

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NATURA COSMÉTICOS S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2004 AND JUNE 30, 2004

(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	09/2004	06/2004	09/2004	06/2004		09/2004	06/2004	09/2004	06/2004
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and banks	15,724	29,380	16,428	32,449	Loans and financing	12,396	13,052	25,423	24,300
Temporary cash investments	80,352	95,137	123,030	157,299	Domestic suppliers	5,264	5,980	82,170	64,846
Trade accounts receivable	177,374	152,453	190,153	162,071	Foreign suppliers	-	-	1,191	1,983
Inventories	809	820	127,078	98,287	Suppliers - related parties	80,882	76,608	-	-
Recoverable taxes	1,205	2,815	13,140	13,518	Payroll and related charges	28,873	19,972	64,357	45,046
Advances to employees	4,589	2,533	6,537	5,010	Taxes payable	45,558	36,048	52,965	47,299
Related parties	833	932	-	-	Related parties	94	138	-	-
Deferred income and social contribution taxes	13,799	10,252	27,526	21,462	Dividends	73	73,333	73	73,333
Other receivables	2,695	5,624	12,855	12,172	Interest on capital	5,485	11,418	5,485	11,418
Total current assets	<u>297,380</u>	<u>299,946</u>	<u>516,747</u>	<u>502,268</u>	Other payables	19,914	20,050	23,153	23,091
					Reserve for losses on swap contracts	4,193	1,041	4,857	1,016
LONG-TERM ASSETS					Total current liabilities	<u>202,732</u>	<u>257,640</u>	<u>259,674</u>	<u>292,332</u>
Advance for future capital increase	12,759	3,239	12,019	2,689					
Receivables from shareholder	139	1,721	139	1,721	LONG-TERM LIABILITIES				
Tax incentives	1,452	1,452	1,492	1,492	Loans and financing	22,581	25,958	77,228	79,870
Deferred income and social contribution taxes	12,229	11,457	17,584	15,914	Reserve for contingencies	38,121	34,809	54,172	48,063
Escrow deposits	20,422	16,491	24,762	19,635	Provision for losses on subsidiaries	51	67	-	-
Other receivables	-	-	1,716	1,717	Other payables	301	-	1,162	872
Total long-term assets	<u>47,001</u>	<u>34,360</u>	<u>57,712</u>	<u>43,168</u>	Total long-term liabilities	<u>61,054</u>	<u>60,834</u>	<u>132,562</u>	<u>128,805</u>
					MINORITY INTEREST	-	-	7	8

(Continues)

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NATURA COSMÉTICOS S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2004 AND JUNE 30, 2004

(In thousands of Brazilian reais - R\$)

(Continuation)

<u>ASSETS</u>	<u>Company</u>		<u>Consolidated</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>		<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
PERMANENT ASSETS					SHAREHOLDERS' EQUITY				
Investments	368,072	366,586	2,598	2,670	Capital	230,762	230,762	230,762	230,762
Property, plant and equipment	<u>13,500</u>	<u>9,756</u>	<u>275,556</u>	<u>263,192</u>	Treasury shares	(3,781)	(3,554)	(3,781)	(3,554)
Total permanent assets	381,572	376,342	278,154	265,862	Capital reserves	115,113	114,947	115,113	114,947
					Profit reserves	3,629	3,629	3,629	3,629
					Retained earnings	<u>116,444</u>	<u>46,390</u>	<u>114,647</u>	<u>44,369</u>
					Total shareholders' equity	462,167	392,174	460,370	390,153
					TOTAL LIABILITIES AND				
TOTAL ASSETS	<u>725,953</u>	<u>710,648</u>	<u>852,613</u>	<u>811,298</u>	SHAREHOLDERS' EQUITY	<u>725,953</u>	<u>710,648</u>	<u>852,613</u>	<u>811,298</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NATURA COSMÉTICOS S.A.

STATEMENTS OF INCOME
FOR THE QUARTERS ENDED SEPTEMBER 30, 2004 AND 2003
(In thousands of Brazilian reais - R\$)

	Company				Consolidated			
	7/1/2004 to 9/30/2004	7/1/2003 to 9/30/2003	1/1/2004 to 9/30/2004	1/1/2003 to 9/30/2003	7/1/2004 to 9/30/2004	7/1/2003 to 9/30/2003	1/1/2004 to 9/30/2004	1/1/2003 to 9/30/2003
Gross sales to domestic market	622,725	463,712	1,678,635	1,241,555	628,579	468,755	1,688,770	1,256,403
Gross sales to foreign market	-	-	-	-	16,903	12,837	49,146	32,063
Other sales	-	-	5	72	174	165	490	953
GROSS OPERATING REVENUES	622,725	463,712	1,678,640	1,241,627	645,656	481,757	1,738,406	1,289,419
Taxes on sales, returns and rebates	(145,957)	(112,296)	(395,617)	(296,826)	(197,493)	(150,098)	(532,528)	(395,635)
NET OPERATING REVENUES	476,768	351,416	1,283,023	944,801	448,163	331,659	1,205,878	893,784
Cost of sales	(185,256)	(165,579)	(536,602)	(438,512)	(141,835)	(109,127)	(396,145)	(317,687)
GROSS PROFIT	291,512	185,837	746,421	506,289	306,328	222,532	809,733	576,097
OPERATING (EXPENSES) INCOME								
Selling	(122,962)	(89,632)	(319,724)	(249,236)	(140,987)	(103,270)	(371,507)	(281,127)
General and administrative	(70,726)	(54,315)	(187,084)	(120,126)	(66,461)	(51,822)	(168,046)	(129,089)
Management compensation	(1,807)	(1,148)	(5,121)	(3,142)	(2,178)	(1,467)	(6,176)	(4,059)
Equity in subsidiaries	(554)	17,385	13,988	15,668	-	-	-	-
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	95,463	58,127	248,480	149,453	96,702	65,973	264,004	161,822
Financial expenses	(6,965)	(8,187)	(13,071)	(62,204)	(9,057)	(9,554)	(29,552)	(66,701)
Financial income	7,088	779	18,579	33,550	10,781	4,268	31,013	40,410
INCOME FROM OPERATIONS	95,586	50,719	253,988	120,799	98,426	60,687	265,465	135,531
Nonoperating income (expense)	233	151	570	603	(931)	1,207	(820)	80
INCOME BEFORE DEBENTURE PARTICIPATION	95,819	50,870	254,558	121,402	97,495	61,894	264,645	135,611
Debenture participation	0	(30,590)	(7,178)	(73,388)	0	(30,590)	(7,178)	(73,388)
INCOME BEFORE TAXES ON INCOME	95,819	20,280	247,380	48,014	97,495	31,304	257,467	62,223
Income and social contribution taxes	(18,656)	(1,655)	(44,721)	(11,441)	(20,108)	(12,879)	(56,605)	(26,887)
NET INCOME BEFORE MINORITY INTEREST	77,163	18,625	202,659	36,573	77,387	18,425	200,862	35,336
Minority interest	-	-	-	-	-	9	-	37
NET INCOME	77,163	18,625	202,659	36,573	77,387	18,434	200,862	35,373

The accompanying notes are an integral part of these financial statements.

NATURA COSMÉTICOS S.A.
 DEMONSTRAÇÕES DAS MUTAÇÕES DO PATRIMÔNIO
 LÍQUIDO
 PARA OS TRIMESTRES FINDOS EM 30 DE JUNHO E 30
 DE SETEMBRO DE 2004
 (Em milhares de reais)

				Capital reserves	Profit reserves		Retained earnings	Total
	Capital	Treasury shares	Share premium	Investment grants	Legal	Retention		
BALANCES AS OF DECEMBER 31, 2003	56,387	-	-	9,998	10,687	45,544	-	122,616
Net income	-	-	-	-	-	-	46,122	46,122
Capitalization of debentures	138,569	-	100,000	-	-	-	-	238,569
Capital increase through merger of Natura Empreendimentos S ^á	1,415	-	-	-	-	-	-	1,415
Treasury shares	-	(1,415)	-	-	-	-	-	(1,415)
Sale of treasury shares through exercise of stock options (item f)	-	38	716	-	-	-	-	754
Receivables from shareholders	-	(2,385)	-	-	-	-	-	(2,385)
Absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	(23,367)	-	(23,367)
Absorption of excess liabilities through merger of Natura Participações S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	(29,235)	-	(29,235)
Absorption of reserve	-	-	-	-	(7,058)	7,058	-	-
BALANCES AS OF MARCH 31, 2004	196,371	(3,762)	100,716	9,998	3,629	-	46,122	353,074
Net income	-	-	-	-	-	-	79,374	79,374
Capital increase through subscription of shares	34,391	-	-	-	-	-	-	34,391
Sale of treasury shares through exercise of stock options (item f)	-	208	3,892	-	-	-	-	4,100
Profit on sale of shares	-	-	341	-	-	-	-	341
Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	-	7,660	7,660
Dividends payable	-	-	-	-	-	-	(73,333)	(73,333)
Interest on capital	-	-	-	-	-	-	(13,433)	(13,433)
BALANCES AS OF JUNE 30, 2004	230,762	(3,554)	104,949	9,998	3,629	-	46,390	392,174
Net income	-	-	-	-	-	-	77,163	77,163
Receivables from shareholders	-	(644)	-	-	-	-	-	(644)
Profit on sale of shares	-	417	166	-	-	-	-	583
Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	-	(675)	(675)
Interest on capital	-	-	-	-	-	-	(6,434)	(6,434)
BALANCES AS OF SEPTEMBER 30, 2004	230,762	(3,781)	105,115	9,998	3,629	-	116,444	462,167

*(Convenience Translation into English from the
Original Previously Issued in Portuguese)*

Natura Cosméticos S.A.

*Interim Financial Statements for the
Quarter and Nine-Month Period Ended
September 30, 2004 and
Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Shareholders of
Natura Cosméticos S.A.
São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Natura Cosméticos S.A. and subsidiaries (Company and Consolidated), consisting of the balance sheets (Company and consolidated) as of September 30, 2004, the related statements of income for the quarter and nine-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management. We have also reviewed the statements of income for the quarter and nine-month period ended September 30, 2003 (Company and consolidated).
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously reviewed the Company and consolidated balance sheets as of June 30, 2004, presented for comparative purposes, and issued an unqualified special review report thereon, dated July 16, 2004.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, October 15, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Edimar Facco
Engagement Partner

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NATURA COSMÉTICOS S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2004 AND MARCH 31, 2004
(Amounts in thousands of Brazilian reais - R\$)

1. OPERATIONS

The Company and its subsidiaries are engaged in the development, production, distribution and sale, substantially through direct sales by Natura beauty consultants, of cosmetics, perfumery in general, and hygiene and health products, and hold equity interests in other companies in Brazil and abroad.

The Extraordinary Shareholders' Meeting held on March 5, 2004 approved the merger into the Company of the net assets of the companies Natura Empreendimentos S.A. and Natura Participações S.A. based on the accounting valuation supported by a valuation report issued by independent experts. These mergers did not modify the activities described in the paragraph above.

The amounts of the net assets merged into the Company as of January 31, 2004 were R\$104,951 related to Natura Empreendimentos S.A. and R\$75,716 related to Natura Participações S.A.

In the recording of the adjustments of the mergers of the net assets, the eliminations of the accounts receivable and payable existing between the merged companies and the Company, as well as corporate investments and shareholders' equity, were considered, as required by Brazilian accounting practices.

In light of the aforementioned, the liabilities of Natura Empreendimentos S.A. and Natura Participações S.A., in the amounts of R\$23,367 and R\$29,235, respectively, were absorbed.

The amounts of the net assets are as follows:

NATURA EMPREENDIMENTOS S.A.

<u>ASSETS</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash and banks	24,105	Loans and financing	17,566
Recoverable taxes	645	Taxes payable	660
Other receivables	<u>33,338</u>	Dividends	61,215
Total current assets	<u>58,088</u>	Other payables	<u>3,747</u>
		Total current liabilities	<u>83,188</u>
LONG-TERM ASSETS		LONG-TERM LIABILITIES	
Related parties	<u>10,544</u>	Loans and financing	17,004
Total long-term assets	<u>10,544</u>	Other payables	<u>11</u>
		Total long-term liabilities	<u>17,015</u>
PERMANENT ASSETS		SHAREHOLDERS' EQUITY	
Investments	<u>136,522</u>	Capital	86,950
Total permanent assets	136,522	Capital reserves	5,347
		Profit reserves	<u>12,654</u>
		Total shareholders' equity	104,951
			<hr/>
TOTAL ASSETS	<u><u>205,154</u></u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>205,154</u></u>

NATURA PARTICIPAÇÕES S.A.

<u>ASSETS</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash and banks	307	Other payables	<u>86,001</u>
Recoverable taxes	129	Total current liabilities	<u>86,001</u>
Related parties	<u>61,215</u>		
Total current assets	<u>61,651</u>	LONG-TERM LIABILITIES	
		Related parties	<u>10,391</u>
LONG-TERM ASSETS		Total long-term liabilities	<u>10,391</u>
Receivables from sale of shares	<u>5,506</u>		
Total long-term assets	<u>5,506</u>	SHAREHOLDERS' EQUITY	
		Capital	1,107,776
PERMANENT ASSETS		Capital reserves	5,450
Investments	104,951	Profit reserves	5,550
Goodwill on investments	1,028,041	Accumulated deficit	<u>(1,043,060)</u>
(-) Provision for maintenance of dividend payment capacity	<u>(1,028,041)</u>	Total shareholders' equity	75,716
Total permanent assets	104,951		<hr/>
		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>172,108</u></u>
TOTAL ASSETS	<u><u>172,108</u></u>		

2. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

Until December 31, 1995, the Brazilian corporate law established a simplified methodology for the recording of inflation effects determined to that date. This methodology, named Monetary Restatement of the Balance Sheet, consisted of the restatement of permanent assets (investments, property, plant and equipment, and deferred charges) and shareholders' equity accounts at the indexes disclosed by the Federal Government. The net effect of the monetary restatement was accounted for in the statements of income in a specific account under the heading Monetary Restatement of the Balance Sheet.

This monetary restatement was prohibited by Law No. 9249, of December 26, 1995, effective January 1, 1996.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations

Determined on the accrual basis of accounting.

b) Temporary cash investments

Consists of highly liquid temporary investments with maturities of less than three months, stated at cost plus income earned to the balance sheet dates.

c) Allowance for doubtful accounts

Recognized based on an analysis of risks on realization of receivables, in an amount considered sufficient to cover possible losses.

d) Inventories

Stated at average cost of acquisition or production, adjusted to market value, when applicable.

e) Investments

Investments in subsidiaries are accounted for under the equity method, plus goodwill on acquisition of investments, as shown in Note 11.

f) Property, plant and equipment

Recorded at acquisition cost, monetarily restated to December 31, 1995, plus interest capitalized during the construction period. Depreciation is calculated under the straight-line method, based on the estimated economic useful lives of the assets, at the rates shown in Note 12.

g) Deferred charges

Represented by goodwill arising from the merger of shares of Natura Empreendimentos S.A. by Natura Participações S.A., less the provision for adjustment to realizable value, as described in Note 13.

h) Current and long-term liabilities

Stated at amounts payable plus, if applicable, interest and monetary and exchange variations incurred to the balance sheet dates.

i) Income and social contribution taxes

The provision for income tax was recorded at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R\$240. Social contribution tax was calculated at the rate of 9% of taxable income. Deferred income and social contribution taxes recorded in current and long-term assets result from expenses recorded in income, although temporarily nondeductible for tax purposes. Additionally, deferred income and social contribution taxes were recorded on tax loss carryforwards.

Pursuant to CVM Resolution No. 273/98 and CVM Instruction No. 371/02, deferred taxes are recorded at their estimated realizable values, as detailed in Note 9.

j) Loans and financing

Adjusted based on exchange variations and interest incurred to the balance sheet dates, as provided for by contract and mentioned in Note 14.

k) Reserve for contingencies

Adjusted to the balance sheet dates based on the probable loss amount, according to the nature of each contingency. The fundamentals and the nature of reserves are described in Note 16.

l) Hedge transactions

The nominal values of hedge transactions are not recorded in the balance sheet. Unrealized gains or losses on these transactions are recorded on the accrual basis of accounting, as mentioned in Note 18b).

m) Financial income and expenses

Represented by interest and monetary and exchange variations on temporary cash investments, loans and financing.

n) Interest on capital

Interest on capital is accounted for directly in retained earnings, rather than in income, as required by CVM Resolution No. 207/96, and is shown in note 17d).

o) Earnings per share

Calculated based on the number of shares at the balance sheet dates.

p) Stock option plan

The Company offers to its directors and certain managers the option for purchase of shares through stock option plans. The information and effects related to the plans are mentioned in note 17h).

q) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since the management's judgment involves estimates of the probability of future events, actual results may differ from the estimates.

4. CONSOLIDATION CRITERIA

The consolidated balance sheets as of September 30, 2004 and June 30, 2004 and the consolidated statements of income for the quarters and nine-month periods ended September 30, 2004 and 2003 have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions established by CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	<u>Ownership interest - %</u>	
	<u>09/2004</u>	<u>06/2004</u>
Direct:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.76	99.76
Natura Cosméticos S.A. - Chile	99.96	99.96
Natura Cosméticos S.A. - Peru	99.85	99.85
Natura Cosméticos S.A. - Argentina	99.99	99.99
Natura Brasil Cosmética Ltda. - Portugal	99.99	99.99
Commodities Trading S.A. - Uruguay	100.00	100.00
Nova Flora Participações Ltda.	100.00	100.00
Natura Inovação e Tecnologia de Produtos Ltda.	100.00	100.00
Natura Europa SAS	100.00	-
Ybios SA	33.30	-
Indirect:		
Natura Logística e Serviços Ltda.	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	100.00	100.00

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in Note 3. Investments in subsidiaries were proportionately eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and

unrealized profit were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

The Company's shareholders' equity as of September 30, 2004 and June 30, 2004 differs by R\$1,797 and R\$2,021, respectively, from those amounts stated in the consolidated financial statements, due to the elimination of subsidiaries' unrealized profit.

In addition, net income for the quarters ended September 30, 2004 and 2003 differs by R\$224 and R\$(191), respectively, due to the elimination of unrealized profit on inventories of the Companies in Peru, Chile and Argentina.

Reconciliation between consolidated and individual (Company) net income and shareholders' equity:

	<u>Net income</u>		<u>Shareholders' equity</u>	
	<u>09/2004</u>	<u>09/2003</u>	<u>09/2004</u>	<u>06/2004</u>
Company	77,163	18,625	462,167	392,174
Elimination of unrealized profits of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. with other subsidiaries	<u>224</u>	<u>(191)</u>	<u>(1,797)</u>	<u>(2,021)</u>
Consolidated	<u>77,387</u>	<u>18,434</u>	<u>460,370</u>	<u>390,153</u>

The operations of the direct and indirect subsidiaries are as follows:

- Indústria e Comércio de Cosméticos Natura Ltda. - Engaged in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Chile, Peru and Argentina, whose amounts are mentioned in Note 10.
- Foreign operations (Natura Cosméticos S.A. - Argentina, Natura Cosméticos S.A. - Chile and Natura Cosméticos S.A. - Peru) - Their operations are an extension of the operations developed by the parent company Natura Cosméticos S.A. - Brazil.
- Natura Europa SAS – Engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, and hygiene and health products.
- Nova Flora Participações Ltda. - Holds equity interest in the subsidiary Flora Medicinal J. Monteiro da Silva Ltda.
- Natura Logística e Serviços Ltda. - Engaged in the provision of administrative and logistics services to other Group companies.
- Flora Medicinal J. Monteiro da Silva Ltda. - Engaged in the production and sale of phytotherapies of its own brand.
- Natura Inovação e Tecnologia de Produtos Ltda. - Engaged in product research and development.

- Ybios S.A. – Engaged in the research, management and development of projects, products and services in the biotechnology area, and may also enter into agreements and/or partnerships with universities, foundations, companies, cooperatives, associations, and other public and private entities; provision of services in the biotechnology area; equity interest in other companies; and similar and related activities.

5. TEMPORARY CASH INVESTMENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Bank CDs	55,594	85,332	84,100	132,506
Investment funds	<u>24,758</u>	<u>9,805</u>	<u>38,930</u>	<u>24,793</u>
	<u>80,352</u>	<u>95,137</u>	<u>123,030</u>	<u>157,299</u>

As of September 30, 2004, bank CDs are remunerated at rates ranging from 100% to 101% of the CDI (interbank deposit rate) (100% to 100.75% as of June 30, 2004). As of September 30, 2004, investment funds are remunerated at rates ranging from 92.92% to 103.25% of the CDI (83.06% to 104.04% as of June 30, 2004).

6. TRADE ACCOUNTS RECEIVABLE

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Trade accounts receivable	191,350	167,069	205,103	177,637
Allowance for doubtful accounts	(13,564)	(14,242)	(14,538)	(15,192)
Allowance for return of goods	<u>(412)</u>	<u>(374)</u>	<u>(412)</u>	<u>(374)</u>
	<u>177,374</u>	<u>152,453</u>	<u>190,153</u>	<u>162,071</u>

7. INVENTORIES

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Finished products	801	803	58,718	50,580
Raw materials and packaging	-	-	64,136	42,491
Work in process	-	-	9,282	5,775
Promotional material	8	17	8,885	9,536
Imports in transit	-	-	29	2,649
Reserve for losses	-	-	(13,972)	(12,744)
	<u>809</u>	<u>820</u>	<u>127,078</u>	<u>98,287</u>

8. RECOVERABLE TAXES

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Social contribution tax	-	302	351	598
IRPJ (corporate income tax)	-	1,833	2,517	6,524
IPI (Federal VAT)	-	-	259	180
ICMS (State VAT)	1,205	680	4,838	1,948
Other	-	-	5,175	4,268
	<u>1,205</u>	<u>2,815</u>	<u>13,140</u>	<u>13,518</u>

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

Deferred income and social contribution taxes recorded in the financial statements result from temporary differences (Company) and temporary differences and tax loss carryforwards (subsidiaries). These credits are recorded in current and long-term assets, in view of their expected realization based on projections of taxable income, considering the limit of 30% for annual taxable income offset by tax loss carryforwards, pursuant to the applicable legislation. The amounts are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Current:				
Tax loss carryforwards	-	-	691	1,793
Temporary differences:				
Reserve for inventory losses	-	-	4,750	4,333
Allowance for doubtful accounts	4,849	5,068	4,849	5,068
Reserve for losses on swap contracts	1,426	382	1,651	382
Provision for profit sharing	3,927	2,040	10,038	5,223
Other	<u>3,597</u>	<u>2,762</u>	<u>5,547</u>	<u>4,663</u>
Deferred income and social contribution taxes credits	<u>13,799</u>	<u>10,252</u>	<u>27,526</u>	<u>21,462</u>
Long-term:				
Temporary differences:				
Reserve for contingencies	11,498	10,744	16,549	14,898
Other	<u>731</u>	<u>713</u>	<u>1,035</u>	<u>1,016</u>
Deferred income and social contribution taxes	<u>12,229</u>	<u>11,457</u>	<u>17,584</u>	<u>15,914</u>

As required by CVM Resolution No. 273/98 and CVM Instruction No. 371/02, management, based on projections of results, estimates that the recorded tax credits will be fully realized within five years. The amounts recorded in long-term assets will be realized as follows:

	<u>09/2004</u>	<u>06/2004</u>
2005	1,360	5,482
2006	3,135	1,095
2007	8,149	7,450
2008	<u>4,940</u>	<u>1,887</u>
	<u>17,584</u>	<u>15,914</u>

b) Current expense

Reconciliation of income and social contribution taxes:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>09/2003</u>	<u>09/2004</u>	<u>09/2003</u>
Income before taxes on income	247,380	48,014	257,467	62,223
Income and social contribution taxes at the rate of 34%	(84,109)	(16,325)	(87,539)	(21,157)
Tax effect on principal additions and exclusions:				
Equity in subsidiaries	4,756	5,327	-	-
Losses generated by subsidiaries	-	-	(3,687)	(5,215)
Deferral of exchange variation	-	(1,086)	-	(1,086)
Interest on capital	6,755	-	6,755	-
Other	(1,251)	643	(1,262)	571
Reversal of provision for maintenance of dividend payment capacity	<u>29,128</u>	<u>-</u>	<u>29,128</u>	<u>-</u>
Income and social contribution taxes	<u>(44,721)</u>	<u>(11,441)</u>	<u>(56,605)</u>	<u>(26,887)</u>
Current income and social contribution taxes	<u>(50,455)</u>	<u>(18,802)</u>	<u>(68,419)</u>	<u>(32,566)</u>
Deferred income and social contribution taxes	<u>5,734</u>	<u>7,361</u>	<u>11,814</u>	<u>5,679</u>
	<u>(44,721)</u>	<u>(11,441)</u>	<u>(56,605)</u>	<u>(26,887)</u>

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Current assets:				
Accounts receivable:				
Indústria e Comércio de Cosméticos				
Natura Ltda. (b)	-	50	-	-
Nova Flora Participações Ltda (a)	833	833	-	-
Natura Logística e Serviços Ltda. (b)	-	42	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (b)	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u>833</u>	<u>932</u>	<u>-</u>	<u>-</u>
Long-term assets:				
Advance for future capital increase (j)				
Natura Europa SAS	11,987	2,689	11,987	2,689
Ybios SA.	32	-	32	-
Nova Flora Participações Ltda.	<u>740</u>	<u>550</u>	<u>-</u>	<u>-</u>
	<u>12,759</u>	<u>3,239</u>	<u>12,019</u>	<u>2,689</u>
Receivables from sale of shares (k)	139	1,721	139	1,721
Current liabilities:				
Suppliers:				
Natura Inovação e Tecnologia de Produtos Ltda. (c)				
	8.394	5.935	-	-
Indústria e Comércio de Cosméticos Natura Ltda. (d)				
	66.362	64.548	-	-
Natura Logística e Serviços Ltda. (e)				
	<u>6.126</u>	<u>6.125</u>	<u>-</u>	<u>-</u>
	<u>80.882</u>	<u>76.608</u>	<u>-</u>	<u>-</u>
Accounts payable:				
Natura Inovação e Tecnologia de Produtos Ltda.				
	94	137	-	-
Natura Logística e Serviços Ltda.				
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>94</u>	<u>138</u>	<u>-</u>	<u>-</u>

Transactions with related parties in the quarters ended September 30, 2004 and 2003 are summarized below:

	<u>Product sales</u>		<u>Product purchases</u>	
	<u>09/2004</u>	<u>09/2003</u>	<u>09/2004</u>	<u>09/2003</u>
Natura Cosméticos S.A.	-	-	646,320	197,985
Indústria e Comércio de Cosméticos Natura Ltda.	662,937	202,889	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	64	45
Flora Medicinal J. Monteiro da Silva Ltda.	-	-	16	101
Natura Cosméticos S.A. - Chile	-	-	2,737	808

Natura Cosméticos S.A.

Natura Cosméticos S.A. – Peru	-	-	4,593	1,174
Natura Cosméticos S.A. – Argentina	-	-	<u>9,207</u>	<u>2,776</u>
	<u>662,937</u>	<u>202,889</u>	<u>662,937</u>	<u>202,889</u>

<u>Service sales</u>		<u>Service purchases</u>	
<u>09/2004</u>	<u>09/2003</u>	<u>09/2004</u>	<u>09/2003</u>

Guarantees commission: (f)

Natura Participações S.A.	-	189	-	-
Natura Empreendimentos S.A.	-	447	-	-
Natura Cosméticos S.A. Indústria e Comércio de Cosméticos Natura Ltda.	-	-	-	593
Natura Logística e Serviços Ltda.	-	-	-	40
	-	-	-	3
	=	<u>636</u>	=	<u>636</u>

Administrative structure: (g)

Natura Logística e Serviços Ltda.	86.282	26.148	-	-
Natura Cosméticos S.A. Indústria e Comércio de Cosméticos Natura Ltda.	-	-	60.970	19.239
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	18.041	6.909
	-	-	<u>7.271</u>	-
	<u>86.282</u>	<u>26.148</u>	<u>86.282</u>	<u>26.148</u>

Product research and development: (h)

Natura Inovação e Tecnologia de Produtos Ltda.	51.505	14.908	-	-
Natura Cosméticos S.A.	=	=	<u>51.505</u>	<u>14.908</u>
	<u>51.505</u>	<u>14.908</u>	<u>51.505</u>	<u>14.908</u>

<u>Service sales</u>		<u>Service purchases</u>	
<u>09/2004</u>	<u>09/2003</u>	<u>09/2004</u>	<u>09/2003</u>

Lease of properties and common charges: (i)

Natura Cosméticos S.A.	(136)	-	787	-
Natura Empreendimentos S.A.	-	-	27	(107)
Natura Participações S.A.	-	-	14	152
Natura Inovação e Tecnologia de Produtos Ltda. Indústria e Comércio de Cosméticos Natura Ltda.	-	-	1.245	(641)
Natura Logística e Serviços Ltda.	6.308	1.833	(116)	-
	=	=	<u>4.215</u>	<u>2.429</u>

Total service sales	<u>6.172</u>	<u>1.833</u>	<u>6.172</u>	<u>1.833</u>
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Total service sales/purchases	<u>806.896</u>	<u>246.414</u>	<u>806.896</u>	<u>246.414</u>
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a) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.

- b) Receivables from sale of Natura products to employees.
- c) Payables for the provision of services described in item (h).
- d) Payables for the purchase of products. Prices and terms are within normal market conditions.
- e) Payables for the provision of services described in item (g).
- f) Guarantees of Natura Empreendimentos S.A., merged into Natura Cosméticos S.A., as mentioned in Note 1.
- g) Provision of logistic and general administrative services.
- h) Provision of product and market development.
- i) Rental of the industrial complex located in Cajamar and several units that compose Natura's facilities.
- j) Remittances to Nova Flora Participações Ltda., Ybios S.A. and advance for acquisition
- k) On September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, we granted financing to two directors for them to buy common shares issued by Natura Empreendimentos and Natura Participações. As part of our corporate restructuring in March 2004, the directors, like our other shareholders, received common shares issued by Natura Cosméticos in exchange for their common shares issued by Natura Participações. The financing totaled R\$6,174, with interest of 3.0% per year and maturity on April 30, 2009 and September 30, 2010. The debit balance as of September 30, 2004 was R\$4,846. The directors pay the financing obtained with all the dividends and interest on capital received from our Company.

The main intercompany balances as of September 30, 2004 and June 30, 2004, as well as the intercompany transactions that affected results for the periods refer to transactions with the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

Investments are represented by:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Investments in subsidiaries	368,072	366,586	-	-
Goodwill on acquisition of investment	-	-	8,015	8,015
Amortization of goodwill	-	-	(5,417)	(5,345)
	<u>368,072</u>	<u>366,586</u>	<u>2,598</u>	<u>2,670</u>

The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. is supported by an appraisal report issued by independent appraisers, based on expectation of future profitability which, as of December 31, 2003, was reviewed by management based on

Natura Cosméticos S.A.

new projections of future results, also supported by an appraisal report issued by independent appraisers, and is being amortized over ten years.

Natura Cosméticos S.A.

	Indústria Comércio e Cosméticos Lda.	Natura Cosméticos S.A. Chile	Natura Cosméticos S.A. Peru	Natura Cosméticos S.A. Argentina	Natura Brasil Cosmética Lda. Portugal	Commodities Trading S.A. Uruguay	Nova Flora Participações Lda.	Natura Inov. Tec. Prod. Lda.	Total
Shares of subsidiaries	328,992	46,261	23,423	69,088	14	319	2,413	5,008	
Number of shares (common shares) held	328,213	46,242	23,388	69,081	14	319	2,413	5,008	
Ownership interest - %	99.76	99.96	99.85	99.99	99.99	100.00	100.00	100.00	475,518
Capital	328,992	46,261	23,423	69,088	14	319	2,413	5,008	
Shareholders' equity of subsidiaries	350,411	178	2,777	3,970	(50)	21	1,362	10,188	368,857
Share in shareholders' equity	349,580	178	2,773	3,970	(50)	21	1,362	10,188	368,022
Net income (loss) of subsidiaries from July 1 to September 30, 2004	1,195	(1,421)	(740)	(700)	16	(2)	(397)	(1,495)	(554)
<u>Book value of Company investment:</u>									
Balances as of June 30, 2004	348,388	646	2,921	4,156	-	23	1,759	8,693	366,586
Increase in investments	-	952	591	514	-	-	-	-	2,057
Equity in subsidiaries:	1,192	(1,420)	(739)	(700)	17	(2)	(397)	1,495	(554)
Recognition of provision for losses	-	-	-	-	(17)	-	-	-	(17)
									<u>368,072</u>
Balances as of September 30, 2004	<u>349,580</u>	<u>178</u>	<u>2,773</u>	<u>3,970</u>	<u>-</u>	<u>21</u>	<u>1,362</u>	<u>10,188</u>	
<u>Provision for losses:</u>									
Balances as of June 30, 2004	-	-	-	-	67	-	-	-	67
Provision for losses	-	-	-	-	(17)	-	-	-	(17)
Balances as of September 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>

12. PROPERTY, PLANT AND EQUIPMENT

Is composed of:

	Annual depreciation rate - %	Company					
		09/2004			06/2004		
		Restated cost	Accumulated depreciation	Net book value	Restated cost	Accumulated depreciation	Net book value
Machinery and equipment	10	950	(588)	362	950	(566)	384
Furniture and fixtures	10	3,893	(2,957)	936	3,878	(2,881)	997
Vehicles	20	15,252	(6,423)	8,829	10,746	(5,959)	4,787
IT equipment	20	6,694	(5,450)	1,244	6,705	(5,281)	1,424
Construction in progress	0	84	-	84	-	-	-
Leasehold improvements	12	690	(150)	540	660	(142)	518
Software licenses	20	2,587	(1,086)	1,501	2,579	(959)	1,620
Other	10	6	(2)	4	6	(3)	3
Advances to suppliers	0	-	-	-	23	-	23
		<u>30,156</u>	<u>(16,656)</u>	<u>13,500</u>	<u>25,547</u>	<u>(15,791)</u>	<u>9,756</u>

	Annual depreciation rate - %	Consolidated					
		09/2004			06/2004		
		Restated cost	Accumulated depreciation	Net book value	Restated cost	Accumulated depreciation	Net book value
Machinery and equipment	10	71,458	(30,579)	40,879	70,120	(28,869)	41,251
Molds	33	25,203	(19,515)	5,688	24,209	(18,313)	5,896
Furniture and fixtures	10	12,687	(6,654)	6,033	12,326	(6,455)	5,871
Installations	10	64,390	(23,261)	41,129	63,040	(21,835)	41,205
Vehicles	20	22,317	(9,648)	12,669	17,449	(9,250)	8,199
IT equipment	20	30,228	(18,089)	12,139	30,340	(17,672)	12,668
Land	0	15,910	-	15,910	15,910	-	15,910
Buildings	4	126,990	(17,909)	109,081	126,990	(16,652)	110,338
Construction in progress	0	12,231	-	12,231	8,089	-	8,089
Leasehold improvements	12	709	(168)	540	679	(161)	518
Software licenses	20	11,658	(4,977)	6,681	10,960	(4,448)	6,512
Other	10	6,489	(4,908)	1,581	6,373	(4,902)	1,471
Advances to suppliers	0	<u>10,994</u>	<u>-</u>	<u>10,994</u>	<u>5,264</u>	<u>-</u>	<u>5,264</u>
		<u>411,264</u>	<u>(135,708)</u>	<u>275,556</u>	<u>391,749</u>	<u>(128,557)</u>	<u>263,192</u>

13. DEFERRED CHARGES

As mentioned in Note 1, on March 5, 2004 the Company merged the company Natura Participações S.A., which had goodwill on the investment in the then subsidiary Natura Empreendimentos S.A. in the amount of R\$1,028,041 and a corresponding provision for maintenance of dividend payment capacity in the same amount. This goodwill arose from the merger of the shares of Natura Empreendimentos S.A. into Natura Participações S.A. on December 27, 2000. This share merger operation was approved by the Extraordinary Shareholders' Meeting held on that date, and the amounts are supported by a valuation report issued by independent experts.

The amounts are as follows:

	Company	
	<u>09/2004</u>	<u>06/2004</u>
Goodwill on investments	942,371	979,086
Provision for maintenance of dividend payment capacity	<u>(942,371)</u>	<u>(979,086)</u>
	<u>-</u>	<u>-</u>

The provision for maintenance of dividend payment capacity will result in the payment of goodwill amortization tax benefits to all shareholders. The goodwill amount is being amortized over a seven-year period.

14. LOANS AND FINANCING

Type	Company		Consolidated		Charges	Guarantees
	09/2004	06/2004	09/2004	06/2004		
Import financing (BNDES Exim)	-	-	-	3,782	Interest of 3.7% per year + TJLP (long-term interest rate)	Natura Cosméticos
ACE (advance on export contracts)	-	-	2,202	-	Interest of 1.81% per year + exchange variation	Natura Cosméticos
BNDES (Brazilian Bank for Economic and Social Development)	34,240	37,841	34,240	37,841	70% Interest of 4% per year + TJLP 30% Interest of 4% per year + UMBNDES(**)	Guarantee, mortgage and bank guarantee
BNDES-FINAME (Government Agency for Machinery and Equipment Financing)	-	-	4,015	3,754	Interest of 5.0% per year + TJLP	Chattel mortgage and Natura Cosméticos
BNDES-Poc*	737	1,169	737	1,169	Interest of 4.5% per year + TJLP	Natura Indústria
FINEP (Financing Agency for Studies and Projects)	-	-	32,199	26,447	Interest of 3% per year + TJLP	Guarantee and promissory notes
Bank loans and financing	-	-	29,258	31,177	6-month Libor + 6.05% per year	Promissory notes and Natura Cosméticos
Total	<u>34,977</u>	<u>39,010</u>	<u>102,651</u>	<u>104,170</u>		
Current	<u>12,396</u>	<u>13,052</u>	<u>25,423</u>	<u>24,300</u>		
Long term	<u>22,581</u>	<u>25,958</u>	<u>77,228</u>	<u>79,870</u>		

(*) Poc - Proposal of Credit Operation

(**) UMBNDES - BNDES monetary unit

Maturities of long-term debt are as follows:

	Consolidated	
	09/2004	06/2004
2005	7,159	12,741
2006	24,454	23,100
2007	20,812	19,446
2008	12,490	11,258
2009	4,138	4,437
2010	4,082	4,437
2011	<u>4,093</u>	<u>4,451</u>
	<u>77,228</u>	<u>79,870</u>

Financing in local currency from BNDES is guaranteed mainly by the Itapeçerica da Serra and Cajamar units.

Natura Inovação e Tecnologia de Produtos Ltda. contracted financing from the Financing Agency for Studies and Projects (FINEP) in the amount of R\$39,153. The amount of R\$29,994 has been released to date. The funds are being used in the development of new products in the biodiversity segment.

Other bank loans and financing in the amount of R\$29,258 (R\$31,177 as of June 30, 2004) refer mainly to a repass from the International Finance Corporation (IFC) financing line, which is being used to finance the increase in production capacity and production optimization.

15. TAXES PAYABLE

Taxes payable are represented by:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Current liabilities:				
ICMS (State VAT)	37,958	31,696	37,540	34,238
Cofins (tax on revenue)	100	337	2,865	4,338
PIS (tax on revenue)	23	71	624	932
Income tax	3,040	-	3,921	922
Social contribution tax	1,507	-	1,902	468
Withholding income tax	2,061	3,241	2,624	4,021
PIS/Cofins/CSLL (Law No. 10,633/03)	841	647	1,082	813
Other	28	56	2,407	1,567
	<u>45,558</u>	<u>36,048</u>	<u>52,965</u>	<u>47,299</u>

16. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, labor and civil lawsuits and to tax proceedings at the administrative level. Based on the opinion of its legal counsel, management believes that the reserve for contingencies is sufficient to cover probable losses from unfavorable judgments according to the best estimates.

The balances of contingencies are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
Tax	35,974	32,518	48,707	42,618
Labor	1,710	1,904	2,542	2,748
Civil	437	387	2,923	2,697
	<u>38,121</u>	<u>34,809</u>	<u>54,172</u>	<u>48,063</u>

Accrued tax contingencies are comprised of the following proceedings:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
a.) Deductibility of CSLL (social contribution tax) (Law No. 9316/96)	7,901	5,503	7,901	5,503
b.) Monetary restatement of federal taxes (IRPJ / CSLL / ILL) according to Ufir (fiscal reference unit)	4,886	4,861	5,011	4,986
c.) Tax assessment – INSS (social security contribution)	4,250	4,125	4,250	4,125
d.) IPI (federal VAT) – Tax collection lawsuit	3,264	3,170	3,264	3,170
e.) PIS (tax on revenue) – Semiannual – Decree-laws No. 445 and 2449	10,668	10,005	11,954	11,208
f.) IPI – zero rate	-	-	10,118	7,364
g.) Attorneys’ fees and other	<u>5,005</u>	<u>4,854</u>	<u>6,209</u>	<u>6,262</u>
	<u>35,974</u>	<u>32,518</u>	<u>48,707</u>	<u>42,618</u>

a.) Refers to the social contribution tax discussed through a writ of mandamus that questions the constitutionality of Law No. 9316/96 that prohibited the deduction of CSLL from its own tax basis and IRPJ (corporate income tax) basis.

b.) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR, discussed through a writ of mandamus. Escrow deposit has been made for the amount involved of this contingency.

c.) Refers to the social security contribution required by tax assessments issued by the National Institute of Social Security as a result of an inspection. The Company, as a taxpayer having joint liability for tax payment, is required to pay INSS on services provided by third parties. The amounts are discussed in court through a tax debt annulment action and have escrow deposits.

d.) Refers to a tax collection lawsuit seeking to collect the IPI related to July 1989 when wholesale establishments began to be considered equivalent to industrial establishments. Escrow deposits have been made for the amounts involved in this tax collection lawsuit.

e.) Refers to the offsetting of PIS paid as per decree-laws Nos. 2445 and 2449, in the period from 1988 to 1995, against federal taxes due in 2004.

f.) Refers to IPI tax credits on raw materials and packing materials purchased at zero tax rate. The Company discusses in court the right to tax credit through a writ of mandamus.

Labor contingencies

As of September 30, 2004, the Company and its subsidiaries are parties to 161 labor lawsuits filed by former employees and third parties (154 as of June 30, 2004), claiming the payment of severance amounts, salary premiums, overtime and other amounts due for subsidiary liability.

Civil contingencies

As of September 30, 2004, the Company and its subsidiaries are parties to 489 proceedings (413 as of June 30, 2004) at the civil court, special civil court and Procon (Consumer Protection Agency), filed by consultants, consumers and former employees, mostly related to indemnity claims.

Escrow deposits

Escrow deposits, which represent the Company's restricted assets, refer to amounts deposited in court until litigation is resolved. The balance of these deposits as of September 30, 2004 was R\$ 24,762 (R\$ 19,635 as of June 30, 2004) – Consolidated, and is classified as Escrow Deposits in long-term assets.

Possible losses

The Company and its subsidiaries are parties to tax lawsuits, for which the risk of loss is considered possible by management and its legal counsel. These lawsuits, for which the Company did not record any reserve, are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2004</u>	<u>06/2004</u>	<u>09/2004</u>	<u>06/2004</u>
a.) IPI tax credit from purchases of fixed assets	-	-	8,551	8,154
b.) Unapproved requests for offset/ refund of ILL (tax on net income)	2,996	2,913	3,081	2,996
c.) INSS debt annulment action	4,083	3,963	4,083	3,963
d.) ICMS tax collection lawsuit – PE	1,149	1,117	1,149	1,117
e.) Writ of mandamus for IOF (financial transactions tax)	2,908	2,845	2,908	2,845

f.) Tax assessment – transfer pricing, IRPJ and CSLL	1,650	1,589	1,650	1,589
g.) Other	<u>2,783</u>	<u>2,746</u>	<u>3,245</u>	<u>3,195</u>
	<u>15,569</u>	<u>15,173</u>	<u>24,667</u>	<u>23,859</u>

a.) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through writs of mandamus the right to the IPI credit on purchases of fixed assets and consumption materials. Tax credits recognized as of September 30, 2004 under judicial discussion are R\$ 8,551 (R\$ 8,154 as of June 30, 2004).

b.) The Company and its subsidiaries offset in 2000 the ILL amounts paid incorrectly due to the Federal Supreme Court's declaration of unconstitutionality. There are 14 offset processes in the total amount of R\$ 3,081 as of September 30, 2004 (R\$ 2,996 as of June 30, 2004), which have not yet been approved by the Federal Revenue Service.

c.) The Company filed a tax debt annulment action seeking the annulment of the tax payment of R\$ 4,083 (R\$ 3,963 as of June 30, 2004) demanded by the INSS through a tax assessment issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters.

d.) The Company is questioning in a tax collection lawsuit the ICMS required by the Pernambuco State Finance Department in a tax assessment demanding the difference in ICMS rates for certain products.

e.) The Company filed a writ of mandamus for purposes of offsetting IOF paid on loan transactions with related parties.

f.) The Company contested the tax assessment whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with foreign related parties. On July 12, 2004, an administrative defense was filed and is still being judged.

The Company and its subsidiaries are parties to other civil and labor lawsuits, for which the risk of loss is considered possible by management and its legal counsel. There are 105 civil lawsuits amounting to R\$4,585, and 55 labor lawsuits amounting to R\$8,246.

17. SHAREHOLDERS' EQUITY

a) Merger of companies

As mentioned in Note 1, on March 5, 2004 the Company conducted the merger of the companies Natura Empreendimentos S.A. and Natura Participações S.A.

The merger adjustments referring to the shareholders' equity accounts of the merged companies produced significant effects on the statement of changes in shareholders' equity of the Company (merging company) for the quarter ended March 31, 2004. To allow for an analysis of these effects, the changes in shareholders' equity of the Company are stated below:

Company	Capital	Treasury shares	Share premium	Capital reserves Investment grants	Profit reserves Legal	Retention	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2003	<u>56,387</u>	<u>-</u>	<u>-</u>	<u>9,998</u>	<u>10,687</u>	<u>45,544</u>	<u>-</u>	<u>122,616</u>
Net income	-	-	-	-	-	-	46,122	46,122
Capitalization of debentures	138,569	-	100,000	-	-	-	-	238,569
Capital increase through merger of Natura Empreendimentos SA	1,415	-	-	-	-	-	-	1,415
Treasury shares	-	(1,415)	-	-	-	-	-	(1,415)
Sale of treasury shares through exercise of stock options (item f)	-	38	716	-	-	-	-	754
Receivables from shareholders	-	(2,385)	-	-	-	-	-	(2,385)
Absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	(23,367)	-	(23,367)
Absorption of excess liabilities through merger of Natura Participações S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	(29,235)	-	(29,235)
Absorption of reserve	-	-	-	-	(7,058)	7,058	-	-
BALANCES AS OF MARCH 31, 2004	<u>196,371</u>	<u>(3,762)</u>	<u>100,716</u>	<u>9,998</u>	<u>3,629</u>	<u>-</u>	<u>46,122</u>	<u>353,074</u>
Net income	-	-	-	-	-	-	79,374	79,374
Capital increase through subscription of shares	34,391	-	-	-	-	-	-	34,391
Sale of treasury shares through exercise of stock options (item f)	-	208	3,892	-	-	-	-	4,100
Profit on sale of shares	-	-	341	-	-	-	-	341
Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	-	7,660	7,660
Dividends payable	-	-	-	-	-	-	(73,333)	(73,333)
Interest on capital	-	-	-	-	-	-	(13,433)	(13,433)
BALANCES AS OF JUNE 30, 2004	<u>230,762</u>	<u>(3,554)</u>	<u>104,949</u>	<u>9,998</u>	<u>3,629</u>	<u>-</u>	<u>46,390</u>	<u>392,174</u>
Net income	-	-	-	-	-	-	77,163	77,163
Receivables from shareholders	-	(644)	-	-	-	-	-	(644)
Profit on sale of shares	-	417	166	-	-	-	-	583
Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of the merged company's investment in the Company	-	-	-	-	-	-	(675)	(675)
Interest on capital	-	-	-	-	-	-	(6,434)	(6,434)
BALANCES AS OF SEPTEMBER 30, 2004	<u>230,762</u>	<u>(3,781)</u>	<u>105,115</u>	<u>9,998</u>	<u>3,629</u>	<u>-</u>	<u>116,444</u>	<u>462,167</u>

b) Capital

On December 31, 2003, the Company's capital was R\$56,387, divided into 25,000 common shares without par value and 10,955 preferred shares without par value.

On March 2, 2004, the shareholders decided at an Extraordinary General Shareholders' Meeting to: (i) capitalize the credits arising from the redemption of the subordinated

debentures held by them and from the net remuneration on the debentures through January 31, 2004; and (ii) split the shares issued by the Company in the proportion of 2,099 new shares for each existing share. The total amount of the capitalized credits was R\$238,569, and they were applied to a capital reserve in the amount of R\$100,000 and a capital increase in the amount of R\$138,569 through the issuance of 3,299 new common shares at the issue price of R\$72.3 thousand per share. These shares were subsequently split in the proportion of 2,099 new shares for each existing share, resulting in a capital of R\$194,956, divided into 59,399,601 common shares and 22,994,545 preferred shares. In the General Shareholders' Meeting held on March 5, 2004, the shareholders approved, among other matters:

- a) Merging the Companies Natura Participações S.A. and Natura Empreendimentos S.A., which were until then the Company's parent companies.
- b) Canceling the Company shares held by the merged parent companies.
- c) Amending the bylaws to R\$196,371, represented by 83,266,061 shares.

On May 24, 2004, the Board of Directors' Meeting approved (i) an increase in the Company's capital within the limit of authorized capital, due to the exercise of the right to convert the debentures issued by the Company and fully subscribed by BNDES Participações S.A. into common shares of the Company, as allowed by the Private Indenture of Issuance of Registered Debentures Convertible into Common Shares, dated February 23, 2001.

Consequently, 2,172,550 registered common shares without par value, totaling R\$34,391, were subscribed, and the Company's capital was changed from R\$196,371, represented by 83,266,061 common shares, to R\$230,762, represented by 85,438,611 common shares.

As of September 30, 2004, the Company's capital is R\$230,762. The subscribed and paid-up capital is represented by 85,438,611 common shares without par value.

- c) Receivables from management

In the quarters ended September 30, 2004 and March 31, 2004, the amounts of R\$644 and R\$2,385, respectively, were reclassified from the caption "Receivables from shareholder" to the caption "Treasury shares" until they are paid up. Details are disclosed in Note 10, item k.

- d) Interest on capital

The Company's management recorded interest on capital pursuant to CVM Resolution No. 207/86 and Law No. 9,249/95.

As of September 30, 2004, the gross amount of interest on capital is R\$ 19,867 and was calculated in accordance with statutory limits, and the withholding income tax was retained and paid by the Company.

- e) Dividend distribution policy

Each year, shareholders are entitled to a minimum dividend equivalent to 30% of net income for the year, considering principally the following adjustments:

- The increase in the amounts resulting from the reversal, in the year, of reserves for contingencies, recognized previously.
- The decrease in the amounts intended for the recognition, in the year, of the legal reserve and reserve for contingencies.

The bylaws allow the Company to prepare semi-annual and interim balance sheets, and based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

The Company paid, in August 2004, dividends and interest on capital in the amounts of R\$73.333 and R\$13.433, respectively, for first half of the year.

f) Goodwill on the issuance of shares

Refers to the goodwill arising from the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R\$100,000, as mentioned in detail in item b) above.

g) Reserve for profit retention

As of December 31, 2003, this reserve was recorded in accordance with article 196 of Law No. 6,404/76. On March 5, 2004 it was used for absorbing excess liabilities arising from the mergers of the companies Natura Empreendimentos S.A. and Natura Participações S.A. See details in item b) above.

h) Stock option program

In 1998, the extinguished Natura Empreendimentos S.A. approved an incentive policy for certain directors and managers of the group's companies, through which they would be entitled to buy shares. Subsequently, this Program was also assumed by the extinguished Natura Participações S.A., and the general bases of the Stock Option Grant Program remained unchanged.

On March 5, 2004, the General Shareholders Meeting of Natura Cosméticos S.A. approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company, and fully assumed the Stock Option Program. As it became a publicly-held company, Natura Cosméticos S.A. changed its Stock Option Program, and the main changes were the criteria for establishing the subscription or purchase price, and the Company's obligation to repurchase the shares was discontinued.

The Board of Directors meets once a year for the purpose of, within the Program's general bases, establish the Plan, indicating the directors and managers who will receive the options.

Before the Company went public, the amount established for exercising the options was updated according to inflation levels as measured by the Expanded Consumer Price Index (IPC-A), and the Company had the obligation to repurchase the shares. The plans for 2000, 2001, 2002, 2003 and 2004 were approved under these rules.

The plans for 2000 and 2001 have a 3-year time span for exercising the options, that is, the right to exercise options will be based on 1/3 per year. The plans for 2002, 2003 and 2004 have a four-year time span for exercising the options, and the exercising rights are 50% at the end of the third year and 50% at the end of the 4th year.

After the Company went public, the Company's Management, in a meeting held on April 26, 2004, changed these Programs in which the Company is no longer obliged to repurchase the shares acquired under the Program, and modified the criteria for determining the purchase or subscription price of the shares, which became the average market price of the Company's common shares at BOVESPA over the last ten sessions, and maintained the rules regarding updating based on the IPC-A index.

The deadline for exercising the options received is two years, counted from the date when all the holder's options have matured (became exercisable).

The information related to the stock option plans is summarized as follows:

Number of stock options (in shares):

Balance of options as of February 1, 2004 (after merger of Natura Participações S.A.)	2,476,351
Cancelled options	(24,127)
Exercised options (*)	<u>(511,321)</u>
Balance of options as of March 31, 2004	1,940,903
Distributed options	380,292
Cancelled options	(51,019)
Exercised options (*)	<u>(438,556)</u>
Balance of options as of September 30 and June 30, 2004	<u>1,831,620</u>

(*) Breakdown of exercised options through September 30, 2004

Options converted into shares and sold	805,064
Options converted into shares and held	<u>144,813</u>
Total options exercised	<u>949,877</u>

Options converted into shares and sold generated a cash disbursement in the amount of R\$ 11,086, resulting from the difference between the amount paid by option holders in the amount of R\$16,574 and the amount of R\$27,660, which was paid by Natura Cosméticos S.A. for the repurchase.

Breakdown of call options by plan:

	Number of call options (in shares)	Amount for the year updated by IPCA through <u>September 30, 2004</u>
2000	46,348	17.30
2001	84,513	18.15
2002	585,786	25.19
2003	743,439	14.11
2004	<u>371,534</u>	34.72

Total 1,831,620

As already mentioned above, the Company, after going public, no longer is obliged to repurchase the shares acquired under the program, and, since the recording of the provision related to the stock option program as set forth in CVM's Official Circular No. 01/2004 is no longer mandatory and is a practice not adopted by publicly-held companies in Brazil, the amount of R\$9,564 related to this provision was reversed as of June 30, 2004, against the administrative expenses account, in the amount of R\$2,578, and retained earnings, in the amount of R\$6,986. The amount of R\$6,986 recorded in the retained earnings account is due to the fact that the provision was originated in the company Natura Participações S/A and received by Natura Cosméticos S/A as net assets in the merger process of March 2004, as disclosed in Note 1, and therefore had no effect on the income of Natura Cosméticos S/A.

On September 30, 2004, if the Company's Management had opted to recognize in the accounting books the effects of the plans, taking into account the time span for maturity, and using the intrinsic value method (the difference between market price as of September 30, 2004 and the option value updated by the IPC-A), the pro forma net income for the quarter and nine-month period ended September 30, 2004 would be R\$25,710 and R\$10,816, respectively, as shown below:

	<u>IFS</u> 1/1/2004 to 9/30/2004	<u>Pro Forma</u> 1/1/2004 to 9/30/2004	<u>IFS</u> 7/1/2004 to 9/30/2004	<u>Pro Forma</u> 7/1/2004 to 9/30/2004
GROSS OPERATING REVENUES	1,738,406	1,738,406	645,656	645,656
Taxes on sales, returns and rebates	(532,528)	(532,528)	(197,493)	(197,493)
NET OPERATING REVENUES	<u>1,205,878</u>	<u>1,205,878</u>	<u>448,163</u>	<u>448,163</u>
Cost of sales	(396,145)	(396,145)	(141,835)	(141,835)
GROSS PROFIT	<u>809,733</u>	<u>809,733</u>	<u>306,328</u>	<u>306,328</u>
OPERATING (EXPENSES) INCOME				
Operating expenses	(545,729)	(571,439)	(209,626)	(220,442)
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	<u>264,004</u>	<u>238,294</u>	<u>96,702</u>	<u>85,886</u>
Financial expenses	(29,552)	(29,552)	(9,057)	(9,057)
Financial income	31,013	31,013	10,781	10,781
INCOME FROM OPERATIONS	<u>265,465</u>	<u>239,755</u>	<u>98,426</u>	<u>87,610</u>
Nonoperating income (expense)	(820)	(820)	(931)	(931)
INCOME BEFORE DEBENTURE PARTICIPATION	<u>264,645</u>	<u>238,935</u>	<u>97,495</u>	<u>86,679</u>
Debenture participation	(7,178)	(7,178)	-	-
INCOME BEFORE TAXES ON INCOME	<u>257,467</u>	<u>231,757</u>	<u>97,495</u>	<u>86,679</u>
Income and social contribution taxes	(56,605)	(56,605)	(20,108)	(20,108)
NET INCOME	<u><u>200,862</u></u>	<u><u>175,152</u></u>	<u><u>77,387</u></u>	<u><u>66,571</u></u>

18. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined-contribution pension plan for all employees of Natura and its subsidiaries. According to the terms of this plan, the cost is shared between the employer and the employees, so that the Company's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1.0% to 5.0% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions as of September 30, 2004 totaled R\$359.

19. FINANCIAL INSTRUMENTS

a) General conditions

The Company and its subsidiaries enter into transactions involving financial instruments, all recorded in balance sheet accounts, to meet their own needs, and reduce exposure to market, currency, and interest rate risks. These risks and the respective financial instruments are managed through the definition of strategies, establishment of control systems, and determination of exchange exposure limits.

Temporary cash investments are mainly made at negotiated return rates, since the Companies intend to hold these investments to redemption. These investments reflect the market conditions at the balance sheet dates.

Loans and financing are recorded at the contractual interest rates of each transaction.

b) Exchange risk

The Company has entered into swap and forward transactions to hedge against exchange variation on its liabilities resulting from assumed liabilities. According to the Company's policy, hedge transactions should be contracted for all debts that may expose the Company to exchange risks. As of September 30, 2004 and June 30, 2004, the Company had swap transactions with financial institutions in the amounts of R\$41,092 (US\$14,375,000) and R\$43,685 (US\$14,058,000), respectively. Forward transactions as of September 30, 2004 amounted to R\$3,557 (Euros \$ 1,002,000). These transactions generated losses as of September 30, 2004 and June 30, 2004, of R\$4,857 and R\$1,124 respectively, which were recorded in current liabilities. The exchange risk is substantially indexed to the U.S. dollar and euro.

The Company and its subsidiaries do not have derivative financial instruments for speculative purposes.

c) Interest rate risk

The Company and its subsidiaries are exposed to fluctuations in the long-term interest rate (TJLP) due to the financing agreements entered into with BNDES and Finep, as well as to Libor on the agreement with IFC.

d) Fair values

As of September 30, 2004 and June 30, 2004, the fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the amounts recorded in the financial statements due to their short term. The fair values of loans and financing substantially approximate the amounts recorded in the financial statements since these financial instruments have variable interest rates.

The amounts of swap and forward operations are as follows, considering book value curves and fair value curves.

	<u>Company and Consolidated</u>			
	<u>09/2004</u>		<u>06/2004</u>	
	<u>Book</u>	<u>Fair</u>	<u>Book</u>	<u>Fair</u>
	<u>value</u>	<u>value</u>	<u>value</u>	<u>value</u>
Payables - swap and forward transactions	4,857	4,921	1,124	896

e) Credit risk

The Company's sales are made to a large number of beauty consultants. The Company manages the credit risk through a strict credit granting process.

20. INSURANCE

The Company and its subsidiaries contract insurance based principally on risk concentration and significance, at amounts considered by management to be sufficient, taking into consideration the nature of its activities and opinion of its insurance advisors. As of September 30, 2004, the insurance coverage was as follows:

<u>Item</u>	<u>Coverage</u>	<u>Insured amount</u>
Industrial complex/inventories	Any material damages to buildings, installation and machinery and equipment	384,862
Vehicles	Fire, theft and collision for 816 vehicles	16,891
Loss of profits	Nonrealization of profits arising from material damages to production installation, buildings and machinery and equipment	558,270

(Convenience Translation into English from the Original Previously Issued in Portuguese)

NATURA COSMÉTICOS S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2004
(In thousands of Brazilian reais - R\$)

OPERATING ACTIVITIES

Net income	200,862
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	25,821
Monetary and exchange variations, net	7,819
Loss on swap contracts	2,961
Restatement of reserve for contingencies	26,906
Increase in other reserves	6,949
Subsidiaries' unrealized profits	1,797
Deferred income and social contribution taxes	(11,814)
Net book value of property, plant and equipment written off/sold	752
Proceeds from debentures	5,743
Minority interest	(1)
	<u>267,795</u>

(INCREASE) IN ASSETS

Current assets:	
Accounts receivable	(9,158)
Inventories	(54,926)
Other receivables	(1,503)
Long-term assets:	
Escrow deposits	(8,997)
Other receivables	(11,964)
Subtotal	<u>(86,548)</u>

INCREASE (DECREASE) IN LIABILITIES

Current liabilities:	
Suppliers	20,192
Payroll and related charges	21,195
Taxes payable	(25,028)
Other payables	(10,047)
Long-term liabilities:	
Other payables	(918)
Subtotal	<u>5,394</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

186,641

INVESTING ACTIVITIES

Purchase of property, plant and equipment	(44,125)
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NET CASH USED FOR INVESTING ACTIVITIES

(44,125)

FINANCING ACTIVITIES

Proceeds from loans and financing	41,849
Payment of loans - principal and interest	(83,498)
Payment of dividends	(129,997)
Payment of interest on capital	(11,402)

NET CASH USED FOR FINANCING ACTIVITIES

(183,048)

Acquisition of Natura Empreendimentos S/A and Natura Participações S/A with net assets

43,879

NET INCREASE (DECREASE) IN CASH AND BANKS

3,347

Cash and banks at beginning of period

136,111

Cash and banks at end of period

139,458

CHANGE IN CASH AND BANKS

3,347

SUPPLEMENTARY CASH FLOW DISCLOSURE:

Income and social contribution taxes paid	46,279
Interest paid on loans and financing	9,296
Swap contracts paid	9,170

RESULTS FOR THE THIRD QUARTER OF 2004 (3Q04)

HIGHLIGHTS OF 3Q04

This report is presented on a consolidated basis, except when otherwise indicated.

- ❖ The number of units sold rose from 35.9 million in 3Q03 to 47.4 million in 3Q04 (growth of 32.2%);
- ❖ Consolidated net revenue grew 35.1% in the same comparison of quarters;
- ❖ The gross margin increased from 67.1% in 3Q03 to 68.4% in 3Q04;
- ❖ EBITDA rose 38.0% over the same period, and the EBITDA margin grew from 22.8% in 3Q03 to 23.3% in 3Q04;
- ❖ Net income amounted to R\$77.4 million for 3Q04, and totaled R\$200.9 million for the first nine months of the year.
- ❖ The number of consultants available in Brazil¹ increased from 340,200 in 3Q03 to 392,100 in 3Q04, growing 15.3%;
- ❖ The number of consultants available¹ in Latin America² increased from 18,300 in 3Q03 to 24,100 in 3Q04, growing 31.6%;
- ❖ For the second consecutive year, Natura was elected the Best Company for Women to Work For (according to Exame-Você S/A magazines);
- ❖ The magazine Carta Capital released the InterScience research, which granted to Natura the award for the Most-Admired Company in Brazil.
- ❖ Other awards in the quarter: for the second consecutive year, the Company was voted as having the Best Annual Report for closely-held companies (Abrasca) and the 2003 Best Social Balance sheet (Aberj, Apimec, Ethos, Fides and Ibase). It was also voted as having the best financial statements for closely-held companies – 2004 Transparency Trophy (Anefac, Fipecafi and Serasa).

(1) By the end of sales cycle 13.

(2) Argentina, Chile and Peru.

1- FINANCIAL SUMMARY – CONSOLIDATED DATA

R\$ million	3Q04	3Q03	% Change	9M04	9M03	% Change
Units Sold (million)	47.4	35.9	32.2	131.7	101.4	29.8
Gross Revenues	645.7	481.8	34.0	1,738.4	1,289.4	34.8
Net Revenues	448.2	331.7	35.1	1,205.9	893.8	34.9
Gross Profit	306.3	222.5	37.7	809.7	576.1	40.6
<i>Gross Margin (%)</i>	<i>68.4</i>	<i>67.1</i>	<i>---</i>	<i>67.1</i>	<i>64.5</i>	<i>---</i>
EBITDA	104.5	75.7	38.0	289.0	186.0	55.4
<i>EBITDA Margin</i>	<i>23.3</i>	<i>22.8</i>	<i>---</i>	<i>24.0</i>	<i>20.8</i>	<i>---</i>
Net Income	77.4	18.4	319.8	200.9	35.4	467.8
Net Debt/(Investments)	(32.0)	54.2	n/a	(32.0)	54.2	n/a
Available consultants ⁽¹⁾ in Brazil (thousand)	392.1	340.2	15.3	392.1	340.2	15.3
Available consultants ⁽¹⁾ in Latin America (thousand) ⁽²⁾	24.0	18.3	31.6	24.0	18.3	31.6

(1) Position at the end of the 13th sales cycle.

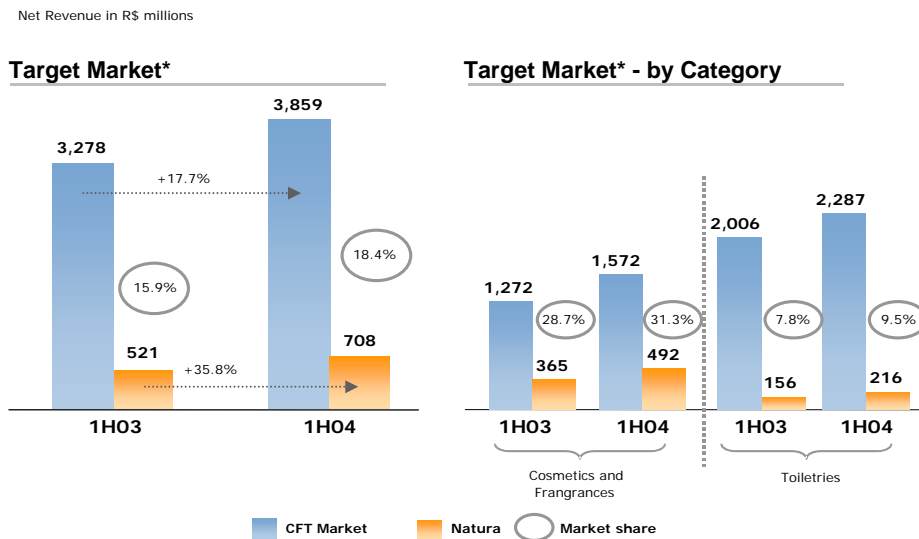
(2) Argentina, Chile and Peru.

2 - DATA ON THE SECTOR IN BRAZIL (1H04)

Cosmetics, fragrance and toiletries companies in Brazil had net revenue of R\$5,939.6 million in 1H04, compared to R\$4,997.9 million in 1H03 (growth of 18.8% in the period), according to data from sector associations SIPATESP / ABIHPEC. Natura's net revenue in Brazil, considering only cosmetics, fragrance and toiletries business, went from R\$523.2 million in 1H03 to R\$710.6 million in 1H04, with growth of 35.8%. Thus, according to the data presented, our market share grew from 10.5% in 1H03 to 12.0% in 1H04.

Considering only Natura's core categories (excluding diapers, oral hygiene, hair dyes, nail polish, sanitary napkins, etc.), the sector's net revenue in Brazil went from R\$3,278.3 million in 1H03 to R\$3,859.1 million in 1H04, growing 17.7%. Natura's share of this target market grew from 15.9% to 18.4% in the same comparison. Considering the cosmetics and fragrances category, our market share was 31.3% in 1H04 (28.7% in 1H03). In toiletries, our market share grew to 9.5% in 1H04 (7.8% in 1H03).

Target Market Brazil – Net Revenue in R\$ million



Source: Sipatesp, ABIHPEC

(*) Comprising only the market in which Natura operates, excluding diapers, oral hygiene, hair dyes, nail polishes, sanitary pads, etc.

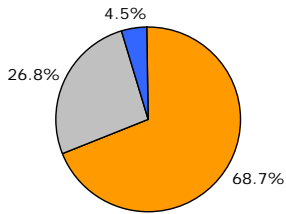
3- OVERVIEW OF SALES

Consolidated Gross Revenue

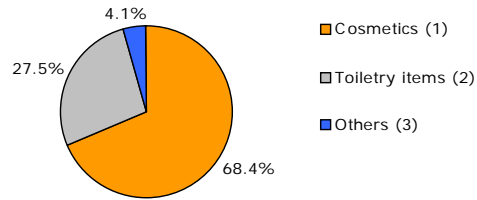
Natura's consolidated gross revenue totaled R\$645.7 million in 3Q04, representing growth of 34.0% over the same period in 2003 (R\$481.8 million). In 9M04, consolidated gross revenue was R\$1,738.4 million, with growth of 34.8% compared to the same period in 2003 (R\$1,289.4 million). The graphs below present the breakdown of gross revenue by category and region.

Consolidated Gross Revenue – Breakdown by category

Breakdown by Category - 9M03



Breakdown by Category - 9M04



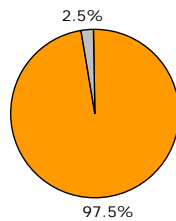
(1) - Fragrances, makeup, creams and lotions, and sunscreen.

(2) - Hair care products, soaps, deodorants, shaving products and oral hygiene products.

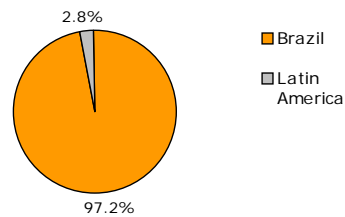
(3) - Mainly resale support material, samples, demonstrators, accessories (cosmetics bags, hand bags, etc.), sales by Flora Medicinal, among others.

Consolidated Gross Revenue – Breakdown by region

Breakdown by Region - 9M03



Breakdown by Region - 9M04



By category, the growth in sales of toiletries in 9M04 was slightly higher than in cosmetics and fragrances.

By region, sales in other Latin American countries accounted for 2.8% in 9M04, compared to 2.5% in 9M03.

The table below shows the evolution in sales in physical units.

Evolution in sales volume by category (in millions of units)

Categories	9M04	9M03	Change %
Cosmetics and Fragrances (A)	61.4	42.1	45.8
Toiletry Items (B)	63.9	45.8	39.5
(A) + (B)	125.3	87.9	42.6

Note: excludes units sold regarding other products such as: support material, samples, demonstrators, accessories (cosmetics bags, hand bags, etc.), sales by Flora Medicinal, among others.

Gross Revenues in Brazil

In the domestic market, gross revenue was R\$628.6 million in 3Q04, accounting for 97.4% of total revenue, with growth of 34.1% in relation to the same period in 2003 (R\$468.8 million).

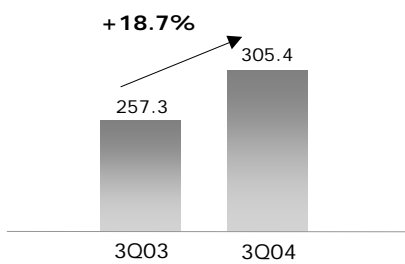
Domestic sales volume in 3Q04 was 46.4 million units (35.3 million in 3Q03), with growth of 31.4% between the two periods. Prices had been adjusted by an average 6.2% at the end of March 2004.

A highlight in the period was the growth in the number of consultants. The number of consultants available in Brazil, at the end of the 13th sales cycle, was 392,100 in 3Q04 (340,200 in 3Q03), with growth of 15.3%.

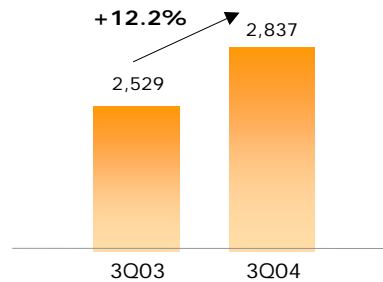
The average number of active consultants went from 257,300 in 3Q03 to 305,400 in 3Q04 (18.7% increase), and the average productivity of active consultants (average sales in R\$, in terms of final consumer prices, per active consultant for the period) increased 12.2% between the two quarters.

Evolution of consultants number vs. productivity (Brazil)

**Average Active Consultants¹
in Brazil**(thousand)



Productivity² in Brazil (R\$)



(1) Active Consultants – corresponds to the number of consultants who have made at least one order per month. The number represents the average active consultants in 3Q03 and 3Q04.

(2) Productivity – average sales in R\$, in terms of final consumer prices, per active consultant for the period.

In summary, the growth of domestic sales, at the same pace as in prior quarters, reflects the success of the Company's strategy over the year, fundamentally based on continued investment in research & development, in the marketing program and the increase in the sales channel. It should be observed that, even with the increase in the sales channel, our consultants' average productivity grew 12.2% in the comparison of quarters.

4- COST OF SALES

Cost of sales, in relation to net revenue, fell from 32.9% in 3Q03 to 31.6% in 3Q04. The factors that contributed to this reduction were essentially (i) the change in tax legislation, which allowed the Company to take credits on PIS and COFINS (taxes on revenue) embedded in our suppliers' prices, and (ii) the dilution of fixed costs, in the items labor, depreciation and other costs, as shown in the table below:

Composition of Cost of Sales (% of net revenue)

Item	3T04	3T03
Raw Material	24.8%	24.9%
Labor Cost	2.5%	2.6%
Depreciation	1.2%	1.6%
Others	3.2%	3.9%
Total	31.6%	32.9%

The share of the item raw materials in total net revenue remained stable, in the comparison between the periods, despite the aforementioned change in tax legislation on PIS and COFINS, due to the fact that in 3Q03, part of the losses due to the discontinuation of products, already recorded over the course of 1H2003, were recovered through promotional actions.

Oscillations in these losses did not affect the comparative analysis of cost of sales in 9M03 and 9M04. These losses maintained the same share of net revenue, of approximately 0.7%.

5- GROSS PROFIT

Gross profit was R\$306.3 million in 3Q04, with growth of 37.7% compared to the R\$222.5 million earned in 3Q03. Gross margin, therefore, rose from 67.1% in 3Q03 to 68.4% in 3Q04. In the nine-month period ended September 30, 2004, gross profit was R\$809.7 million, 40.6% higher than the R\$576.1 million earned in 9M03.

6 - EXPENSES

Selling Expenses

Selling expenses increased in relation to revenue, going from 31.1% in 3Q03 to 31.5% in 3Q04. This increase is due to greater investment in the marketing program in 3Q04.

Administrative Expenses

Administrative expenses in relation to net revenue was reduced from 15.6% in 3Q03 to 14.8% in 3Q04.

It is important to point out that in the comparison between the periods there was a change in the corporate structure. In this change, in February 2004, Natura Inovação, responsible for the research & development process for new products, became a wholly-owned subsidiary of Natura Cosméticos S.A. In 3Q03, the R&D expenses recorded in Natura Cosméticos S.A. included the profit margin of Natura Inovação. If we eliminated this effect, administrative expenses, as a percentage of net revenue, would go from 13.3% in 3Q03 to 14.8% in 3Q04, a 1.5% increase, on a more comparable basis.

This increase, which occurred despite the dilution of fixed costs, is mainly due to (i) expenses referring to the process of going public (not including commissions to banks), in the amount of R\$3.5 million (these expenses already total R\$6.8 million for 9M04), and (ii) the increase in accrued profit-sharing, as a result of the growth in income at a higher rate than sales.

7- EBITDA

EBITDA in 3Q04 was R\$104.5 million, growing 38.0% in relation to 3Q03 (R\$75.7 million). EBITDA margin was 23.3% in 3Q04, against 22.8% in 3Q03.

In 9M04, EBITDA totaled R\$289.0 million (R\$186.0 million in 9M03), representing growth of 55.4%. EBITDA margin went from 20.8% in 9M03 to 24.0% in 9M04, due to efficient cost and expense management, and the dilution of fixed costs.

8- NET INCOME

Net income generated in 3Q04 was R\$77.4 million (R\$18.4 million in 3Q03). In addition to the evolution of revenue and margins explained above, the increase in net income between the periods was also due to: (i) the end of subordinated debenture participation in income (redeemed on March 2, 2004), and (ii) the reduction in average net debt between the two periods. Net margin increased from 5.6% in 3Q03 to 17.3% in 3Q04.

In 9M04, net income totaled R\$200.9 million, compared to R\$35.4 million in the same period in 2003. The reasons for this increase are the same as those

presented in the paragraph above.

9- INVESTMENTS

Investments in 3Q04 totaled R\$21.5 million, of which the highlight was construction work for the new vertical warehouse (R\$7.5 million) and the renewal of the vehicle fleet of approximately one third of the sales promoters (R\$5.8 million). For 9M04, investments totaled R\$44.2 million, concentrated mainly in the increase in storage capacity.

10- OPERATIONS IN THE REST OF LATIN AMERICA (Argentina, Chile and Peru)

Financial Highlights (US\$ million)

	3Q04	3Q03	Change %	9M04	9M03	Change %
Units Sold (thousand)	980.2	572.8	71.1%	2,494.2	1,504.8	65.8%
Net Revenues	5.1	3.2	60.9%	12.7	8.1	57.6%
Losses from operations	-0.6	-0.8	-21.5%	-2.1	-2.2	-5.5%
<i>Operating Margin</i>	-12.5%	-25.6%	-	-16.3%	-27.3%	-

Our operations in the rest of Latin America had significant results in 3Q04 compared to 3Q03. Net revenue in US dollars of these operations grew 60.9% and operating loss decreased 21.5%. As a result of the dilution of fixed costs, operating loss, as a percentage of net revenue, decreased from (25.6%) in 3Q03 to (12.5%) in 3Q04.

The number of available consultants grew 31.6%, from 18,300 in 3Q03 to 24,000 in 3Q04.

Annex 1
Statements of Income
Natura Cosméticos SA – Consolidated Data for the Period (R\$ thousand)

	3Q04	%NR	3Q03	%NR	Change	9M04	%NR	9M03	%NR	Change
GROSS OPERATING REVENUES	645,656	100.0	481,757	100.0	34.0%	1,738,406	100.0	1,289,419	100.0	34.8%
Taxes on sales, returns and rebates	(197,493)	30.6	(150,098)	31.2	31.6%	(532,528)	30.6	(395,635)	30.7	34.6%
NET OPERATING REVENUES	448,163	100.0	331,659	100.0	35.1%	1,205,878	100.0	893,784	100.0	34.9%
Cost of Sales	(141,835)	31.6	(109,127)	32.9	30.0%	(396,144)	32.9	(317,687)	35.5	24.7%
GROSS PROFIT	306,328	68.4	222,532	67.1	37.7%	809,733	67.1	576,097	64.5	40.6%
OPERATING (EXPENSES) INCOME	(209,626)	46.8	(156,559)	47.2	33.9%	(545,729)	45.3	(414,275)	46.4	31.7%
Selling	(140,987)	31.5	(103,270)	31.1	36.5%	(371,507)	30.8	(281,127)	31.2	33.2%
General and Administrative	(66,461)	14.8	(51,822)	15.6	28.2%	(168,046)	13.9	(129,089)	14.7	27.9%
Management Compensation	(2,178)	0.5	(1,467)	0.4	48.5%	(6,176)	0.5	(4,059)	0.5	52.4%
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	96,702	21.6	65,973	19.9	46.6%	264,004	21.9	161,822	18.1	63.1%
Financial Expenses	(9,057)		(9,554)		-5.2%	(29,552)		(66,701)		-55.7%
Financial Income	10,781		4,268		152.6%	31,013		40,410		-23.3%
INCOME FROM OPERATIONS	98,426	22.0	60,687	18.3	62.2%	265,465	22.0	135,531	15.2	95.9%
Nonoperating Income (expense)	(931)	0.2	1,207	(0.4)	-177.1%	(820)	0.1	80	(0.0)	-1125.0%
INCOME BEFORE DEBENTURE PARTICIPATION	97,495	21.8	61,894	18.7	57.5%	264,645	21.9	135,611	15.2	95.2%
Debenture Participation	-	-	(30,590)		-100.0%	(7,178)	0.6	(73,388)		-90.2%
INCOME BEFORE TAXES ON INCOME	97,495	21.8	31,304	9.4	211.4%	257,467	21.4	62,223	7.0	313.8%
Income and social contribution taxes	(20,108)	4.5	(12,879)	3.9	56.1%	(56,605)	4.7	(26,887)	3.0	110.5%
NET INCOME BEFORE MINORITY INTEREST	77,387	17.3	18,425	5.6	320.0%	200,862	16.7	35,336	4.0	468.4%
Minority Interest			9		-100.0%	-		37		-100.0%
NET INCOME	77,387	17.3	18,434	5.6	319.8%	200,862	16.7	35,373	4.0	467.8%

Annex 2

Natura Cosméticos SA – Consolidated Data (R\$ thousand)

Balance Sheets as of September 30, 2004 and June 30, 2004

ASSETS	09/2004	06/2004	LIABILITIES & SHAREHOLDERS' EQUITY	09/2004	06/2004
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Banks	16,428	32,449	Loans and Finandngs	25,423	24,300
Cash Equivalents	123,030	157,299	Domestic Suppliers	82,170	64,846
Trade Accounts Receivable	190,153	162,071	Foreign Suppliers	1,191	1,983
			Payroll and related charges	64,357	45,046
Inventories	127,078	98,287	Taxes Payable	52,965	47,299
Recoverable taxes	13,140	13,518	Dividends	73	73,333
			Interests on Capital	5,485	11,418
Advances to Employees	6,537	5,010	Other Payables	23,153	23,091
Deferred Income and Social Contribution Taxes	27,526	21,462	Reserve for losses on sw ap contracts	4,857	1,016
Other receivables	12,855	12,172	Total current liabilities	259,674	292,332
Total Current Assets	516,747	502,268			
			LONG-TERM LIABILITIES		
LONG-TERM ASSETS			Loans and Financing	77,228	79,870
Advance for Future Capital Increase	12,019	2,689	Reserve for Contingencies	54,172	48,063
Receivables from Shareholders	139	1,721	Other payables	1,162	872
			Total Long-term liabilities	132,562	128,805
Tax Incentives	1,492	1,492			
Deferred Income Tax and Social Contribution Taxes	17,584	15,914	MINORITY INTEREST	7	8
Esrow Deposits	24,762	19,635			
Other receivables	1,716	1,717	SHAREHOLDERS' EQUITY		
Total long-term assets	57,712	43,168	Capital	230,762	230,762
			Treasury Shares	(3,781)	(3,554)
PERMANENT ASSETS			Capital Reserves	115,113	114,947
Investments	2,598	2,670	Profit Reserves	3,629	3,629
Property, plant and equipment	275,556	263,192	Retained Earnings	114,647	44,369
			Total Shareholders' Equity	460,370	390,153
Total Permanent Assets	278,154	265,862			
TOTAL ASSETS	852,613	811,298	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	852,613	811,298

Annex 3

Natura Cosméticos SA – Consolidated Statements of Cash Flows for the period ended September 30, 2004 (R\$ thousand)

OPERATING ACTIVITIES	
Net income	200,862
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	25,821
Monetary and exchange variations, net	7,819
Loss on swap contracts	2,961
Restatement of reserve for contingencies	26,906
Increase in other reserves	6,949
Subsidiaries' unrealized profits	1,797
Deferred income and social contribution taxes	(11,814)
Net book value of property, plant and equipment written off/sold	752
Proceeds from debentures	5,743
Minority interest	(1)
	<u>267,795</u>
(INCREASE) IN ASSETS	
Current assets:	
Accounts receivable	(9,158)
Inventories	(54,926)
Other receivables	(1,503)
Long-term assets:	
Escrow deposits	(8,997)
Other receivables	(11,964)
Subtotal	<u>(86,548)</u>
INCREASE (DECREASE) IN LIABILITIES	
Current liabilities:	
Suppliers	20,192
Payroll and related charges	21,195
Taxes payable	(25,028)
Other payables	(10,047)
Long-term liabilities:	
Other payables	(918)
Subtotal	<u>5,394</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>186,641</u>
INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(44,125)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(44,125)</u>
FINANCING ACTIVITIES	
Proceeds from loans and financing	41,849
Payment of loans - principal and interest	(83,498)
Payment of dividends	(129,997)
Payment of interest on capital	(11,402)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(183,048)</u>
Acquisition of Natura Empreendimentos S/A and Natura Participações S/A with net assets	43,879
NET INCREASE (DECREASE) IN CASH AND BANKS	<u>3,347</u>
Cash and banks at beginning of period	136,111
Cash and banks at end of period	139,458
CHANGE IN CASH AND BANKS	<u>3,347</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE:	
Income and social contribution taxes paid	46,279
Interest paid on loans and financing	9,296
Swap contracts paid	9,170