



1Q06 Earnings Release

São Paulo, April 26, 2006. Natura Cosméticos S.A. (São Paulo Stock Exchange: NATU3) announces today its results for the first quarter 2006 (1Q06). The financial and operating information below, except where otherwise indicated, is presented on a **consolidated basis**, according to the Brazilian Corporate Law.

> FINANCIAL SUMMARY - CONSOLIDATED

> Financial Summary – Consolidated (R\$ million)

	1Q06	1Q05	% Change	1Q04
Units sold – items for resale (in millions) - Brazil ¹	50.8	45.7	11.2%	34.7
Gross Revenues	722.6	611.0	18.3%	475.6
Net Revenues	511.8	427.1	19.8%	329.2
Gross Profit	352.3	282.1	24.9%	220.8
<i>Gross Margin (%)</i>	68.8%	66.1%	-	67.1%
Ebitda ²	113.3	95.1	19.1%	82.3
<i>Ebitda Margin (%)</i>	22.1%	22.3%	-	25.0%
Net Income	81.7	69.7	17.2%	44.7
<i>Net Margin (%)</i>	16.0%	16.3%	-	13.6%
Total consultants ³ in Brazil (in thousands)	491.7	422.4	16.4%	356.2
Total consultants ³ in Latin America ⁴ (in thousands)	37.7	27.2	38.5%	20.0

(1) Total consolidated number of Cosmetics, Fragrances and Toiletries products resold by consultants. Therefore, units sold exclude samples, gifts, resale support material, Crer para Ver products, among others.

(2) EBITDA = income from operations before financial effects + non-operating income + depreciation and amortization.

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

(5) Argentina, Chile and Peru.

> CONSOLIDATED GROSS REVENUES

Natura's 1Q06 gross revenues amounted R\$722.6 million, up 18.3% over the same period of 2005 (R\$611.0 million).

At the end of March 2006, the number of consultants in Brazil reached 491.7 thousand, a growth of 16.4% over the same period of the previous year. Considering active consultants, the average growth was also very expressive (18.2%), indicating that this channel remains fully activated. However, Brazilian productivity per consultant grew only 0.3% in comparison to last year.

> COST OF SALES

> Composition of Cost of Sales (% Net Revenues)

Item	1Q06	1Q05
RM/PM*	23.5	26.5
Labor	3.3	2.9
Depreciation	1.5	1.2
Others	2.9	3.3
Total	31.2	33.9

* Raw material and packaging material

The **cost of sales**, as a percentage of net revenues, decreased due to a combination of the following factors: (i) raw material and packaging material prices, together, remained stable between 1Q05 and 1Q06, especially due to Real appreciation over Dollar; (ii) reduction of the amount of samples to consultants; and (iii) slightly decrease of indirect taxes, as a percentage of gross revenues.

Selling expenses changed from 31.6% in 1Q05 to 32.4% in 1Q06, in relation to net revenues. Main contributors to this increase were the communication expenses growth and sales channel expansion, which was partially offset by productivity gains from internal process reengineering.

Administrative expenses changed from 13.4% in 1Q05 to 15.7% in 1Q06. This evolution was due to the increase of the following expenses: (i) internationalization; (ii) innovation; and (iii) IT.

> EBITDA AND NET INCOME

1Q06 **EBITDA** amounted to R\$113.3 million, up 19.1% compared to 1Q05 (R\$95.1 million). EBITDA margin remained at the same level of 1Q05, from 22.3% to 22.1% in 1Q06.

1Q06 **NET INCOME** totaled R\$81.7 million, 17.2% growth over 1Q05 (R\$69.7 million). Net margin remained stable, from 16.3% in 1Q05 to 16.0% in 1Q06.

> INVESTMENTS

1Q06 additions to fixed assets (CAPEX) totaled R\$25.6 million with special highlight on the machine acquisitions aiming at the increase of manufacturing capacity. 2006 estimated investments total R\$180 million.

> INTERNATIONAL OPERATIONS

>> Argentina, Chile and Peru

> Financial Highlights – Argentina, Chile and Peru (US\$ million)

	1Q06	1Q05	% change
Units sold – items for resale (in millions)	2.1	1.3	55.9%
Gross Revenues	9.7	6.4	51.2%
Net Revenues	7.5	5.0	50.9%
Income (loss) from operations	-1.5	-1.2	-
<i>Operating margin</i>	<i>-19.5%</i>	<i>-24.0%</i>	<i>-</i>

The results of Argentina, Chile and Peru operations continue growing at the same pace stated in previous periods, as observed in the gross revenues evolution (growth of 51.2% in dollar and 52.8% in local currency weighted) and in the operational loss reduction in relation to net revenues.

The number of consultants grew 38.5%, from 27.2 thousand in 1Q05 to 37.7 thousand in 1Q06.

>> **International expansion process**

In 1Q06, the international expansion process generated investments of R\$10.2 million (1Q05: R\$5.2 million). This increase was fundamentally due to Mexico operation started in August, 2005. For the year we estimate investments amounting R\$35.0 million in this process.

> **CASH FLOW**

1Q06 gross cash generation¹ reached R\$106.6 million, up 12.3% over the same period last year. Out of this, R\$63.1 million were allocated to working capital, long-term assets and liabilities and R\$25.6 million to CAPEX.

The working capital increase was superior than expected for the period due to: (1) increased balance on the supplier account in December, 2005, as a result of sundry material and service volume purchases concentration; and (2) increase in the inventories in March 2006, when compared to March, 2005; this balance was higher than sales increase between the periods due to: (i) amendments to the inventories policy in 1Q06 when compared to 1Q05; and (ii) 5.0% surplus up the aforementioned policy.

The free cash generation² reached R\$17.9 million in 1Q06.

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 investments activities).

> **CONFERENCE CALL & WEBCAST**

BRAZILIAN CONFERENCE CALL:

Friday, April 28, 2006

09:00 a.m. US EST / 10:00 a.m. Brasília

In Brazil: 11 4613-0501

International: 1-412-858-4600

INTERNATIONAL CONFERENCE CALL:

Friday, April 28, 2006

12:00 p.m. US EST – 11:00 a.m. Brasília

In Brazil: 11-4613-0501

International: 1-412-858-4600

Live webcast will be available at IR website: www.natura.net/investor

> INVESTORS RELATIONS

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> ANNEX 1 - STATEMENT OF INCOME (CONSOLIDATED)

(in R\$ million)	1Q06	%NR	1Q05	%NR	% Change
Gross sales to domestic market	698.8	96.7%	592.7	97.0%	17.9%
Gross sales to foreign market	23.5	3.3%	18.1	3.0%	29.9%
Other sales	0.3	0.0%	0.2	0.0%	44.2%
GROSS OPERATING REVENUES	722.6	100.0%	611.0	100.0%	18.3%
Taxes on sales, returns and rebates	(210.8)	-29.2%	(183.9)	-30.1%	14.6%
NET OPERATING REVENUES	511.8	100.0%	427.1	100.0%	19.8%
Cost of sales	(159.5)	-31.2%	(145.0)	-33.9%	10.0%
GROSS PROFIT	352.3	68.8%	282.1	66.1%	24.9%
OPERATING (EXPENSES) INCOME					
Selling	(166.0)	-32.4%	(134.8)	-31.6%	23.1%
General and administrative	(80.3)	-15.7%	(57.1)	-13.4%	40.6%
Management compensation	(2.4)	-0.5%	(2.4)	-0.6%	3.3%
Other operating expenses, net	(3.5)	-0.7%	(1.1)	-0.3%	213.2%
			-		
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	100.0	19.5%	86.7	20.3%	15.4%
Financial expenses	(9.6)	-1.9%	(8.6)	-2.0%	11.6%
Financial income	15.9	3.1%	14.2	3.3%	11.3%
			-		
INCOME FROM OPERATIONS	106.3	20.8%	92.3	21.6%	15.1%
Nonoperating income, net	0.1	0.0%	(1.1)	-0.3%	-113.0%
			-		
INCOME BEFORE TAXES ON INCOME	106.4	20.8%	91.2	21.4%	16.6%
Income and social contribution taxes	(24.8)	-4.8%	(21.6)	-5.0%	14.9%
			-		
NET INCOME BEFORE MINORITY INTEREST	81.7	16.0%	69.7	16.3%	17.2%
Minority interest	(0.0)	0.0%	-	0.0%	
			-		
NET INCOME	81.7	16.0%	69.7	16.3%	17.2%
EARNINGS PER SHARE - R\$ (*)	0.1920		0.1643		16.9%
Depreciation	13.1	2.6%	9.5	2.2%	37.8%
EBITDA	113.3	22.1%	95.1	22.3%	19.1%

(*) Net earnings per share adjusted by the split approved by the extraordinary shareholders' meeting held on March 29, 2006

> ANNEX 2 - BALANCE SHEET (31/12/05 AND 31/12/2004)

ASSETS	Mar/06	Dec/05	LIABILITIES	Mar/06	Dec/05
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Banks	12.1	56.2	Loans and financing	94.9	68.3
Cash Investments	180.5	330.2	Domestic suppliers	103.5	148.0
Trade accounts receivables	247.9	316.3	Foreign suppliers	6.5	4.1
Inventories	189.9	152.3	Payroll and related charges	50.7	73.1
Recoverable taxes	28.6	24.0	Tax payable	78.8	89.1
Advances to employees	6.1	5.3	Dividends	0.1	195.1
Deferred income & social contribution taxes	24.3	25.8	Interest on capital	-	17.7
Other receivables	23.7	14.8	Freights payable	11.4	13.8
Total current assets	713.0	924.9	Other provisions	9.3	9.0
			Other payables	15.5	13.6
			Reserve for losses on swap contracts	2.8	2.7
			Total current liabilities	373.6	634.5
LONG-TERM ASSETS			LONG TERM LIABILITIES		
Receivables from shareholders	0.0	0.1	Loans and financing	95.2	119.2
Recoverable taxes	11.3	9.6	Reserve for contingences	92.8	90.6
Deferred income & social contribution taxes	30.1	29.3	Other payables	3.5	3.2
Escrow deposits	30.3	29.5	Total long-term liabilities	191.5	213.0
Other receivables	0.5	0.5			
Cash investments	4.1	4.0	MINORITY INTEREST	0.0	0.0
Total long-term assets	76.4	73.0			
			SHAREHOLDER'S EQUITY		
			Capital	230.8	230.8
PERMANENT ASSETS			Capital reserves	124.4	120.7
Investments	5.5	5.8	Profit reserves	252.4	170.7
Property, plant and equipment	377.0	365.3	Treasury shares	(0.7)	(0.8)
Total permanent assets	382.5	371.0	Total shareholders' equity	606.9	521.4
TOTAL ASSETS	1,171.9	1,368.9	TOTAL LIABILITIES	1,171.9	1,368.9

ANNEX 3 - STATEMENT OF CASH FLOW (CONSOLIDATED)

(in R\$ million)	1Q06	1Q05
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	81.7	69.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	13.1	9.5
Monetary and exchange variations, net	0.2	(0.2)
Reserve for losses on swap and forward transactions	0.6	3.2
Reserve for contingencies	3.7	9.5
Reserve for obsolete inventories	1.3	2.2
Other reserves	5.0	-
Deferred income and social contribution taxes	0.7	(2.0)
Proceeds from sale and disposal of permanent assets	0.4	3.0
Minority interest		(0.0)
	<u>106.6</u>	<u>94.9</u>
(INCREASE) DECREASE IN ASSETS		
Current assets:		
Accounts receivable	68.4	43.2
Inventories	(38.9)	(21.4)
Other receivables	(2.7)	(0.1)
Long-term assets:		
Escrow deposits	0.1	(0.8)
Recoverable taxes	(1.7)	(0.8)
Others receivables	(0.0)	0.3
Subtotal	<u>25.1</u>	<u>20.3</u>
INCREASE (DECREASE) IN LIABILITIES		
Current liabilities:		
Suppliers	(48.7)	2.3
Payroll and related charges	(23.2)	(26.3)
Taxes payable	(14.5)	5.5
Other payables	(0.7)	(13.3)
Long-term liabilities:		
Other payables	(1.2)	(0.0)
Subtotal	<u>(88.2)</u>	<u>(31.8)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>43.6</u>	<u>83.5</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25.6)	(15.1)
NET CASH USED IN INVESTING ACTIVITIES	<u>(25.6)</u>	<u>(15.1)</u>
FINANCING ACTIVITIES		
Decrease - short-term loans	(19.1)	(43.0)
Increase - long-term loans	16.2	60.9
Payment of dividends	(194.9)	-
Payment of interest on capital	(17.7)	-
Others	0.6	-
Sale of treasury share	1.2	0.2
Payment of receivables from shareholders	2.0	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(211.7)</u>	<u>18.0</u>
NET INCREASE IN CASH AND BANKS	<u>(193.8)</u>	<u>86.4</u>
Cash and banks at the beginning of quarter	386.4	231.6
Cash and banks at the end of quarter	192.6	318.0
CHANGE IN CASH AND BANKS	<u>(193.8)</u>	<u>86.4</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE:		
Income and social contribution taxes paid	24.1	6.0
Interest on paid on loans and financing	1.9	0.8
Swap and forward contracts paid	0.4	5.7