steel wool we are seeing good signs and powder detergent we are at least not seeing such a bad sign, I think we are neuter on that one.

Gustavo Oliveira:

OK, thank you.

Tobias Stingelin, Santander:

Thank you very much. I think that most of my questions have been answered, but just a quick follow up on the tax issue. Given that you transferring a lot of your production to Goiás and you also have a new distribution center, is it fair to assume that because of that you would have some additional tax incentives, because Goiás is known for providing a lot of tax incentives, or is this part already of the 2.2% of net sales guidance that you gave for the year?

Claudio Bergamo:

Yes, you are correct. There are some levels of gains going to Goiás given the Fomentar for certain parts of the business, which will be saved, but it is not part of that line. It is basically that those gains between the value of the synergies that we have that out of the R$115 million, a small portion is part of that, something around R$10 million is part of that, it is already accounted for those types of savings.

Tobias Stingelin:

Thank you, Claudio.

Claudio Bergamo:

But it is not going to be booked as others in this case.

Tobias Stingelin:

OK. But is it on the EBITDA or is it below EBITDA? But it can be on earnings technically speaking but you have the tax benefit, right?

Claudio Bergamo:

See, that is normally accounted on the tax between the gross sales and net sales.

Tobias Stingelin:

OK. And just to make sure I understood what you spoke about the economy, what you are seeing. You are basically saying that your clients are starting to order a little less, there is some small inventory buildup in some of your clients just because they are trying to access what is happening in the market? You have not seen specifically any changes to your outlook at this stage but you are monitoring these changes taking place with some of your clients, right?

Claudio Bergamo:

Exactly. Well, this is like what happened to the crisis in 2009. It is a little crisis compared to that. But if that little crisis continues, then it can become a big crisis. So, it all depends on how long that trend goes.

Tobias Stingelin:

OK, perfect. But you have not changed anything regarding to the budget that you probably finalized in the beginning of the year or something like that? You have your view, 15% same brand sales and at this stage there is really nothing that will make you adopt a more conservative stands?

Claudio Bergamo:

No.

Tobias Stingelin:

OK. Thank you so much.

Irma Sgarz, Goldman Sachs:

Hi. Good afternoon. Just two follow-up questions; on your working capital I saw that your receivables days and inventory days went up quite significantly year over year, somewhat offset by longer payable periods. Now I imagine that part of that would be from acquisitions that you are now also integrating, but if you could just provide us a little bit of an outlook in terms of once the integration of these acquisitions is completed and once the start up of the new distribution center is also underway or integrated, where we could see these numbers going.

And then the second question is, you mentioned in terms of re-launches for 2011 you were alluding to re-launch, if I understood you correctly, of Pom Pom by around April, but correct me if I am wrong here. And I was wondering if you could just shed some light on any other re-launches you have in the pipeline for 2011. Thank you.

Claudio Bergamo:

Irma, your second question was not very clear, you are interested in knowing what the pipeline of launches is; is that correct?

Irma Sgarz:

Yes, I was wondering if you could just confirm that Pom Pom is being re-launched by April of this year, and in terms of any other brands that you recently acquired or already acquired in the past that you are planning to re-launch and of course in terms of commercial initiatives in 2011. Thanks.

Martim Prado Mattos:

OK. So, I will begin with the first question about the working capital. Into the year and also on the 4Q what we have seen is maybe we can probably break that down into three major aspects: one is seasonality. Usually the 4Q, because of the seasonal effect that we usually have in the 4Q is usually the strongest quarter among all of them, the working capital levels usually increase by the 4Q.

Besides that, the second effect would be because of growth, because of our strong pace of growth, the 17% that obviously tend to increase our working capital levels, especially in terms of our inventories and also our accounts receivable.

And the third impact is because of acquisitions. What usually happens and we are quite used with that is that acquisitions that we did and the levels of working capital that they need at the Company are usually not the necessary working capital levels to support a stronger pace of growth on this Company.

So, we usually do these acquisitions and we usually have to build working capital for these companies. So, the combination of all those three effects is what caused the effect that you have seen on our operating cash flow for the year and also for the quarter.

Claudio Bergamo:

OK. And talking about the second question, about the launches, as has been said, as you know our process of synergies and integrations is phase three into a product market synergies and re-launching moment brands. As you know we have been working very strongly in the re-launch last year. You will see this year the impact of these launches over the year.

Just to give you an idea, for the 4Q we already launched three other brands: the Lucretin brand becoming a completely new concept for the product, intimate hygiene for the women, different stages of their life, for the pregnant woman, for the mature woman, for the young woman. And people can give you all the highlights on that one.

Another brand we have just recently re-launched was Biorene. Biorene used to be a very famous brand in the hair shampoo in the past, and we just re-launched Biorene with a new concept of vitamin power. So, we included vitamins for the hair. And a very nice re-launch also, I ask people from here to give you the inside on that re-launch.

We also re-launched in the 4Q the Denorex brand, which used to be a very top-of-mind for the antidandruff – we call 'anticaspa' in Brazil, sorry! And Unilever has invested heavily in Clear brand in Brazil. Proctor & Gamble has just recently launched Head & Shoulders, and the market has grown a lot, which is very good news.

Denorex used to be in the past the top-of-mind for the market. So, we are taking a ride on that and we are re-launching our brand in the market, with again is a different product concept from both Unilever and Proctor, which is more suitable for the Brazilians.

So, just giving you three examples of the 1Q that we are already in the market. Pom Pom, the one I explained to you, will be out in April, and we will have other ones that we will say at the right time. But believe me we have lots of activities for 2011.

Irma Sgarz:

OK. That is great. Thank you.

Lori Serra, Morgan Stanley:

A couple of quick questions, and thanks for taking the questions. I shall ask them quickly. Just to get back to what you said at the start of the Q&A session about you seen some increase in bad debt from clients. I just want to make sure I understood: is that from your distributors or your distributors have seen bad debt from their clients, meaning the smaller 'mom & pop' pharmacies or grocery stores?

Claudio Bergamo:

Clients. Actually, we are seeing in the papers, everyone in Brazil, we think that what happened is that small 'mom & pop' and end consumers started some increase of bad debt. But it is for their clients, not for our clients. Our clients we do not have any problems.

Lori Serra:

OK. And then, on Mantecorp, just two quick things: can you confirm that the R$2.8 billion of net debt that you published includes Mantecorp? And could you give us any guidance or indication whether that second set of shares of the Mantecorp family, if you have any indication that they will hold their shares for an extended period of time when the lock up I guess expires next month, any indication on that?

Claudio Bergamo:

Very important to say, if they decide to do anything they have to do through Hypermarcas in the first year. And then, they would probably do a structure – probably no, we did a structure process. But our indication is that they will stay longer with the shares.

Martim Prado Mattos:

Just clarifying, the lock up expires on April 24th, and if they decide to notify us in their willingness to sell their shares we would have an additional 90 days to structure a process to sell those shares in the market.

Lori Serra:

OK. But they have indicated that they will hold on to the shares?

Claudio Bergamo:

Yes, informally. They indicated that they will stay long, but we cannot affirm that.

Lori Serra:

OK. And then my last question, as you mentioned in the call you completed a number of acquisitions until the end of the year. As we think about 2011, 2012, can you give us a sense on what we should expect on acquisitions, if any? Sure, not so many as we saw, but what we should expect.

And as we think about when you are ready to do more acquisitions, should we think about new segments in the Personal Care business, or is really a lot of the growth, looking out over the next, I do not know, two years, going to come from launchings in your existing portfolios as opposed to acquisitions? I guess it is a sort of philosophical question.

Claudio Bergamo:

Nowadays, our focus is much more in stabilizing and consolidating all the acquisitions we have done. So that is the main focus of the Company for 2011, for the beginning of the year, and probably the case of the 2H as well. So, our major focus and commitment now is to deliver all the results and the synergies that we have promised in the acquisitions.

That said, it would be good to have additional acquisitions, probably, but it would be a continuation of the consumer health care sector. Still there are many opportunities

there. We believe we took the best ones on the market, but there is still a good target out there. But the objective then would be to increase our relative market share in many of these segments where we are the second.

A good example for you to see, prior to Mantecorp we were close to 11% market share, the second was 9% market share. After Mantecorp we moved to around 14.5%, close to 15% market share. So, our relative market share increased from 1.2% to 1.5%, 1.6%. And still we are number one with still hang on to 15%. So, that gives a good idea the amount of fragmentation still going on in that market. But for 2011 our main focus is consolidating the acquisitions we have done so far.

Lori Serra:

Great. Thank you very much.

Martim Prado Mattos:

Just referring to your first question, Lori, the R$2.8 billion includes Mantecorp.

Lori Serra:

Terrific. Thank you.

Operator:

Thank you. The Q&A session is now closed. I would now like to turn the floor back over to Mr. Claudio Bergamo for his closing remarks.

Claudio Bergamo:

Thank you very much all. Sorry for my English, I know it is a little rusty, but we are more than open to answer further questions whenever you may have them. Thank you very much all. We have to rush now to the Brazilian one, the call. So, if anybody wants more insights and understands Portuguese, please feel free to participate on that one then. It will just start in two minutes. Thank you very much. Bye-bye.

Operator:

Thank you for participating in today's conference call. You may now disconnect.

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