



first quarter 2005 (1Q05) earnings results



São Paulo, April 28, 2005 – Natura Cosméticos S.A. (São Paulo Stock Exchange: NATU3) announces today the results for the first quarter 2005 (1Q05). The financial and operating information below, except when otherwise indicated, are presented on a **consolidated basis**, according to the Brazilian Corporate Law.

FINANCIAL SUMMARY (consolidated)

In R\$ million	1Q05	1Q04	% Change	1Q03
Units sold - items for resale (in millions) - Brazil ¹	45.7	34.7	31.6%	24.7
Gross revenues	611.0	475.6	28.5%	344.9
Net revenues	427.1	329.2	29.8%	239.9
Gross profit	282.1	220.8	27.8%	151.2
<i>Gross margin (%)</i>	66%	67%	-1.0	63%
Ebitda	95.1	82.3	15.6%	43.9
<i>Ebitda margin (%)</i>	22%	25%	-2.7	18%
Net income	69.7	44.7	55.9%	5.0
Total consultants ² in Brazil (in thousands)	422.4	356.2	18.6%	303.5
Total consultants ² in Latin America ³ (in thousands)	27.2	20.0	36.3%	14.8

(1) Total consolidated number of CFT products resold by consultants. Therefore excludes samples, gifts, resale support material, Crer para Ver product line among others.

(2) Position at the end of the 4th sales cycle.

(3) Argentina, Chile and Peru.



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CF&T INDUSTRY FIGURES IN BRAZIL

According to data from sector associations Sipatesp/Abhipec, the CF&T target market net revenues grew 18.4% on a two months basis in 2005 compared to the same period of 2004, reaching R\$1,285.2 million (2004: R\$1,084.7 million).

Natura's market share of this target market grew 1.7 points, from 16.7% to 18.4% Y-o-Y.

REVENUES

In 1Q05 Natura continued the expansion process, focusing on Products (Innovation), Distribution Channel (Consultants) and Brand. During this time, gross revenues reached R\$611.0 million, up 28.5% over the same period of 2004.

Main contributors to this increase were: (a) vitality of the innovation process, whose index, which measures the share of new products in 1Q05 sales, reached 72%, demonstrating the effectiveness of new product launches over the last 24 months; (b) attraction, retention and recruitment of new consultants, resulting in a consolidated sales channel of 450 thousand people, reflecting a 19.5% growth vs. 1Q04; and (c) ongoing recognition of the brand.

In the **domestic market**, gross revenues amounted to R\$592.7 million in 1Q05, a 28.3% increase Y-o-Y. Considering revenues from items resold by Natura's consultants in the domestic market, this growth can be decomposed into: (a) an 18.2% increase in the average number of active consultants and (b) a 6.8% increase in average productivity per active consultants in the period.



COST OF SALES

The **cost of sales** in relation to net revenues rose from 32.9% in 1Q04 to 33.9% in 1Q05.

Composition of Cost of Sales (% of net revenues)

Item	1Q05	1Q04
RM/PM*	26.5	25.1
Labor	2.9	2.8
Depreciation	1.2	1.6
Others	3.3	3.4
Total	33.9	32.9

* Raw material / packaging material

This increase is primarily connected with a greater promotional efforts, which was partially offset by lower taxes - mainly due to the right to PIS and Cofins credits on productive purchases - and by scale gains.

Selling expenses in relation to net revenues remained stable at 31.6%. Although selling expenses remained stable, there was an increase resulting from International expansion which was compensated by scales gains obtained in the period, maintaining selling expenses on the same level as of 2004.

In 1Q05 **Administrative expenses** were 13.4% of net revenues, compared to 12.7% posted in 1Q04. This increase was primarily due to the R\$7.4 million allocated to new provisions for contingencies, which were claimed as probable lost, based on jurisprudence changes, according to the opinion of the company's legal counsel.



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EBITDA AND NET INCOME

1Q05 **EBITDA** amounted to R\$95.1 million, up 15.6% compared to 1Q04 (R\$82.3 million). EBITDA margin decreased from 25.0% in 1Q04 to 22.3% in 1Q05. In addition to the aforementioned increase in cost of sales, the drop posted in EBITDA margin Y-o-Y, was also due to International expansion process and to setting up provisions for contingencies.

The international expansion efforts, as measured by the total amount expended on the new expansion projects (Mexico and France), coupled with the operating loss of the subsidiaries already in operation (Argentina, Chile and Peru), accounted for an added expense of R\$ 6.1 million in 1Q05 results.

1Q05 **net income** totaled R\$69.7 million (1Q04: R\$44.7 million). Besides revenues and EBITDA growth, explained before, the increase in net income over the periods was also influenced by: (i) the reduction in the average net indebtedness and (ii) the end of the share of subordinated debentures participation in income.

INVESTMENTS

Investments in the first quarter 2005 amounted to R\$15.7 million. The highlights were the acquisition of new machines, softwares and shapes.

In March 2005 the new vertical warehouse was inaugurated, and doubled the storage capacity in Cajamar - São Paulo (a metropolitan area).

For 2005 investment program will total R\$120 million. These investments aim to make the logistics process more flexible, to better meet demand peaks.



The main investments are: (i) a new automatic product picking line, which will be ready at the end of the first half of this year, (ii) increase in manufacturing capacity and production process automation and (iii) information technology (IT), applied to the Company's various areas.

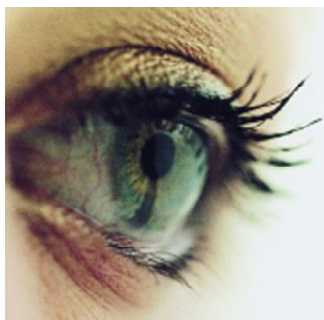
CASH FLOW

In 1Q05, **gross cash**¹ generation was R\$89.9 million, up 43.1% Y-o-Y. Of this total, R\$ 5.8 million were allocated to working capital, as well as long term assets and liabilities.

Capex amounted to R\$ 15.7 million, resulting in free cash² flow generation of R\$ 68.4 million.

Note 1: (Net income) + (Adjustments to reconcile net income to net cash provided by operating activities).

Note 2: (Net cash provided by operating activities) – (Net cash used in investing activities)



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INTERNATIONAL EXPANSION

Operations in Latin America

Financial Highlights - US\$ million

	1Q05	1Q04	% Change
Product resold units (thousands)	1,335.8	915.3	45.9%
Net revenues	5.0	3.3	48.2%
Income (loss) from operations	-1.2	-0.8	45.5%
<i>Operating margin</i>	<i>-24.0%</i>	<i>-24.5%</i>	<i>-</i>

In 1Q05, our operations in Latin America grew by 45,2% in local currency (weighted by the share in dollars of each operations in 1Q05). The growth in dollars of net revenues was of 48.2% over the periods.

In 1Q05 operating margin in relation to net revenues remained stable at 24.0%. It is worth highlighting that 2005 results include a minor impact of the project for the implementation of the Mexican operations.

The number of consultants in Argentina, Chile and Peru grew from 20.0 thousands in 1Q04 to 27.2 thousands in 1Q05, up 36.3%

France – In its internationalization strategy, on April 22 Natura inaugurated its first store located in Saint Germain des Près, a privileged site in the French capital city. The Maison Natura Brasil will be a place where customers will find products prepared from raw



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materials from Brazilian biodiversity and have contact with aspects of Brazilian culture and customs.

CONFERENCE CALL & WEBCAST

Portuguese:

Friday, April 29, 2005

08:00 AM – US EST

In Brazil: 5511-4613-0501

International: 1-412-858-4600

English:

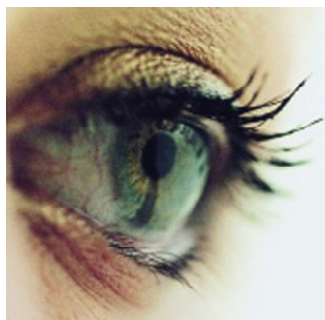
Friday, April 29, 2005

10:00 AM – US EST

In Brazil: 5511-4613-0501

International: 1-412-858-4600

Live webcast available at: www.natura.net/investor



ANNEX I – STATEMENT OF INCOME

NATURA COSMÉTICOS - Consolidated (R\$ million)

	1Q05	% net revenues	1Q04	% net revenues	Change
GROSS OPERATING REVENUES	611.0	100.0	475.6	100.0	28.5%
Taxes on sales, returns and rebates	(183.9)	(30.1)	(146.5)	(30.8)	25.5%
NET OPERATING REVENUES	427.1	100.0	329.2	100.0	29.8%
Cost of sales	(145.0)	(33.9)	(108.4)	(32.9)	33.8%
GROSS PROFIT	282.1	66.1	220.8	67.1	27.8%
OPERATING (EXPENSES) INCOME	(195.4)	(45.8)	(147.2)	(44.7)	32.7%
Selling	(134.8)	(31.6)	(103.9)	(31.6)	29.7%
General and administrative	(57.1)	(13.4)	(41.8)	(12.7)	36.7%
Management compensation	(2.4)	(0.6)	(1.9)	(0.6)	21.3%
Other operating expenses	(1.1)	(0.6)	-	-	
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	86.7	20.3	73.6	22.4	17.8%
Financial expenses	(8.6)	(2.0)	(14.1)	(4.3)	-39.0%
Financial income	14.2	3.3	13.1	4.0	8.7%
INCOME FROM OPERATIONS	92.3	21.6	72.5	22.0	27.3%
Nonoperating income	(1.1)	(0.3)	0.7	0.2	n/a
INCOME BEFORE DEBENTURES PARTICIPATION	91.2	21.4	72.8	22.1	25.4%
Debentures participation	-	-	(7.2)	(2.2)	n/a
INCOME BEFORE TAXES ON INCOME	91.2	21.4	65.6	19.9	39.1%
Income and social contribution taxes	(21.6)	(5.0)	(20.9)	(6.4)	3.0%
NET INCOME BEFORE MINORITY INTEREST	69.7	16.3	44.7	13.6	55.9%
Minority interest	(0.0)		(0.0)	(0.0)	-
NET INCOME	69.7	16.3	44.7	13.6	55.9%
Depreciation	9.5	2.2	8.5	2.6	11.9%
EBITDA	95.1	22.3	82.3	25.0	15.6%



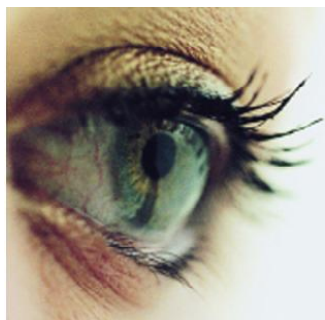
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ANNEX II – BALANCE SHEET (12/31/2004 and 03/31/2005)

NATURA COSMÉTICOS SA - CONSOLIDATED DATA (R\$ thousand)

ASSETS	Mar/05	Dec/04	LIABILITIES AND SHAREHOLDERS' EQUITY	Mar/05	Dec/04
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and banks	45,693	29,592	Loans and financing	85,595	62,407
Temporary cash investments	272,317	202,020	Domestic suppliers	81,674	76,971
Trade accounts receivable	206,877	250,066	Foreign suppliers	2,507	4,172
Inventories	141,234	121,961	Payroll, participations and related charges	37,954	65,265
Recoverable taxes	17,942	18,158	Taxes payable	69,562	62,382
Advances to employees	6,021	6,949	Dividends	113,644	113,644
Deferred income and social contribution taxes	20,731	21,630	Interest on capital	13,623	13,623
Other receivables	8,118	6,063	Reserve for losses on swap and forward transactions	3,662	6,138
Total current assets	718,933	656,439	Other payables	34,041	42,331
			Total current liabilities	442,262	446,933
LONG-TERM ASSETS			LONG-TERM LIABILITIES		
Related parties	-	-	Loans and financing	66,973	71,982
Advance for future capital increase	-	-	Reserve for contingencies	69,134	59,559
Receivables from shareholder	205	172	Other payables	2,160	1,885
Tax incentives	1,162	1,162	Total long-term liabilities	138,267	133,426
Deferred income and social contribution taxes	24,160	21,301			
Recoverable taxes	4,621	3,848	MINORITY INTEREST	5	7
Escrow deposits	25,912	24,256			
Other receivables	1,716	1,716	SHAREHOLDERS' EQUITY		
Total long-term assets	57,776	52,455	Capital	230,762	230,762
PERMANENT ASSETS			Capital reserves	115,837	115,671
Investments	7,965	8,707	Profit reserves	93,279	93,279
Property, plant and equipment	301,835	298,822	Accumulated profit	69,680	
Total permanent assets	309,800	307,529	Treasury shares	(3,583)	(3,655)
			Total shareholders' equity	505,975	436,057
TOTAL ASSETS	1,086,509	1,016,423	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,086,509	1,016,423



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ANNEX III – STATEMENT OF CASH FLOW

NATURA COSMÉTICOS S.A - CONSOLIDATED DATA (R\$ million)

CASH FLOWS FROM OPERATING ACTIVITIES	1Q05	1Q04
Net income	69.7	44.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	9.5	8.5
Monetary and exchange variations, net	-0.2	2.0
Reserve for losses on swap and forward transactions	-2.5	1.3
Reserve for contingencies	9.5	0.3
Reserve for obsolete inventories	2.2	2.0
Deferred income and social contribution taxes	-2.0	-1.6
Disposal of permanent assets	3.7	0.0
Equity in Subsidiaries	0.0	0.0
Debentures participation, net of taxes	0.0	5.7
Minority interest	0.0	0.0
	89.9	62.8
(INCREASE) DECREASE IN ASSETS		
Current assets:		
Accounts receivable	43.2	13.2
Inventories	-21.4	-10.8
Other receivables	-0.1	-6.9
Long-term assets:	0.0	0.0
Escrow deposits	-0.8	-2.1
Other receivables	-0.5	0.8
Subtotal	20.3	-5.7
INCREASE (DECREASE) IN LIABILITIES		
Current liabilities:		
Suppliers	3.0	-2.3
Payroll and related charges	-26.3	-14.2
Taxes payable	5.5	-4.0
Other payables	-8.3	18.9
Long-term liabilities:	0.0	-0.9
Other payables	0.0	-0.9
Subtotal	-26.1	-2.4
NET CASH PROVIDED BY OPERATING ACTIVITIES	84.1	54.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-15.7	-11.2
Investments	-	-
NET CASH USED IN INVESTING ACTIVITIES	-15.7	-11.2
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in current and long-term loans	17.8	22.9
Payment of dividends	-	-20.0
Payment of interest on capital	-	-8.5
Sale of treasury shares	0.2	0.8
NET CASH USED IN FINANCING ACTIVITIES	18.0	-4.9
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets	-	-52.6
NET INCREASE IN CASH AND BANKS	86.4	-13.9
Cash and banks at beginning of year	231.6	136.1
Cash and banks at end of year	318.0	122.2
CHANGE IN CASH AND BANKS	86.4	-13.9
SUPPLEMENTARY CASH FLOW DISCLOSURE:		
Income and social contribution taxes paid	6.0	8.7
Interest paid on loans and financing	0.8	1.2
Swap and forward contracts paid	6.1	7.4



INVESTOR RELATIONS

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