

*(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, 2006 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 as of September 30, 2006, and 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.
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 interim 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. Our review was conducted for the purpose of issuing a review report on the interim financial statements referred to in paragraph 1 taken as whole. The individual and consolidated statements of cash flows, contained in the Attachment, for the nine-month periods ended September 30, 2006 and 2005 are presented for purposes of additional analysis and are not a required part of the interim financial statements. Such statements have been subjected to the review procedures described in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made to these supplemental statements in order for them to be fairly presented, in all material respects, in relation to the interim financial statements for the nine-month periods ended September 30, 2006 and 2005 taken as a whole.

Natura Cosméticos S.A.

5. We have previously reviewed the individual and consolidated balance sheets as of June 30, 2006, and the statements of income for the quarter and nine-month period ended September 30, 2005, and the supplemental statement of cash flows for the nine-month period ended September 30, 2005, presented for comparative purposes, and issued unqualified review reports thereon, dated July 20, 2006 and October 20, 2005, respectively.
6. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, October 20, 2006

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Edimar Facco
Engagement Partner

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

NATURA COSMÉTICOS S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2006 AND JUNE 30, 2006

(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	09/2006	06/2006	09/2006	06/2006		09/2006	06/2006	09/2006	06/2006
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and banks	34,853	33,105	54,331	53,783	Loans and financing (Note 14)	66,354	85,362	95,026	108,028
Cash investments (Note 5)	47,723	179,021	147,397	261,836	Domestic suppliers	38,917	29,008	187,672	136,945
Trade accounts receivable (Note 6)	291,295	272,855	309,492	287,289	Foreign suppliers	-	-	5,053	3,075
Inventories (Note 7)	11,008	952	263,125	184,411	Suppliers - related parties (Note 10)	137,843	106,345	-	-
Recoverable taxes (Note 8)	1,549	567	40,191	28,270	Salaries, profit sharing and related charges, net	37,445	29,405	95,930	73,580
Advances to employees and suppliers	6,001	3,420	9,796	7,733	Taxes payable (Note 15)	67,230	59,746	83,205	73,420
Related parties (Note 10)	7,597	7,088	-	-	Dividends (Notes 10 and 17.c)	58	112,155	58	112,155
Deferred income and social contribution taxes (Note 9.a)	18,675	24,312	26,040	33,249	Accrued freight	13,749	11,715	13,749	11,715
Other receivables	14,318	13,335	26,595	22,607	Sundry accruals	3,415	7,165	3,469	7,330
Total current assets	<u>433,019</u>	<u>534,655</u>	<u>876,967</u>	<u>879,178</u>	Other payables	16,193	16,455	18,108	19,749
					Allowance for losses on swap contracts (Notes 20.b and 20.d)	2,283	2,630	2,820	3,886
LONG-TERM ASSETS					Total current liabilities	<u>383,487</u>	<u>459,986</u>	<u>505,090</u>	<u>549,883</u>
Receivables from shareholders (Notes 10.e and 17.b)	21	30	21	30					
Advance for future capital increase (Note 10.d)	-	1,037	-	-	LONG-TERM LIABILITIES				
Recoverable taxes (Note 8)	2,272	1,630	16,151	10,489	Loans and financing (Note 14)	195	2,275	79,468	78,882
Deferred income and social contribution taxes (Note 9.a)	19,638	19,137	34,389	32,184	Allowance for losses on subsidiaries (Note 11)	4,285	5,207	-	-
Escrow deposits (Note 16)	26,497	25,068	33,345	31,576	Reserves for tax, civil and labor contingencies (Note 16)	59,046	57,460	107,039	100,342
Other receivables	-	-	532	532	Other payables	2,218	2,122	3,842	3,750
Cash investments (Notes 5 and 16.i)	-	-	4,204	4,061	Total long-term liabilities	<u>65,744</u>	<u>67,064</u>	<u>190,349</u>	<u>182,974</u>
Total long-term assets	<u>48,428</u>	<u>46,902</u>	<u>88,642</u>	<u>78,872</u>					
					MINORITY INTEREST				
PERMANENT ASSETS									
Investments (Note 11)	677,441	556,329	5,669	5,751	SHAREHOLDERS' EQUITY (Note 17)				
Property, plant and equipment (Note 12)	26,516	20,544	457,259	398,309	Capital (Note 17.a)	232,738	232,237	232,738	232,237
Total permanent assets	<u>703,957</u>	<u>576,873</u>	<u>462,928</u>	<u>404,060</u>	Capital reserves (Notes 17.b and 17.e)	131,702	128,018	131,702	128,018
					Profit reserves (Notes 17.f e 17.g)	372,100	271,649	369,021	269,514
					Treasury shares (Note 17.d)	(367)	(524)	(367)	(524)
					Total shareholders' equity	736,173	631,380	733,094	629,245
TOTAL ASSETS	<u>1,185,404</u>	<u>1,158,430</u>	<u>1,428,537</u>	<u>1,362,110</u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,185,404</u>	<u>1,158,430</u>	<u>1,428,537</u>	<u>1,362,110</u>

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

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

NATURA COSMÉTICOS S.A.

STATEMENTS OF INCOME

FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

(In thousands of Brazilian reais - R\$, except for earnings per share)

	Company				Consolidated			
	7/1/2006 to 30/09/2006	7/1/2005 to 30/09/2005	1/1/2006 to 9/30/2006	1/1/2005 to 30/09/2005	7/1/2006 to 30/09/2006	7/1/2005 to 30/09/2005	1/1/2006 to 9/30/2006	1/1/2005 to 30/09/2005
Gross sales to domestic market	943,340	780,480	2,579,779	2,132,297	950,857	786,129	2,597,945	2,149,001
Gross sales to foreign market	-	-	-	-	34,258	23,415	89,945	64,017
Other sales	-	1	1	1	333	254	1,021	932
GROSS OPERATING REVENUES	943,340	780,481	2,579,780	2,132,298	985,448	809,798	2,688,911	2,213,950
Taxes on sales, returns and rebates	(211,551)	(179,498)	(578,353)	(491,462)	(289,493)	(238,417)	(784,715)	(657,716)
NET OPERATING REVENUES	731,789	600,983	2,001,427	1,640,836	695,955	571,381	1,904,196	1,556,234
Cost of sales	(275,884)	(233,419)	(786,878)	(654,517)	(203,805)	(179,673)	(586,737)	(499,214)
GROSS PROFIT	455,905	367,564	1,214,549	986,319	492,150	391,708	1,317,459	1,057,020
OPERATING (EXPENSES) INCOME								
Selling	(208,975)	(152,106)	(528,772)	(413,468)	(228,599)	(180,883)	(605,431)	(491,077)
General and administrative	(103,405)	(78,344)	(301,397)	(244,834)	(92,723)	(69,227)	(264,069)	(210,394)
Management compensation	(3,375)	(1,707)	(7,478)	(5,805)	(4,608)	(4,220)	(10,814)	(9,568)
Equity in subsidiaries (Note 11)	13,063	(2,941)	26,628	(1,802)	-	-	-	-
Other operating expenses, net	2,402	(2,904)	(1,812)	(5,877)	2,402	(2,615)	(1,812)	(5,353)
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	155,615	129,562	401,718	314,533	168,622	134,763	435,333	340,628
Financial expenses (Note 21)	(3,835)	(4,329)	(10,903)	(7,839)	(7,762)	(12,923)	(26,246)	(36,380)
Financial income (Note 21)	5,654	7,164	23,542	22,232	10,309	13,105	36,055	39,536
INCOME FROM OPERATIONS	157,434	132,397	414,357	328,926	171,169	134,945	445,142	343,784
Nonoperating (expenses) income, net	639	(91)	1,119	(1,154)	587	(208)	1,014	(2,387)
INCOME BEFORE TAXES ON INCOME	158,073	132,306	415,476	327,772	171,756	134,737	446,156	341,397
Income and social contribution taxes (Note 9.b)	(24,053)	(31,239)	(70,286)	(69,085)	(38,678)	(33,853)	(102,172)	(82,959)
NET INCOME BEFORE MINORITY INTEREST	134,020	101,067	345,190	258,687	133,078	100,884	343,984	258,438
Minority interest	-	-	-	-	-	-	(1)	(2)
NET INCOME	134,020	101,067	345,190	258,687	133,078	100,884	343,983	258,436
EARNINGS PER SHARE - R\$ (Note 17.a) (*)	0.3140	0.2382	0.8088	0.6100	0.3118	0.2377	0.8059	0.6090

(*) Earnings per share referring to the quarter and nine-month period ended September 2005 was calculated considering the effect of the stock split in March 2006, to allow for comparison with the quarter and nine-month period ended September 30, 2006.

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

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE QUARTERS ENDED MARCH 31, 2006, JUNE 30, 2006 AND SEPTEMBER 30, 2006
(In thousands of Brazilian reais - R\$)

	Capital	Capital reserves			Profit reserves		Retained earnings	Total
		Treasury shares	Share premium	Investment grants	Legal reserve	Profit retention reserve		
BALANCES AS OF DECEMBER 31, 2005	230,762	(1,265)	110,459	10,715	18,650	153,939	-	523,260
Sale of treasury shares by exercise of stock options (Note 17.d)	-	76	1,133	-	-	-	-	1,209
Payment of receivables from shareholders (Note 17.b)	-	-	1,998	-	-	-	-	1,998
Tax incentives	-	-	-	631	-	-	-	631
Net income	-	-	-	-	-	-	81,908	81,908
BALANCES AS OF MARCH 31, 2006	230,762	(1,189)	113,590	11,346	18,650	153,939	81,908	609,006
Sale of treasury shares by exercise of stock options (Note 17.d)	-	170	2,629	-	-	-	-	2,799
Payment of receivables from shareholders (Note 17.b)	-	-	56	-	-	-	-	56
Payment of capital	1,475	-	-	-	-	-	-	1,475
Tax incentives	-	-	-	892	-	-	-	892
Net income	-	-	-	-	-	-	129,262	129,262
Dividends - R\$0.263 per outstanding shares (Note 17.c)	-	-	-	-	-	-	(112,110)	(112,110)
BALANCES AS OF JUNE 30, 2006	<u>232,237</u>	<u>(1,019)</u>	<u>116,275</u>	<u>12,238</u>	<u>18,650</u>	<u>153,939</u>	<u>99,060</u>	<u>631,380</u>
Sale of treasury shares by exercise of stock options (Note 17.d)	-	159	2,376	-	-	-	-	2,535
Payment of receivables from shareholders (Note 17.b)	-	-	159	-	-	-	-	159
Payment of capital	501	-	-	-	-	-	-	501
Tax incentives	-	-	-	1,147	-	-	-	1,147
Net income	-	-	-	-	-	-	134,020	134,020
Dividends - R\$0.079 per outstanding shares (Note 17.c)	-	-	-	-	-	-	(33,569)	(33,569)
BALANCES AS OF SEPTEMBER 30, 2006	<u>232,738</u>	<u>(860)</u>	<u>118,810</u>	<u>13,385</u>	<u>18,650</u>	<u>153,939</u>	<u>199,511</u>	<u>736,173</u>

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

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NATURA COSMÉTICOS S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2006 AND JUNE 30, 2006
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Natura Cosméticos S.A. (the “Company”) and its subsidiaries are engaged in the development, production, distribution and sale, substantially through direct sales by Natura beauty consultants, of cosmetics, fragrances, hygiene and health products. The Company also holds equity interests in other companies in Brazil and abroad.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

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

The terminology and grouping of certain accounts in the statements of income and cash flows have been changed from the prior year for better classification and presentation. Such changes included the information related to 2005, in order to allow comparability between the periods. Please note that such changes did not result in any change in the individual account balances and total balances, except for the cash flow for the nine-month period ended September 30, 2005 in which payments of swap and forward contracts were reclassified from financing activities, changing the disclosed subtotals, although without affecting the total change in cash and banks.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations

Determined on the accrual basis of accounting.

b) Cash investments

Consists of highly liquid temporary investments stated at cost plus income earned through 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 the average cost of acquisition or production, adjusted to market value and for possible losses, 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 through December 31, 1995, plus interest capitalized during the construction period, if applicable. 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., into Natura Participações S.A., less the provision for maintenance of dividend payment capacity, as described in Note 13.

h) Current and long-term liabilities

Stated at known or estimated amounts, plus, if applicable, interest and monetary and exchange variations incurred through 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 probable realizable values, as detailed in Note 9.

j) Loans and financing

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

k) Reserves for tax, civil and labor contingencies

Updated through the balance sheet dates based on the probable amount of loss, according to their nature and supported by the opinion of the Company's attorneys. The grounding and nature of the reserves for tax, civil and labor contingencies are described in Note 16.

l) Swap and forward contracts

The nominal values of swap and forward contracts 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 Notes 20.b and 20.d.

m) Financial income and expenses

Represented by interest and monetary and exchange variations on cash investments, escrow deposits and loans and financing and swap and forward contracts as mentioned in Note 21.

n) Interest on capital

For corporate purposes, interest on capital is accounted for as allocation of income in shareholders' equity. For tax purposes, interest on capital is treated as financial expense, reducing the income and social contribution tax basis.

o) Earnings per share

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

p) Supplementary information

In order to permit additional analysis, the Company presents as supplementary information the individual and consolidated statements of cash flows (Attachment).

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, reserves for tax, civil and labor contingencies as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since management's judgment involves estimates of the probability of future events, actual results may differ from the estimates.

4. CONSOLIDATION CRITERIA

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions and resolutions established by the CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	Ownership interest - %		
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2005</u>
Direct:			
Indústria e Comércio de Cosméticos Natura Ltda.	100.00	99.99	99.82
Natura Cosméticos S.A. – Chile	99.99	99.99	99.96
Natura Cosméticos S.A. – Peru	99.94	99.94	99.93
Natura Cosméticos S.A. – Argentina	99.82	99.82	95.00
Natura Brasil Cosmética Ltda. – Portugal	98.00	98.00	99.99
Nova Flora Participações Ltda.	100.00	100.00	100.00
Natura Inovação e Tecnologia de Produtos Ltda.	100.00	99.99	99.99
Natura Europa SAS	100.00	100.00	100.00
Natura Cosméticos S.A. - México	100.00	99.99	99.99
Natura Cosméticos C.A. - Venezuela	99.99	99.99	-
Indirect:			
Natura Logística e Serviços Ltda.	99.99	99.99	99.99
Flora Medicinal J. Monteiro da Silva Ltda.	100.00	100.00	100.00
Ybios S.A. (proportional consolidation - joint control)	33.33	33.33	33.33

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 proportionally eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profits 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.

In relation to the nine-month period ended September 30, 2005, the Company resumed operations of Natura Cosméticos C.A. – Venezuela (as of September 30, 2006 in preoperating phase).

The shareholders' equity balances as of September 30, 2006 and June 30, 2006, reported by the Company, differ by R\$3,079 and R\$2,135, respectively, from those recorded in the consolidated financial statements due to the elimination of unrealized profits of subsidiaries. For the same reason, net income balances reported by the Company as of September 30, 2006 and 2005 differ by R\$1,207 e R\$251, respectively, from the balances in the consolidated financial statements.

	<u>Net income</u>		<u>Shareholders' equity</u>	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>06/2006</u>
Company	345,190	258,687	736,173	631,380
Elimination of unrealized profits of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. with other subsidiaries	<u>(1,207)</u>	<u>(251)</u>	<u>(3,079)</u>	<u>(2,135)</u>
Consolidated	<u>343.983</u>	<u>258.436</u>	<u>733.094</u>	<u>629.245</u>

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

- Indústria e Comércio de Cosméticos Natura Ltda.: engaged principally in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos S.A. - Mexico and Natura Europa SAS, whose amounts are mentioned in Note 10.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos C.A. - Venezuela (as of September 30, 2006 in preoperating phase), Natura Brasil Cosmética Ltda. - Portugal (as of September 30, 2006 in preoperating phase): their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.
- Nova Flora Participações Ltda.: holds equity interest in the subsidiary Flora Medicinal J. Monteiro da Silva Ltda.
- Natura Inovação e Tecnologia de Produtos Ltda.: its activities consist of product and technology development and market research.
- Natura Europa SAS: engaged in the purchase, sale, import, export and distribution of cosmetics, fragrances in general, hygiene and health products.
- Natura Cosméticos S.A. - Mexico: engaged in the purchase, sale, import, export, distribution and storage of cosmetics, fragrances in general, hygiene and health products.
- Natura Logística e Serviços Ltda.: engaged in the provision of administrative and logistics services.
- Flora Medicinal J. Monteiro da Silva Ltda.: engaged in the sale of phytotherapeutic and phytocosmetic products of its own brand. As of September 30, 2006 it was dormant.
- Ybios S.A.: engaged in 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; and holding of equity interest in other companies.

5. CASH INVESTMENTS

	Company		Consolidated	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Bank certificates of deposit (CDBs)	37,109	168,775	140,987	255,652
Investment funds	<u>10,614</u>	<u>10,246</u>	<u>10,614</u>	<u>10,245</u>
	<u>47,723</u>	<u>179,021</u>	<u>151,601</u>	<u>265,897</u>
Long term (Note 16.i)	-	-	4,204	4,061
Current	<u>47,723</u>	<u>179,021</u>	<u>147,397</u>	<u>261,836</u>

As of September 30, 2006, CDBs yield interest rates ranging from 100% to 101.8% (100% to 109.5% as of June 30, 2006) of the interbank deposit rate (CDI), and the share in the total investment portfolio is 93.0% (96.2% as of June 30, 2006). Investments funds yield interest rates ranging from 100.5% to 107.5% of CDI (92.2% to 103.1% as of June 30, 2006).

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Trade accounts receivable	313,781	294,176	333,551	309,914
Allowance for doubtful accounts	<u>(22,486)</u>	<u>(21,321)</u>	<u>(24,059)</u>	<u>(22,625)</u>
	<u>291,295</u>	<u>272,855</u>	<u>309,492</u>	<u>287,289</u>

The changes in the allowance for doubtful accounts for the 3^d quarter of 2006 are as follows:

	Company				<u>09/2006</u>
	<u>06/2006</u>	<u>Additions</u> (*)	<u>Reversals</u>	<u>Write-offs</u> (**)	
Allowance for doubtful accounts	<u>(21,321)</u>	<u>(10,112)</u>	<u>358</u>	<u>8,589</u>	<u>(22,486)</u>

	Consolidated				<u>09/2006</u>
	<u>06/2006</u>	<u>Additions</u> (*)	<u>Reversals</u>	<u>Write-offs</u> (**)	
Allowance for doubtful accounts	<u>(22,625)</u>	<u>(10,381)</u>	<u>358</u>	<u>8,589</u>	<u>(24,059)</u>

(*) Provision recognized according to Note 3.c.

(**) Refers to notes more than 180 days past due, written-off due to non-receipt.

7. INVENTORIES

	Company		Consolidated	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Finished products	10,479	1,111	169,793	120,299
Raw materials and packaging	-	-	74,917	62,681
Promotional material	675	38	23,459	9,842
Work in process	-	-	7,393	7,352
Allowance for losses	<u>(146)</u>	<u>(197)</u>	<u>(12,437)</u>	<u>(15,763)</u>
	<u>11,008</u>	<u>952</u>	<u>263,125</u>	<u>184,411</u>

The changes in the allowance for inventory losses for the 3rd quarter of 2006 are as follows:

	Company			<u>09/2006</u>
	<u>06/2006</u>	Additions, <u>net</u> (*)	<u>Write-offs</u> (**)	
Total of allowance for inventory losses	<u>(197)</u>	<u>(279)</u>	<u>330</u>	<u>(146)</u>

	Consolidated			<u>09/2006</u>
	<u>06/2006</u>	Additions, <u>net</u> (*)	<u>Write-offs</u> (**)	
Total of allowance for inventory losses	<u>(15,763)</u>	<u>(2,439)</u>	<u>5,765</u>	<u>(12,437)</u>

(*) Refers mainly to the recognition of the reserve for discontinuance, expiration and quality losses, according to actual need and the policy established by the Company.

(**) Refers to write-offs of products discarded by the Company.

8. RECOVERABLE TAXES

	Company		Consolidated	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
ICMS (state VAT) on purchases of goods	808	2	20,384	10,258
ICMS (state VAT) on purchases of fixed assets	2,452	2,174	15,105	13,305
IVA – value-added tax (foreign operations)	-	-	6,765	4,365
COFINS on fixed asset acquisitions	426	-	4,588	-
CSLL (social contribution tax)	-	-	3,223	3,527
IRPJ (corporate income tax)	-	-	2,377	3,933
PIS/COFINS/CSLL – withheld at source	-	-	1,405	1,208
PIS on fixed asset acquisitions	92	-	996	-
PIS and COFINS (tax on revenue)	35	13	35	524
Other	<u>8</u>	<u>8</u>	<u>1,464</u>	<u>1,639</u>
	<u>3,821</u>	<u>2,197</u>	<u>56,342</u>	<u>38,759</u>
Long-term	2,272	1,630	16,151	10,489
Current	<u>1,549</u>	<u>567</u>	<u>40,191</u>	<u>28,270</u>

The Company and its subsidiaries recorded, as of September 30, 2006, PIS and COFINS credits on fixed asset acquisitions between January and September 2006, previously classified in property, plant and equipment. The net effect on property, plant and equipment, net of depreciation, arising from the recognition of these credits, was a decrease of R\$4,795.

ICMS, PIS and COFINS credits on fixed asset acquisitions are offset at the rate of 1/48 per month, pursuant to rules established in prevailing legislation.

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

Deferred income (IRPJ) and social contribution (CSLL) taxes recorded in the financial statements result from temporary differences (Company and subsidiaries) 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 offset of tax loss carryforwards against taxable income, pursuant to applicable legislation. The amounts are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Current:				
Tax loss carryforwards	-	-	-	40
Temporary differences:				
Allowance for doubtful accounts (Note 6)	7,645	7,249	7,645	7,249
Allowance for inventory losses (Note 7)	50	67	4,229	5,359
Allowance for losses on swap and forward transactions (Notes 20.b and 20.d)	776	894	959	1,321
Other provisions	<u>10,204</u>	<u>16,102</u>	<u>13,207</u>	<u>19,280</u>
Deferred income and social contribution taxes	<u>18,675</u>	<u>24,312</u>	<u>26,040</u>	<u>33,249</u>
Long-term:				
Temporary differences:				
Reserves for tax, civil and labor contingencies (Note 16)	18,616	18,077	33,330	31,087
Other provisions	<u>1,022</u>	<u>1,060</u>	<u>1,059</u>	<u>1,097</u>
Deferred income and social contribution taxes	<u>19,638</u>	<u>19,137</u>	<u>34,389</u>	<u>32,184</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>Consolidated</u>	
	<u>09/2006</u>	<u>06/2006</u>
2007	24,454	22,466
2008	2,534	2,439
2009	5,713	5,530
2010	<u>1,688</u>	<u>1,749</u>
	<u>34.389</u>	<u>32.184</u>

b) Current expense

Reconciliation of income and social contribution taxes:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>09/2005</u>
Income before taxes on income	415,476	327,772	446,156	341,397
Income and social contribution taxes at the rate of 34%	(141,262)	(111,442)	(151,693)	(116,075)
Reversal of provision for maintenance of dividend payment capacity (Note 13)	37,450	37,450	37,450	37,450
Technological research and innovation benefit – Law No. 11.196/2005 (*)	11,756	-	11,756	-
Tax incentives (donations)	1,069	555	1,347	670
Equity in subsidiaries and exchange variation on translation of foreign investments (Note 11)	8,437	(2,611)	-	-
Permanent differences	(1,367)	(1,067)	(1,845)	(1,225)
Losses generated by subsidiaries	-	-	(12,299)	(11,920)
Interest on capital	11,413	8,069	11,413	8,069
Other	<u>2,218</u>	<u>(39)</u>	<u>1,699</u>	<u>72</u>
Income and social contribution taxes: net expenses	<u>(70.286)</u>	<u>(69.085)</u>	<u>(102.172)</u>	<u>(82.959)</u>
Income and social contribution taxes: current	(74,516)	(77,583)	(107,260)	(93,186)
Income and social contribution taxes: deferred	<u>4,230</u>	<u>8,498</u>	<u>5,088</u>	<u>10,227</u>
Income and social contribution taxes: net expenses	<u>(70.286)</u>	<u>(69.085)</u>	<u>(102.172)</u>	<u>(82.959)</u>
Effective rate - %	<u>16.9%</u>	<u>21.1%</u>	<u>22.9%</u>	<u>24.3%</u>

(*) Refers to the tax benefit established by Law No. 11,196/2005. which allows for the direct deduction in the calculation of taxable income and the social contribution tax basis from the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said law.

10. RELATED PARTIES

Receivables from and payables to related parties are as follows:

	Company		Consolidated	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Current assets:				
Related parties:				
Natura Logística e Serviços Ltda. (a)	3,729	2,924	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (b)	3,035	3,331	-	-
Nova Flora Participações Ltda. (c)	<u>833</u>	<u>833</u>	<u>-</u>	<u>-</u>
	<u>7,597</u>	<u>7,088</u>	<u>-</u>	<u>-</u>
Advance for future capital increase-				
Nova Flora Participações Ltda. (d)	<u>-</u>	<u>1,037</u>	<u>-</u>	<u>-</u>
Receivables from shareholders (e)	<u>21</u>	<u>30</u>	<u>21</u>	<u>30</u>
Current liabilities:				
Suppliers:				
Indústria e Comércio de Cosméticos Natura Ltda. (f)	108,471	81,225	-	-
Natura Logística e Serviços Ltda. (g)	15,218	13,104	-	-
Natura Inovação e Tecnologia de Produtos Ltda. (h)	<u>14,154</u>	<u>12,016</u>	<u>-</u>	<u>-</u>
	<u>137,843</u>	<u>106,345</u>	<u>-</u>	<u>-</u>
Dividends payable:				
Shareholders	<u>58</u>	<u>112,155</u>	<u>58</u>	<u>112,155</u>

Transactions with related parties are summarized as follows:

	Product sales		Product purchases	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>09/2005</u>
Natura Cosméticos S.A.	-	-	930,786	755,778
Indústria e Comércio de Cosméticos Natura Ltda.	967,394	778,753	-	-
Natura Cosméticos S.A. - Argentina	-	-	16,475	9,104
Natura Cosméticos S.A. - Peru	-	-	10,436	6,790
Natura Cosméticos S.A. - Chile	-	-	6,024	5,131
Natura Cosméticos S.A. - México	-	-	2,910	781
Natura Europa SAS	-	-	323	721
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	440	448
	<u>967,394</u>	<u>778,753</u>	<u>967,394</u>	<u>778,753</u>

	Product sales		Product purchases	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>09/2005</u>
Administrative structure: (i)				
Natura Logística e Serviços Ltda.	181,909	126,592	-	-
Natura Cosméticos S.A.	-	-	128,147	91,340
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	38,430	24,976
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	15,332	10,276
	<u>181,909</u>	<u>126,592</u>	<u>181,909</u>	<u>126,592</u>
Product and technology research and development:				
(j)				
Natura Inovação e Tecnologia de Produtos Ltda.	111,184	82,326	-	-
Natura Cosméticos S.A.	-	-	111,184	82,326
	<u>111,184</u>	<u>82,326</u>	<u>111,184</u>	<u>82,326</u>
Lease of properties and common charges: (k)				
Indústria e Comércio de Cosméticos Natura Ltda.	4,192	4,191	-	-
Natura Logística e Serviços Ltda.	-	-	2,429	2,428
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	976	976
Natura Cosméticos S.A.	-	-	787	787
	<u>4,192</u>	<u>4,191</u>	<u>4,192</u>	<u>4,191</u>
Total service sales and purchases	<u>297,285</u>	<u>213,109</u>	<u>297,285</u>	<u>213,109</u>

- (a) Refers to advances granted for provision of logistics and general administrative services.
- (b) Refers to advances granted for provision of product and technology development and market research services.
- (c) Amount receivable due to the capital reduction made on January 30, 2004, approved by the shareholders' meeting held on the same date.
- (d) Cash contributions to Nova Flora Participações Ltda. mainly for maintenance of working capital. The capitalization in Nova Flora occurred in August 2006.
- (e) On September 29, 2000, April 30, 2002, December 30, 2002 and January 5, 2004, under a stock purchase and sale agreement, a financing in the total amount of R\$6,174 was made to two directors of the Company, with interest rate of 3% per year and maturities between April 30, 2009 and September 30, 2010. This financing was granted to the directors in order for them to acquire common shares in Natura Empreendimentos S.A. and Natura Participações S.A. In the corporate restructuring completed in March 2004, these shares were exchanged for common shares issued by Natura Cosméticos S.A. The financing, in the amount of R\$173 as of September 30, 2006 (R\$341 as of June 30, 2006), is amortized with dividends and interest on capital paid by the Company to those directors, based on the shares acquired by them and which are restricted.

- (f) Payables for the purchase of products. Prices and terms are within normal market conditions.
- (g) Payables for services described in item (i).
- (h) Payables for services described in item (j).
- (i) Logistics and general administrative services.
- (j) Product and technology development and market research services.
- (k) Rental of part of the industrial complex located in Cajamar and buildings located in the municipality of Itapecerica da Serra.

The main intercompany balances as of September 30, 2006 and June 30, 2006, as well as the intercompany transactions that affected the results for the period ended September 30, 2006 and 2005 refer to transactions between the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Investments in subsidiaries	677,441	556,329	-	-
Goodwill on acquisition of investment - Nova Flora	-	-	8,015	8,015
Amortization of goodwill - Nova Flora	-	-	(8,015)	(8,015)
Goodwill on acquisition of investment - Natura Europa	-	-	<u>5,669</u>	<u>5,751</u>
	<u>677,441</u>	<u>556,329</u>	<u>5,669</u>	<u>5,751</u>

The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. was fully amortized in 2005, due to the low expectation of profitability from 2006 onwards. Liabilities related to this subsidiary are properly reflected in the consolidated financial statements.

The goodwill generated on the purchase of a commercial location where Natura Europa SAS operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, which does not suffer any decrease in value over time. The balance variation between June 30, 2006 and September 30, 2006 is basically due to the effects of the exchange variation for the quarter.

Natura Cosméticos S.A.

Investments in direct subsidiaries are as follows:

	Indústria e Comércio de Cosméticos Natura Ltda.	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Nova Flora Participações Ltda.	Natura Inovação e Tecnologia de Produtos Ltda.	Natura Europa SAS	Natura Cosméticos S.A. - México	Natura Brasil Cosmética Ltda. - Portugal	Total
Shares of subsidiaries	526,155	52,194	2,277	10,163	2,842	3,450	5,008	41,913	24,594	111	
Number of shares (common shares) held	526,155	52,188	2,276	10,145	2,842	3,450	5,008	41,913	24,594	109	
Ownership interest - %	100,00%	99,99%	99,94%	99,82%	99,99%	100,00%	100,00%	100,00%	100,00%	98,00%	
Capital	526,155	52,194	2,277	10,163	2,842	3,450	5,008	41,913	24,594	111	668,707
Shareholders' equity of subsidiaries	615,451	3,115	1,787	3,874	439	(4,284)	34,750	11,962	6,071	(1)	673,164
Share in shareholders' equity	615,451	3,115	1,786	3,867	439	(4,284)	34,750	11,962	6,071	(1)	673,156
Net income (loss) of subsidiaries, net of exchange variation on translation of foreign investments	21,782	(1,732)	(389)	(2,739)	(1,158)	(114)	5,949	(4,321)	(4,200)	(20)	13,058
Book value of Company's investment:											
Balances as of June 30, 2006	500,014	1,732	1,528	4,178	979	-	28,801	12,392	6,682	23	556,329
Equity in subsidiaries	21,782	(1,732)	(389)	(2,734)	(1,158)	(114)	5,949	(4,321)	(4,200)	(20)	13,063
Exchange variation and other adjustments on translation of foreign investments	-	355	647	1,131	11	-	-	(15)	277	(4)	2,402
Recognition (reversal) of provision for losses	-	-	-	-	-	(923)	-	-	-	1	(922)
Capital increase	<u>93,655</u>	<u>2,760</u>	<u>-</u>	<u>1,292</u>	<u>607</u>	<u>1,037</u>	<u>-</u>	<u>3,906</u>	<u>3,312</u>	<u>-</u>	<u>106,569</u>
Balances as of September 30, 2006	<u>615,451</u>	<u>3,115</u>	<u>1,786</u>	<u>3,867</u>	<u>439</u>	<u>-</u>	<u>34,750</u>	<u>11,962</u>	<u>6,071</u>	<u>-</u>	<u>677,441</u>
Provision for losses:											
Balances as of June 30, 2006	-	-	-	-	-	(5,207)	-	-	-	-	(5,207)
(Recognition) reversal of provision for losses	-	-	-	-	-	923	-	-	-	(1)	922
Balances as of September 30, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,284)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(4,285)</u>
Net balances as of September 30, 2006	<u>615,451</u>	<u>3,115</u>	<u>1,786</u>	<u>3,867</u>	<u>439</u>	<u>(4,284)</u>	<u>34,750</u>	<u>11,962</u>	<u>6,071</u>	<u>(1)</u>	<u>673,156</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate - %	Company					
		09/2006			06/2006		
		Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Vehicles	20 to 33	19,811	7,513	12,298	19,913	7,862	12,051
Software	20	6,222	2,728	3,494	5,875	2,413	3,462
IT equipment	20	4,187	2,660	1,527	4,204	2,581	1,623
Furniture and fixtures	10	2,893	1,582	1,311	2,420	1,543	877
Machinery and equipment	10	1,457	276	1,181	1,099	248	851
Leasehold improvements	20 to 33	5,276	258	5,018	1,039	209	830
Advances to suppliers	-	-	-	-	610	-	610
Construction in progress	-	<u>1,687</u>	<u>-</u>	<u>1,687</u>	<u>240</u>	<u>-</u>	<u>240</u>
		<u>41,533</u>	<u>15,017</u>	<u>26,516</u>	<u>35,400</u>	<u>14,856</u>	<u>20,544</u>

	Annual depreciation rate - %	Consolidated					
		09/2006			06/2006		
		Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings	4	144,144	28,872	115,272	144,144	27,438	116,706
Machinery and equipment	10	165,617	53,612	112,005	149,978	49,845	100,133
Installations	10	69,627	30,956	38,671	69,228	29,086	40,142
Vehicles	20 to 33	29,984	10,337	19,647	29,143	10,431	18,712
Software	20	30,224	12,382	17,842	27,127	11,048	16,079
Molds	33	44,872	28,936	15,936	42,846	26,854	15,992
Land	-	33,662	-	33,662	15,910	-	15,910
IT equipment	20	36,325	18,243	18,082	31,658	17,006	14,652
Furniture and fixtures	10	17,897	5,915	11,982	14,926	5,513	9,413
Leasehold improvements	20 to 33	10,293	790	9,503	5,219	343	4,876
Construction in progress	-	36,536	-	36,536	23,038	-	23,038
Advances to suppliers	-	24,997	-	24,997	19,528	-	19,528
Other	10	<u>6,210</u>	<u>3,086</u>	<u>3,124</u>	<u>6,058</u>	<u>2,930</u>	<u>3,128</u>
		<u>650,388</u>	<u>193,129</u>	<u>457,259</u>	<u>578,803</u>	<u>180,494</u>	<u>398,309</u>

13. DEFERRED CHARGES

On March 5, 2004, Natura Participações S.A. was merged into the Company. Natura Participações S.A. had recorded goodwill on the investment in Natura Empreendimentos S.A., amounting to R\$1,028,041, and a corresponding provision for maintenance of future 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 merger 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	
	09/2006	06/2006
Goodwill on investments	648,645	685,360
Provision for maintenance of future dividend payment capacity	<u>(648,645)</u>	<u>(685,360)</u>
	<u>-</u>	<u>-</u>

The provision for maintenance of future dividend payment capacity, as it is in the full amount, will result in the recognition of the goodwill amortization tax benefits for all of the Company's shareholders. The goodwill amount is being amortized over a seven-year period.

14. LOANS AND FINANCING

<u>Type</u>	<u>Company</u>		<u>Consolidated</u>		<u>Maturity</u>	<u>Charges</u>	<u>Guarantees</u>
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>			
BNDES - PROGEREN (Support Program for Enhancing Employment and Income Capacity)	55,782	74,032	55,782	74,032	June 2007	Interest of 3.5% p.y. + TJLP (long-term interest rate)	Bank guarantee.
NCE (Export Credit Note)	-	-	35,481	34,218	April 2008	Interest of 104.7% of CDI	Promissory notes and guarantee of Natura Cosméticos S.A.
FINEP (Financing Agency for Studies and Projects)	-	-	24,412	27,029	December 2008	Interest of 3.0% p.y. + TJLP	Guarantee, promissory notes and receivables of Natura Cosméticos S.A.
BNDES (Brazilian Bank for Economic and Social Development)	10,767	13,605	24,094	27,885	October 2007 and April 2010	Interest of 4.0% p.y. and 4.5% p.y. + UMBNDES (*) or TJLP (long-term interest rate)	Mortgage (**) and guarantee of Indústria e Comércio de Cosméticos Natura Ltda.
BNDES - FINAME (Government Agency for Machinery and Equipment Financing)	-	-	13,789	14,329	July 2006 to March 2011	Interest of 4.5% p.y. + TJLP	Chattel mortgage and guarantee of Natura Cosméticos S.A. and promissory notes.
FINEP II (Financing Agency for Studies and Projects)	-	-	10,924	5,219	March 2013	TJLP (long-term interest rate)	Guarantee of Natura Cosméticos S.A. and bank guarantee.
ACE (Advances on Export Contracts)	-	-	10,012	-	November de 2006	Interest of 5.4% p.y. + Exchange Variation	Exports
Secured account	-	-	-	4,198	July 2006	Interest of 106.5% of CDI (***)	Promissory note and guarantee of Natura Cosméticos S.A.
Total	<u>66,549</u>	<u>87,637</u>	<u>174,494</u>	<u>186,910</u>			
Current	66,354	85,362	95,026	108,028			
Long term	<u>195</u>	<u>2,275</u>	<u>79,468</u>	<u>78,882</u>			

(*) UMBNDES - BNDES monetary unit.

(**) Financing in local currency from the BNDES is guaranteed mainly by the Cajamar unit.

(***) CDI - Interbank certificate of deposit

Maturities of long-term debt are as follows:

	<u>Consolidated</u>	
	<u>09/2006</u>	<u>06/2006</u>
2007	4,847	11,446
2008	53,911	52,553
2009	9,312	8,092
2010	5,326	3,882
2011	2,738	1,319
2012	2,667	1,272
2013	<u>667</u>	<u>318</u>
	<u>79,468</u>	<u>78,882</u>

15. TAXES PAYABLE

	<u>Controladora</u>		<u>Consolidado</u>	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
ICMS (state VAT)	52,413	48,983	52,414	48,988
IRPJ (corporate income tax)	7,943	5,127	11,239	7,177
CSLL (social contribution tax)	3,247	1,916	4,345	2,482
COFINS (tax on revenue)	184	215	3,906	3,730
IRRF (withholding income tax)	1,701	2,024	3,406	3,881
PIS/COFINS/CSLL (Law No. 10,833/03)	1,626	1,385	2,213	1,942
IVA – value-added tax (foreign operations)	-	-	1,932	1,411
ISS (tax on service)	75	52	859	765
IPI (tax on revenue)	-	-	829	1,108
PIS (tax on revenue)	41	44	823	785
Other	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>1,151</u>
	<u>67,230</u>	<u>59,746</u>	<u>83,205</u>	<u>73,420</u>

16. RESERVES FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to certain tax, labor and civil lawsuits and to tax proceedings at the administrative level. Based on the opinion and judgments of its internal and external attorneys, management believes that the reserves for tax, civil and labor contingencies are sufficient to cover probable losses.

The total of the reserves for tax, civil and labor contingencies are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>06/2006</u>	<u>09/2006</u>	<u>06/2006</u>
Tax	49,083	48,011	90,770	84,715
Labor	4,948	4,774	6,478	6,289
Civil	<u>5,015</u>	<u>4,675</u>	<u>9,791</u>	<u>9,338</u>
	<u>59,046</u>	<u>57,460</u>	<u>107,039</u>	<u>100,342</u>

Tax Contingencies

The reserves for tax contingencies refer to the following lawsuits:

	Company					09/2006
	06/2006	Additio ns	Reversals	Write- offs	Monetary restatement	
PIS (tax on revenue) - semiannual - Decree-laws No. 2,445/88 and No. 2,449/88 (b)	13,555	-	-	-	358	13,913
Late payment fines on federal taxes paid in arrears (c)	5,280	-	-	-	156	5,436
Deductibility of CSLL (social contribution tax) (Law No. 9,316/96) (d)	6,140	-	-	-	105	6,245
Tax assessment - INSS (social security contribution) (e)	5,200	-	-	-	118	5,318
Monetary restatement of federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (f)	4,877	-	-	-	28	4,905
IPI (federal VAT) - tax collection lawsuit (i)	3,975	-	-	-	90	4,065
Assessment notice – 1990 corporate income tax (j)	2,577	-	-	-	56	2,633
Attorneys' fees and other	<u>6,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>	<u>6,568</u>
Total reserve for tax contingencies	<u>48,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,072</u>	<u>49,083</u>
	Consolidated					
	06/2006	Additio ns	Reversals	Write- offs	Monetary restatement	09/2006
IPI - zero rate (a)	22,130	4,293	-	-	695	27,118
PIS (tax on revenue) - semiannual - Decree-laws No. 2,445/88 and No. 2,449/88 (b)	15,178	-	-	-	401	15,579
Late payment fines on federal taxes paid in arrears (c)	6,278	-	-	-	185	6,463
Deductibility of CSLL (social contribution tax) (Law No. 9,316/96) (d)	6,140	-	-	-	105	6,245
Tax assessment - INSS (social security contribution) (e)	5,200	-	-	-	118	5,318
Monetary restatement of federal taxes (IRPJ/CSLL/ILL) according to the UFIR (fiscal reference unit) (f)	5,002	-	-	-	28	5,030
IPI tax assessment - attorneys' fees (g)	4,550	-	-	-	17	4,567
IPI credit on purchases of fixed assets and consumption material (h)	4,557	-	(227)	-	36	4,366
IPI (federal VAT) - tax collection lawsuit (i)	3,975	-	-	-	90	4,065
Assessment notice - 1990 corporate income tax (j)	2,577	-	-	-	56	2,633
Attorneys' fees and other	<u>9,127</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>309</u>	<u>9,386</u>
Total reserve for tax contingencies	<u>84,714</u>	<u>4,293</u>	<u>(277)</u>	<u>-</u>	<u>2,040</u>	<u>90,770</u>

- (a) Refers to IPI tax credits on raw materials and packing materials purchased at a zero tax rate and with tax exemption. The Company filed for and obtained an injunction granting entitlement to the credit, which was dismissed on September 25, 2006 due to an invalid sentence. The Company filed an appeal for rehearing of merit, as well as the injunction. The additions in the quarter ended September 30, 2006 refer to offset against IPI payable generated in the same period.

- (b) Refers to the offset of PIS paid as per Decree-laws No. 2,445/88 and No. 2,449/88, in the period from 1988 to 1995, against federal taxes due in 2003 and 2004. The appeal filed by the Company was judged favorably to it on September 12, 2005 by the 1st Panel of the 2nd Board of Tax Appeals that, by a majority of the votes, denied the alleged lapsing of the offset right and unanimously recognized the unconstitutionality of the Decree-laws determining that the calculation basis should be the billing of the sixth month prior to the occurrence of the taxable event, without monetary restatement. The decision was published and a notification was sent. The Federal Revenue Service filed a special appeal, which is pending judgment at the Superior Chamber of Tax Appeals.
- (c) Refers to the levy of a late payment fine on the payment of federal taxes in arrears, whose expectation of loss, according to the opinion of the attorneys, was changed to probable, due to a recent decision by the Superior Court of Justice.
- (d) Refers to CSLL (social contribution tax) that was addressed by a mandate that questions the constitutionality of Law No. 9,316/96, which prohibited the deduction of CSLL from its own tax basis and the IRPJ (corporate income tax) basis. A portion of this reserve, in the amount of R\$4,145 (R\$4,032 as of June 30, 2006), is deposited in escrow.
- (e) Refers to INSS (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 are deposited in escrow.
- (f) Refers to the monetary restatement of federal taxes (IRPJ/CSLL/ILL) related to 1991 based on the UFIR (fiscal reference unit), discussed in a mandate. The amount involved is deposited in escrow.
- (g) Refers to attorneys' fees for the defense in the tax assessment notice issued in November 2005 by the Federal Revenue Service, relating to the tax basis of the IPI (federal VAT) on intercompany transactions. The attorneys are of the opinion that the likelihood of loss is remote.
- (h) The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is discussing through injunctions the right to the IPI (federal VAT) credit on purchases of fixed assets and consumption materials. In view of Federal Regional Courts' former decisions, the attorneys believe that the risk of loss changed to probable. The reversal in the quarter ended September 30, 2006 refers to the lapse of the period for review begun in July, August and September 2001.
- (i) Refers to a tax collection lawsuit seeking to collect the IPI (federal VAT) related to July 1989, when wholesale establishments began to be considered equivalent to industrial establishments under Law No. 7,798/89. The lawsuit is in the Federal Regional Court of 3rd Region (SP) for judgment of the appeal filed by the debtor. The amounts involved in this tax collection lawsuit are guaranteed by an affiliate's cash investment in the updated amount of R\$4,204 (R\$4,061 as of June 30, 2006).

- (j) Refers to a tax assessment notice issued by the Federal Revenue Service requiring the payment of income tax on profit from incentive-based exports made in base year 1989, at the rate of 18% (Law No. 7,988. of December 29, 1989) and not 3%, as established by article 1 of Decree-law No. 2,413/88, which supported the Company in its tax payments at that time.

Labor contingencies

As of September 30, 2006, the Company and its subsidiaries are parties to 327 labor lawsuits filed by former employees and third parties (255 as of June 30, 2006), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability.

The changes in the reserve for labor contingencies for the 3rd quarter of 2006 are as follows:

	Company					09/2006
	06/2006	Additio ns	Reversals	Payments	Monetary restatement	
Total reserve for labor contingencies	<u>4,774</u>	<u>17</u>	<u>(125)</u>	<u>(7)</u>	<u>289</u>	<u>4,948</u>

	Consolidated					09/2006
	06/2006	Additio ns	Reversals	Payments	Monetary restatement	
Total reserve for labor contingencies	<u>6,289</u>	<u>17</u>	<u>(194)</u>	<u>(7)</u>	<u>373</u>	<u>6,478</u>

Civil contingencies

The reserves for civil contingencies refer to the following lawsuits:

	Company					09/2006
	06/2006	Additio ns	Reversals	Payments	Monetary restatement	
Several civil lawsuits (a)	2,396	573	(269)	(72)	88	2,716
Civil lawsuits and attorney's fees - Flora Medicinal (b)	<u>2,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>2,299</u>
Total reserve for civil lawsuits	<u>4,675</u>	<u>573</u>	<u>(269)</u>	<u>(72)</u>	<u>108</u>	<u>5,015</u>

	Consolidated					09/2006
	06/2006	Additio ns	Reversals	Payments	Monetary restatement	
Several civil lawsuits (a)	2,552	608	(284)	(72)	111	2,915
Civil lawsuits and attorney's fees - Flora Medicinal (b)	<u>6,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>6,876</u>
Total reserve for civil lawsuits	<u>9,338</u>	<u>608</u>	<u>(284)</u>	<u>(72)</u>	<u>201</u>	<u>9,791</u>

- (a) As of September 30, 2006, the Company and its subsidiaries are parties to 1,012 lawsuits (913 as of June 30, 2006), at the civil court, special civil court and PROCON (Consumer Protection Agency), filed by beauty consultants, consumers, suppliers and former employees, mostly related to indemnity claims.

(b) The Company is a party to civil lawsuits filed by a former shareholder of the indirect subsidiary Flora Medicinal, which seek the determination of any amounts and the satisfaction of alleged liabilities due to the former shareholder's withdrawal. With the end of the expert investigation phase in four of the five civil lawsuits, it was possible to determine the amounts involved, although no decision, even by the lower court, has been issued.

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, 2006 was R\$33,345 (R\$31,576 as of June, 2006) – consolidated, and is classified under the heading "Escrow deposits", in long-term assets.

The change in escrow deposits, in consolidated, for the 3rd quarter of 2006 is as follows:

	<u>06/2006</u>	<u>Additio ns</u>	<u>Reversals</u>	<u>Write- offs</u>	<u>Monetary restatement</u>	<u>09/2006</u>
Tax escrow deposits	28,691	782	(2)	-	616	30,088
Civil escrow deposits	2,885	70	-	-	-	2,955
Labor escrow deposits	-	302	-	-	-	302
Total escrow deposits	<u>31,576</u>	<u>1,154</u>	<u>(2)</u>	<u>-</u>	<u>616</u>	<u>33,345</u>

Possible losses

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

	Company					
	<u>06/2006</u>	<u>Additio ns</u>	<u>Reversals</u>	<u>Write- offs</u>	<u>Monetary restatement</u>	<u>09/2006</u>
Tax:						
INSS debt annulment action (a)	4,996	-	-	-	114	5,110
Offset of 1/3 of COFINS - Law No. 9,718/98 (b)	4,078	-	-	-	77	4,155
Tax assessment - transfer pricing on loan agreements with foreign related company (c)	1,295	-	-	-	25	1,320
Other	<u>1,118</u>	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>2,194</u>
	<u>11,487</u>	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>235</u>	<u>12,779</u>
Civil	3,783	150	(18)	(31)	6	3,890
Labor	<u>8,579</u>	<u>1,757</u>	<u>(189)</u>	<u>(188)</u>	<u>521</u>	<u>10,480</u>
	<u>23,849</u>	<u>2,964</u>	<u>(207)</u>	<u>(219)</u>	<u>762</u>	<u>27,149</u>

	Consolidated					09/2006
	06/2006	Additio ns	Reversals	Write- offs	Monetary restatement	
Tax:						
INSS debt annulment action (a)	4,996	-	-	-	114	5,110
Offset of 1/3 of COFINS - Law No. 9,718/98 (b)	4,078	-	-	-	77	4,155
Tax assessment - transfer pricing on loan agreements with foreign related company (c)	1,295	-	-	-	25	1,320
Other	<u>1,305</u>	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>2,382</u>
	<u>11,674</u>	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>236</u>	<u>12,967</u>
Civil	13,951	886	(98)	(395)	12	14,356
Labor	<u>11,525</u>	<u>3,582</u>	<u>(280)</u>	<u>(399)</u>	<u>689</u>	<u>15,117</u>
	<u>37,150</u>	<u>5,525</u>	<u>(378)</u>	<u>(794)</u>	<u>937</u>	<u>42,440</u>

- (a) Lawsuit filed by the Company seeking the annulment of the tax demanded by the INSS through a tax assessment notice issued for purposes of collecting the social security contribution on the allowance for vehicle maintenance paid to sales promoters.
- (b) Law No. 9,718/98 increased the COFINS (tax on revenue) rate from 2% to 3%, and allowed this 1% difference to be offset in 1999 against the social contribution tax paid in the same year. However, in 1999 the Company and its subsidiaries filed for a mandate and obtained authorization to suspend the payment of the tax credit (1% rate difference) and to pay COFINS based on Supplementary Law No. 70/91, prevailing at that time. In December 2000, considering former unfavorable court decisions, the Company and its subsidiaries waived the lawsuit and enrolled in the tax debt refinancing program (REFIS), for payment in installments of the debt related to the COFINS not paid in the period. With the payment of the tax, the Company and its subsidiaries gained the right to offset 1% of COFINS against social contribution tax, which was made in the first half of 2001. However, the Federal Revenue Service understands that the period for offset was restricted to base year 1999. This lawsuit is awaiting ruling at the lower administrative court.
- (c) Refers to a tax assessment notice whereby the Federal Revenue Service is demanding the payment of IRPJ and CSLL on the difference of interest on loan agreements with a foreign related party. On July 12, 2004, an administrative defense was filed and is still being judged.

17. SHAREHOLDERS' EQUITY

a) Capital social

On March 29, 2006, the Shareholders, at the Extraordinary Shareholders' Meeting, approved the split of common shares, without par value, issued by the Company, in the proportion of 5 shares after the split for each existing share. The purpose of this stock split was to adjust the Company's share price to increase individual investor access to the securities market, diversify the shareholder composition and increase liquidity of the Company's shares.

Due to this stock split, the subscribed and paid-up capital represented by 85,438,611 common shares without par value as of December 31, 2005 increased to 427,193,055 common shares without par value as of March 31, 2006. Likewise, the balance of authorized capital represented by 2,823,414 common shares as of December 31, 2005 increased to 14,117,070 common shares as of March 31, 2006.

In May and June 2006, 477,377 common shares were subscribed, and in August and September, 161,590 common shares, of the 1,702,250 common shares issued, as decided by the Board of Directors, in a meeting held on February 21, 2006, at an average contribution price of R\$3.09 and R\$3.10, respectively, for the exercise of options granted to the management and employees of the Company and direct and indirect subsidiaries, participating in the “Addendum to the purchase or subscription option plan for common shares issued by the Company for calendar year 2003”. Accordingly, the number of subscribed and paid-up common shares went from 427,193,055 as of March 31, 2006, to 427,670,432 common shares as of June 30, 2006, and 427,832,022 common shares as of September 30, 2006, and authorized capital went from 14,117,070 common shares to 13,639,693 common shares as of June 30, 2006, and to 13,478,103 common shares as of September 30, 2006.

As of September 30, 2006, the Company’s capital is R\$232,738 (R\$ 232,237 as of June 30, 2006).

b) Receivables from shareholders

In 2004, the amount of R\$3,029 was reclassified from the heading “Receivables from shareholders” to the heading “Treasury shares” until it is paid up. Details are disclosed in Note 10.e.

c) Dividend payment policy

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income. considering principally the following adjustments:

- Increase in the amounts resulting from the reversal, in the year, of previously recognized reserves for contingencies.
- 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 semiannual and interim balance sheets and based on these balance sheets authorize the payment of dividends upon approval by the Board of Directors.

On August 10, 2006, the Company paid dividends in the total amount of R\$112,110, referring to income earned in the first half of 2006 and interest on capital – net, in the amount of R\$28,534, referring to the months of November and December 2005 and January to July 2006, as approved in the Board of Directors’ Meeting on July 26, 2006.

d) Treasury shares

As of June 30, 2006, common shares in treasury, after the stock split, as described in item a) above, which have been used in the exercise of options in the Stock Option Programs for purchase or subscription of shares, totaled 1,017,587 (1,480,850 as of June 30, 2006), at a unit average cost of R\$0.3583 (R\$0.3535 as of June 30, 2006).

e) Share premium

Refers to the goodwill generated on the issuance of 3,299 common shares resulting from the capitalization of debentures in the amount of R\$100,000, held on March 2, 2004.

f) Profit reserve - legal

Since the balance of the legal reserve plus capital reserves exceeded 30% of the capital, the Company decided, in accordance with article 193 of corporate law, not to recognize a legal reserve on net income for 2005.

g) Reserve for profit retention

As of December 31, 2005, this reserve was recorded in accordance with article 196 of Law No. 6,404/76 for future investments, in the amount of R\$77,915, in the Company. The withholding referring to 2005 is based on a capital budget, which was approved in the Annual Shareholders' Meeting held on March 29, 2006.

18. STOCK OPTION PROGRAM

The Board of Directors meets once a year for the purpose of, pursuant to the terms of the Program, establishing the Plan, indicating the directors and managers who will receive the options and the total amount to be paid.

The Plans have a four-year time span for exercising the options, and the exercise rights are 50% at the end of the third year and 50% at the end of the fourth year. The deadline for exercising options was two years after the end of the fourth year.

The balance of options as of June 30, 2006 is 7,407,150 (8,161,983 as of June 30, 2005) and is composed by plan as follows:

	Number of call options or subscription (<u>in shares</u>)	Amount for the year updated according to the IPCA through September 30, 2006 - <u>R\$</u>
2002	997,155	5.54
2003	2,742,860	3.10
2004	1,627,960	7.63
2005	941,485	16.38
2006	<u>1,097,690</u>	24.41
	<u>7,407,150</u>	

As of September 30, 2006, had the Company's management opted to record the effects of the plans based on the intrinsic value of the options (difference between market price as of September 30, 2006 and the option value updated according to the IPCA) recorded over their related vesting period, the pro forma consolidated net income for the nine-month period ended September 30, 2006, would have been R\$325,378 (R\$252,775 as of September 30, 2005), as shown below:

	<u>Consolidated</u>	
	<u>09/2006</u>	<u>09/2005</u>
Net income for the period – Company	343,983	258,436
Effect of programs considering vesting period	<u>(18,605)</u>	<u>(5,661)</u>
Net income for the period - pro forma	<u>325,378</u>	<u>252,775</u>

The pro forma net income includes all estimated effects for the shareholders arising from the probable exercise of the options.

As of September 30, 2006, the market price of the Company's shares, after the stock split, was R\$26.69 (R\$20.59 as of December 31, 2005, already reflecting the effect of the stock split occurred on March 29, 2006, to allow comparability between periods).

19. PENSION PLAN

On August 1, 2004, the Company implemented a supplementary defined contribution plan for all employees of the Company and its subsidiaries in Brazil. 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% to 5% of the employee's compensation. The plan is managed by Brasilprev Seguros e Previdência S.A. and the Company's contributions for the nine-month period ended September 30, 2006 totaled R\$2,531 (R\$2,001 as of September 30, 2005).

20. 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.

Cash investments are mainly made at negotiated rates of return, since the Company intends to hold these investments to redemption. These investments reflect 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 financing agreements and operating activities. According to the Company's policy, swap transactions must be contracted for all debts that may expose the Company to exchange risks. These transactions consist of swaps between two variable rates: foreign currency and CDI (interbank deposit rate).

As of September 30, 2006 and June 30, 2006, the Company had swap transactions with financial institutions in the amounts of R\$46,652 and R\$50,858, respectively. Since March 2006, the Company has been contracting transactions for imports of equipment, purchase of inputs pegged to exchange variation, and investments in international operations, resulting in a liability balance of R\$2,820 and R\$3,886, respectively, recorded in current liabilities in consolidated. Foreign exchange exposure is mainly indexed to the US dollar and the euro.

The Company and its subsidiaries do not use derivative financial instruments for speculation 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 the BNDES and FINEP.

d) Fair values

The fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the carrying amounts due to the short-term maturity of these financial instruments. The fair values of loans and financing substantially approximate the carrying amounts since these financial instruments have variable interest rates.

Regarding the swap and forward transactions the carrying and fair values are as follows:

	Consolidated			
	09/2006		06/2006	
	Carrying value	Fair value	Carrying value	Fair value
Swap transactions	<u>2.820</u>	<u>2.824</u>	<u>3.886</u>	<u>3.505</u>

At the balance sheet dates the Company consults the financial market and updates the fair value of financial instruments.

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.

21. FINANCIAL INCOME, NET

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>09/2005</u>
Financial income				
Interest on cash investments	19,585	17,769	28,416	25,611
Gains on monetary and exchange variations	2,453	3,328	4,327	11,546
Interest earned	23	144	699	944
Discounts obtained	1	4	647	119
Gains on swap and forward transactions	395	-	395	-
Other financial income	<u>1,085</u>	<u>987</u>	<u>1,571</u>	<u>1,316</u>
	<u>23,542</u>	<u>22,232</u>	<u>36,055</u>	<u>39,536</u>
Financial expenses				
Interest on financing	(5,816)	(3,722)	(14,006)	(9,737)
Losses on monetary and exchange variations	(3,000)	(1,389)	(6,251)	(7,902)
Losses on swap and forward transactions	(1,222)	(1,183)	(3,212)	(12,207)
Other financial expenses	<u>(865)</u>	<u>(1,545)</u>	<u>(2,777)</u>	<u>(6,534)</u>
	<u>(10,903)</u>	<u>(7,839)</u>	<u>(26,246)</u>	<u>(36,380)</u>
Total financial income, net	<u>12,639</u>	<u>14,393</u>	<u>9,809</u>	<u>3,156</u>

22. 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 the opinion of its insurance advisors. As of September 30, 2006, the insurance coverage was as follows:

<u>Items</u>	<u>Coverage</u>	<u>Insured amount</u>
Industrial complex/inventories	Any material damages to buildings, installations and machinery and equipment	578,397
Vehicles	Fire, theft and collision for 1.344 vehicles	40,172
Loss of profits	Nonrealization of profits arising from material damages to installations, buildings and production machinery and equipment	797,981

NATURA COSMÉTICOS S.A.STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2006 AND 2005
(In thousands of Brazilian reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2006</u>	<u>09/2005</u>	<u>09/2006</u>	<u>09/2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	345,190	258,687	343,983	258,436
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (Notes 12 and 13)	4,702	3,454	40,882	31,321
Monetary and exchange variations, net	6,740	6,606	13,052	2,969
Reserve for losses on swap and forward contracts (Notes 20.b and 20.d)	1,222	1,183	3,211	12,049
Reserves for tax, civil and labor contingencies (Note 16)	5,728	12,552	8,857	23,074
Allowance for inventory losses (Note 7)	146	-	(3,902)	1,995
Sundry accruals	-	1,309	-	2,299
Deferred income and social contribution taxes (Note 9.a)	(4,230)	(8,499)	(5,348)	(10,226)
Proceeds from sale and disposal of permanent assets	719	1,157	1,702	6,256
Equity in subsidiaries (Note 11)	(26,628)	1,802	-	-
Minority interest	-	-	(3)	-
	<u>333,589</u>	<u>278,251</u>	<u>402,434</u>	<u>328,173</u>
(INCREASE) DECREASE IN ASSETS				
Current assets:				
Accounts receivable (Note 6)	11,393	9,765	6,773	11,249
Inventories (Note 7)	(10,319)	672	(106,916)	(62,091)
Other receivables	(8,878)	(6,685)	(8,027)	(7,370)
Long-term assets:				
Escrow deposits (Note 16)	(1,209)	(432)	(1,710)	(1,574)
Recoverable taxes (Note 8)	(840)	(612)	(6,577)	(4,847)
Other receivables	1,159	(3,981)	(91)	(2,656)
Subtotal	<u>(8,694)</u>	<u>(1,273)</u>	<u>(116,548)</u>	<u>(67,289)</u>
INCREASE (DECREASE) IN LIABILITIES				
Current liabilities:				
Suppliers	14,422	(7,635)	40,531	1,234
Salaries, profit sharing and related charges, net	4,683	5,943	18,344	7,828
Taxes payable, net (Notes 8 and 15)	(9,347)	16,216	(25,840)	3,277
Other payables	(1,867)	11,524	(323)	13,941
Long-term liabilities:				
Other payables	414	-	8,195	1,037
Subtotal	<u>8,305</u>	<u>26,048</u>	<u>40,907</u>	<u>27,317</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>333,200</u>	<u>303,026</u>	<u>326,793</u>	<u>288,201</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 12)	(14,994)	(8,807)	(134,872)	(83,788)
Investments (Note 11)	(135,613)	(139,299)	-	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(150,607)</u>	<u>(148,106)</u>	<u>(134,872)</u>	<u>(83,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term loans (Note 14)	(29,353)	(12,663)	(76,142)	(173,070)
Fundings - long-term loans (Note 14)	-	68,159	47,592	220,319
Payments of swap and forward contracts (Notes 20.b and 20.d)	(1,642)	(2,367)	(3,094)	(14,794)
Payment of dividends (Note 17.c)	(307,121)	(203,818)	(307,121)	(203,818)
Payment of interest on capital (Note 17.c)	(51,268)	(28,559)	(51,268)	(28,559)
Payment of capital (Note 17.a)	1,976	-	1,976	-
Other	2,669	141	2,669	141
Sale of treasury shares by exercise of stock options (Note 17.d)	6,543	2,159	6,543	2,159
Payment of receivables from shareholders (Note 17.b)	2,213	2,233	2,213	2,233
NET CASH USED IN FINANCING ACTIVITIES	<u>(375,983)</u>	<u>(174,715)</u>	<u>(376,632)</u>	<u>(195,389)</u>
NET (DECREASE) INCREASE IN CASH AND BANKS	<u>(193,390)</u>	<u>(19,795)</u>	<u>(184,711)</u>	<u>9,024</u>
Cash and banks at beginning of period	275,966	185,287	386,439	231,612
Cash and banks at end of period	82,576	165,492	201,728	240,636
CHANGE IN CASH AND BANKS	<u>(193,390)</u>	<u>(19,795)</u>	<u>(184,711)</u>	<u>9,024</u>
SUPPLEMENTARY CASH FLOW DISCLOSURE				
Income and social contribution taxes paid (Note 9)	71,753	55,743	91,039	60,995



3Q06 EARNINGS RELEASE

> FINANCIAL SUMMARY - CONSOLIDATED

> Financial Summary – Consolidated (R\$ million)

	3Q06	3Q05	% Change	9M06	9M05	% Change
Units sold – items for resale (in millions) – Brazil ¹	60.9	54.1	12.6%	169.2	148.4	14.0%
Gross Revenues	985.4	809.8	21.7%	2,688.9	2,214.0	21.5%
Net Revenues	696.0	571.4	21.8%	1,904.2	1,556.2	22.4%
Gross Profit	492.1	391.7	25.6%	1,317.5	1,057.0	24.6%
<i>Gross Margin (%)</i>	<i>70.7%</i>	<i>68.6%</i>	-	<i>69.2%</i>	<i>67.9%</i>	-
Ebitda ²	183.3	145.7	25.8%	476.9	369.6	29.1%
<i>Ebitda Margin (%)</i>	<i>26.3%</i>	<i>25.5%</i>	-	<i>25.0%</i>	<i>23.7%</i>	-
Net Income	133.1	100.9	31.9%	344.0	258.4	33.1%
<i>Net Margin (%)</i>	<i>19.1%</i>	<i>17.7%</i>	-	<i>18.1%</i>	<i>16.6%</i>	-
Total consultants ³ in Brazil (in thousands)	546.7	475.1	15.1%	546.7	475.1	15.1%
Total consultants in Latin America ⁴ (in thousands)	50.2	34.6	44.9%	50.2	34.6	44.9%

(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.

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

(4) Consultants in Argentina, Peru, Chile and Mexico at the end of the 12th sales cycle period.

> HIGHLIGHTS

- **Inclusion of Natura's shares in the Bovespa Index - Ibovespa** – Since September 2006, Natura's shares (NATU3) have been included in Ibovespa Theoretical Portfolio.

- **Casa Natura Campinas** – The first “Casa Natura” in Brazil was opened in September 2006, in the city of Campinas, State of São Paulo, reflecting the “Casa Natura” located in the City of Mexico. Built to put together and strengthen the relationship among Natura, its sales force, consultants, consumers and the community, the “Casa Natura” will be a place for the expression of the brand and as well as its beliefs.

- **Direct Sales Model and Laboratory in Paris-France** – The operation in Paris, city where a flagship store has been operating since April 2005, will also have, as of this October, a research laboratory, whose main objective will be the maintenance of a close relation with the development of new technologies in the European cosmetics industry.

Additionally, in October 2006, as part of a continuous learning process, we introduced the direct sales model in France. This model will have a different format compared to the one adopted in other countries. It will count on the strong technological support of the Internet improving the relationship between the consultants and Natura and, also, between the consultants their clients, with the possibility of direct delivery to final consumers.

- **International Consultants** – At the end of September 2006, we surpassed 50 thousand consultants outside Brazil (Argentina, Peru, Chile and Mexico).

> **COSMETICS, FRAGRANCE AND TOILETRIES (CF&T) SECTOR IN BRAZIL - NATURA’S TARGET MARKET FIGURES (6M06X6M05)**

According to information of Sipatesp/Abhipec¹, the nominal growth of the target market was 12.1% for the period comprising January up to June 2006, in comparison with the same period of 2005. In real terms, excluding the 4.0% IPCA (Amplified Consumer Price Index) for the period, the growth reached 7.8%.

It is important to highlight that target market growth rates have been systematically increasing bimonthly (1B: 9.0%; 2B: 11.6% and 3B: 14.3%) during 2006.

The table below shows the breakdown of the target market ² in two segments: Cosmetics and Fragrances, and Toiletries, and Natura’s market share in these segments.

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

	Target Market (R\$ million)			Natura's Market Share (%)		
	6M06	6M05	% growth	6M06	6M05	% points percentage
Cosmetics & Fragrances	2,132	1,821	17.1	38.5%	36.2%	2.3
Personal Hygiene	2,889	2,656	8.8	11.2%	10.3%	0.9
Total	5,020	4,477	12.1	22.8%	20.8%	2.0

Source: Sipatesp/Abhipec

Natura increased its market share in the target market in 2.0 p.p., from 20.8% in 6M05 to 22.8% in 6M06.

(1) Sipatesp/Abhipec – Brazilian Association of the Cosmetic, Toiletry & Fragrance Industry

(2) Target Market – Cosmetics and Fragrances (Skincare, Make up, Fragrances and Sun Protection) and Toiletries (Soaps, Hair care, Deodorants and Shaving products)

> **CONSOLIDATED GROSS REVENUES**

Natura's 3Q06 gross revenues were R\$985.4 million, up 21.7% over the same period 2005 (R\$809.8 million). In 9M06, consolidated gross revenues were R\$2,688.9 million, a growth of 21.5% when compared to the same period of 2005 (9M05: R\$2,214.0 million).

By the end of 3Q06, the consolidated number of consultants reached 596.9 thousand, a growth of 17.1% over the same period of previous year.

> **COST & EXPENSES**

The **Cost of goods sold (COGS)** went from 31.4% of the net revenue in 3Q05 to 29.3% in 3Q06. The main drivers that contributed to such decrease were: (i) average readjustment of raw materials and packing material prices practically null in the 3Q05-3Q06 period, primarily due to the appreciation of the Brazilian real in relation to the US dollar; (ii) smaller volume of losses caused by both discontinuance and validity of products in 3Q06; and (iii) low mix effect.

> **Composition of Cost of Goods Sold (% Net Revenues)**

Item	3Q06	3Q05	9M06	9M05
RM/PM*	22.0	24.9	23.7	25.4
Labor	2.8	2.7	2.9	2.6
Depreciation	1.1	1.1	1.2	1.1
Others	3.3	2.8	3.0	3.0
Total	29.3	31.4	30.8	32.1

* Raw material and packaging material

In 9M06, COGS also declined from 32.1% in 9M05 to 30.8% in 9M06. The reasons for that reduction are the same presented above.

Selling expenses increased from 31.6% in 3Q05 to 32.9% in 3Q06 in relation to net revenue. This 1.2 p.p. growth was primarily focused on marketing and international operations expenses. On the other hand, logistics expenses maintained their downward trend in the quarter.

In 9M06, selling expenses remained practically stable, slightly increasing from 31.6% in 9M05 to 31.8% in 9M06. The gains provided by logistics expenses reduction were offset by the growth in marketing expenses occurred in 9M06.

Administrative expenses rose from 12.1% in 3Q05 to 13.3% in 3Q06 in relation to net revenue. The 1.2 p.p. increase derived from both the growth of the management structure to support the internationalization process and the increase of expenses with research and development of new products.

In 9M06, administrative expenses increased from 13.5% in 9M05 to 13.9% in 9M06. This slight increase mainly occurred due to the intensification of IT expenses.

> **EBITDA AND NET INCOME**

3Q06 EBITDA amounted to R\$183.3 million, up 25.8% compared to 3Q05 (R\$145.7 million). EBITDA margin climbed from 25.5% to 26.3% in 3Q06. In 9M06, **EBITDA** reached R\$476.9 million, up 29.1% compared to 9M05 (R\$369.6 million). EBITDA margin increased from 23.7% in 9M05 to 25.0% in 9M06.

3Q06 Net Income posted a 31.9% growth, from R\$100.9 million in 3Q05 to R\$133.1 million in 3Q06. Net margin also increased, from 17.7% in 3Q05 to 19.1% in 3Q06. In 9M06, net income amounted to R\$344.0 million, up 33.1% over the same period last year. Net margin grew from 16.6% in 9M05 to 18.1% in 9M06.

> CAPEX (FIXED ASSETS)

9M06 capital expenditures (CAPEX) totaled R\$134.9 million, mainly allocated to the amplification of the production capacity (machinery and equipment), IT and to the new Research & Development Center, as planned. For the whole year, we maintain an estimated CAPEX of R\$210 million.

> RESULTS BY AREAS OF OPERATION

Aiming to better compare the financial performance of the operations in Brazil and in other countries, as of this quarter we will present the results divided into three areas of operation:

- Brazil;
- Operations under consolidation – consolidated results of operations in Argentina, Peru and Chile; and
- Operations under implementation – consolidated results of operations in Mexico, Venezuela and France.

The table below shows the gross revenue breakdown in 9M06 for the three areas of operation.

> Gross Revenues by Areas of Operation

	9M06	%
Brazil ⁽¹⁾	2,601.0	96.73
Argentina, Chile and Peru	81.3	3.02
Mexico, Venezuela and France	6.6	0.25
Total	2,688.9	100.0

>> Brazil

> Financial Highlights – Brazil (R\$ million)

	3Q06	3Q05	% Change	9M06	9M05	% Change
Total Consultants ⁽¹⁾	546.7	475.1	15.1%	546.7	475.1	15.1%
Units sold – items for resale (in millions)	60.9	54.1	12.6%	169.2	148.4	14.0%
Gross Revenues ⁽²⁾	951.5	786.8	20.9%	2,601.0	2,151.9	20.9%
Net Revenues ⁽²⁾	669.8	553.5	21.0%	1,836.1	1,508.2	21.7%
Ebitda ⁽²⁾	192.9	151.0	27.7%	503.2	391.4	28.5%
<i>Ebitda Margin</i>	<i>28.8%</i>	<i>27.3%</i>		<i>27.4%</i>	<i>26.0%</i>	

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

(2) Brasil Revenues and Ebitda *pró-forma*, exclude transactions with the subsidiaries abroad (gross revenues and COGS).

The sales channel in Brazil posted a 15.1% growth, from 475.1 thousand consultants at the end of 3Q05 to 546.7 thousand at the end of 3Q06. Taking into account the active consultants, a 15.8% average growth was registered in the same period. In 3Q06, productivity by active consultant in Brazil reached R\$3,087.00⁽¹⁾, a 4.1% growth compared to 3Q05.

(1) Estimated consultants' sales at final prices to consumers.

>> Operations under consolidation - Argentina, Chile and Peru

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

	3Q06	3Q05	% Change	9M06	9M05	% Change
Total Consultants ⁽¹⁾	45.9	34.0	34.9%	45.9	34.0	34.9%
Units sold – items for resale (in millions)	3.0	1.8	66.9%	7.5	4.8	57.1%
Gross Revenues	14.3	9.5	50.1%	37.3	24.6	51.7%
Net Revenues	10.9	7.3	48.6%	28.5	18.9	50.8%
Ebitda	-1.2	-1.0	12.9%	-3.4	-3.1	11.6%
<i>Ebitda Margin</i>	<i>-10.7%</i>	<i>-14.0%</i>		<i>-12.0%</i>	<i>-16.2%</i>	

(1) Position at the end of the 12th sales cycle period

The growth pace of operations in Argentina, Chile and Peru is still strong, as evidenced by gross revenue evolution (growth of 50.1% in US dollar in the quarter and 53.9% in weighted local currency).

A 34.9% growth in the total number of consultants was registered, increasing from 34.0 thousand at the end of September 2005 to 45.9 thousand in September 2006. Average active consultants posted a 43.7%-growth when comparing both periods. Productivity by average active consultant was US\$720.6 in 3Q06, 4.5% superior to 3Q05. In weighted local currency, productivity ⁽¹⁾ posted a 7.1%-growth in the period.

(1) Estimated consultants' sales at final prices to consumers.

>> Operations under implementation – Mexico, Venezuela and France

> Financial Highlights – Mexico, Venezuela and France (US\$ million)

	3Q06	3Q05	9M06	9M05
Total Consultants ⁽¹⁾	4.2	0.6	4.2	0.6
Units sold – items for resale (in millions)	0.17	0.01	0.35	0.01
Gross Revenues	1.4	0.3	3.1	0.5
Net Revenues	1.1	0.2	2.7	0.5
Ebitda	-4.2	-2.4	-11.3	-6.7

(1) Position at the end of the 12th sales cycle period

In October 2006, we started the direct sales model in France, which will have a different format compared to the sales model adopted in other countries. It will count on the strong technological support of the Internet, improving the relationship between the consultants and Natura and, also, between the consultants and their clients, with the possibility of direct delivery to final consumers.

In Mexico, in light of the brand good acceptance, we have decided to anticipate to the beginning of 2007 the development of new geographical sectors. In Venezuela, the operation is now in its pre-operational phase.

>> International expansion process

In 9M06, investments in the international expansion process, represented by negative operational results, totaled R\$25.4 million (9M05: R\$24.1 million). For 2006, we estimate total investments of R\$35.0 million in this process.

> CASH FLOW

Internal cash generation⁽¹⁾ in 9M06 reached R\$384.9 million, a 32.8%-increase over same period last year (9M05: R\$289.8 million). Out of this total, R\$79.0 million were used in operational working capital, other current assets and liabilities and long term receivables and payables, and R\$ 134.9 million in fixed assets acquisitions. As a result, free cash flow generation⁽²⁾ in 9M06 was R\$171.0 million, posting a 4.9%-reduction when compared to same period last year (9M05: R\$179.9 million).

> Consolidated Cash Flow *pró forma* – R\$ million

	9M06	9M05	% Change
Net income	344.0	258.4	33.1%
(+)Depreciation and amortization	40.9	31.3	30.5%
Internal cash generation ⁽¹⁾	384.9	289.8	32.8%
Operating working capital ⁽³⁾	-68.3	-24.4	
Other assets and liabilities ⁽⁴⁾	-10.7	-1.7	
Operating cash generation	305.9	263.7	16.0%
Capex	-134.9	-83.8	
Free cash flow ⁽²⁾	171.0	179.9	-4.9%

The increase in operational working capital registered in 9M06 was primarily do to (i) a larger concentration of invoicing in the end of September 2006 that caused an atypical growth of receivables, (ii) stronger purchase of material and hiring of services occurred by the end of 2005 and respective payments settled in the beginning of 2006 and (iii) change in the inventory policy to meet Christmas sales strategy and the expansion of the distribution center located in the city of Matias Barbosa, state of Minas Gerais, these factors have impacted the inventory balance in September 2006 (such effect was partially offset by the growth in raw material and packing material supply account posted by the end of September).

Investments in fixed assets also played an important role, totaling R\$134.9 million in 9M06. The amount spent in this period is in line with the Company's expectations for 2006 (R\$210 million).

Note 1: (net income in the period)+ (depreciation and amortization)

Note 2: (internal cash generation) +/- (changes in working capital and long term receivables and liabilities) - (capex)

Note 3: Assets – accounts receivable, inventories, recoverable taxes short terms. Liabilities – suppliers, salaries, profit sharing and related charges, taxes payable, provisions and accrued freight.

Note 4: Assets –Advances to employees and suppliers, short term deferred income tax and social contribution, other credits and long term receivables. Liabilities: other short and long term payables and reserve for contingencies.

This press release contains forward-looking statements. Such statements are not statements of historical fact, and reflect the beliefs and expectations of the Natura's management. The words "anticipates", "wishes", "expects", "estimates", "intends", "forecasts", "plans", "predicts", "projects", "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, market acceptance of products, product transitions by the Company and its competitors, regulatory approval, currency fluctuations, production and supply difficulties, changes in product sales mix, and other risks. This press release also includes pro-forma information prepared by the Company for information and reference purposes only, which has not been audited. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments.

> ANNEX 1 - STATEMENT OF INCOME (CONSOLIDATED)

(in R\$ million)	3Q06	%RL	3Q05	%RL	Change%	9M06	%RL	9M05	%RL	Change%
Gross sales to domestic market	950,9	96,5	786,1	97,1	21,0	2.597,9	96,6	2.149,0	97,1	20,9
Gross sales to foreign market	34,3	3,5	23,4	2,9	46,3	89,9	3,3	64,0	2,9	40,5
Other sales	0,3	0,0	0,3	0,0	31,1	1,0	0,0	0,9	0,0	9,5
GROSS OPERATING REVENUES	985,4	100,0	809,8	100,0	21,7	2.688,9	100,0	2.214,0	100,0	21,5
Taxes on sales, returns and rebates	(289,5)	29,4	(238,4)	29,4	21,4	(784,7)	29,2	(657,7)	29,7	19,3
NET OPERATING REVENUES	696,0	100,0	571,4	100,0	21,8	1.904,2	100,0	1.556,2	100,0	22,4
Cost of sales	(203,8)	29,3	(179,7)	31,4	13,4	(586,7)	30,8	(499,2)	32,1	17,5
GROSS PROFIT	492,2	70,7	391,7	68,6	25,6	1.317,5	69,2	1.057,0	67,9	24,6
OPERATING (EXPENSES) INCOME										
Selling	(228,6)	32,8	(180,9)	31,7	26,4	(605,4)	31,8	(491,1)	31,6	23,3
General and administrative	(92,7)	13,3	(69,2)	12,1	33,9	(264,1)	13,9	(210,4)	13,5	25,5
Management compensation	(4,6)	0,7	(4,2)	0,7	9,2	(10,8)	0,6	(9,6)	0,6	13,0
Other operating expenses, net	2,4	0,3	(2,6)	0,5	-191,9	(1,8)	0,1	(5,4)	0,3	-66,1
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	168,6	24,2	134,8	23,6	25,1	435,3	22,9	340,6	21,9	27,8
Financial expenses	(7,8)	1,1	(12,9)	2,3	-39,9	(26,2)	1,4	(36,4)	2,3	-27,9
Financial income	10,3	1,5	13,1	2,3	-21,3	36,1	1,9	39,5	2,5	-8,8
INCOME FROM OPERATIONS	171,2	24,6	134,9	23,6	26,8	445,1	23,4	343,8	22,1	29,5
Nonoperating income, net	0,6	0,1	(0,2)	0,0	-382,7	1,0	0,1	(2,4)	0,2	-142,5
INCOME BEFORE TAXES ON INCOME	171,8	24,7	134,7	23,6	27,5	446,2	23,4	341,4	21,9	30,7
Income and social contribution taxes	(38,7)	5,6	(33,9)	5,9	14,3	(102,2)	5,4	(83,0)	5,3	23,2
NET INCOME BEFORE MINORITY INTEREST	133,1	19,1	100,9	17,7	31,9	344,0	18,1	258,4	16,6	33,1
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NET INCOME	133,1	19,1	100,9	17,7	31,9	344,0	18,1	258,4	16,6	33,1
Depreciation	14,1	2,0	11,2	2,0	25,9	40,9	2,1	31,3	2,0	30,5
EBITDA	183,3	26,3	145,7	25,5	25,8	476,9	25,0	369,6	23,7	29,0

> ANNEX 2 - BALANCE SHEET (09/30/06 AND 06/30/06) – R\$ million

ASSETS			LIABILITIES		
	sep/06	jun/06		sep/06	jun/06
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and banks	54,3	53,8	Loans and financing	95,0	108,0
Cash investments	147,4	261,8	Domestic suppliers	187,7	136,9
Trade accounts receivable	309,5	287,3	Foreign suppliers	5,1	3,1
Inventories	263,1	184,4	Salaries, profit sharing and related charges	95,9	73,6
Recoverable taxes	40,2	28,3	Taxes payable	83,2	73,4
Advances to employees and suppliers	9,8	7,7	Dividends	0,1	112,2
Deferred income and social contribution taxes	26,0	33,2	Accrued freight	13,7	11,7
Other receivables	26,6	22,6	Sundry accruals	3,5	7,3
Total current assets	877,0	879,2	Other payables	18,1	19,7
			Allowance for losses on swap contracts	2,8	3,9
LONG-TERM ASSETS			Total current liabilities	505,1	549,9
Receivables from shareholders	0,0	0,0	LONG TERM LIABILITIES		
Recoverable taxes	16,2	10,5	Loans and financing	79,5	78,9
Deferred income and social contribution taxes	34,4	32,2	Reserves for contingences	107,0	100,3
Escrow deposits	33,3	31,6	Other payables	3,8	3,8
Other receivables	0,5	0,5	Total long-term liabilities	190,3	183,0
Cash investments	4,2	4,1	MINORITY INTEREST		
Total long-term assets	88,6	78,9		0,0	0,0
PERMANENT ASSETS			SHAREHOLDER'S EQUITY		
Investments	5,7	5,8	Capital	232,7	232,2
Property, plant and equipment	457,3	398,3	Capital reserves	131,7	128,0
Total permanent assets	462,9	404,1	Profit reserves	369,0	269,5
			Treasury shares	(0,4)	(0,5)
			Total shareholders' equity	733,1	629,2
TOTAL ASSETS			TOTAL LIABILITIES		
	1.428,5	1.362,1		1.428,5	1.362,1

> ANNEX 3 - STATEMENT OF CASH FLOW (CONSOLIDATED)

(in R\$ million)	9M06	9M05
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	344,0	258,4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	40,9	31,3
Monetary and exchange variations, net	13,1	3,0
Reserve for losses on swap and forward contracts	3,2	12,0
Reserves for contingencies	8,9	23,1
Allowance for inventory losses	(3,9)	2,0
Sundry accruals	0,0	2,3
Deferred income and social contribution taxes	(5,3)	(10,2)
Proceeds from sale and disposal of permanent assets	1,7	6,3
Resultado equivalência patrimonial	0,0	0,0
Minority interest	0,0	0,0
	402,4	328,2
(INCREASE) DECREASE IN ASSETS		
Current assets:		
Accounts receivable	6,8	11,2
Inventories	(106,9)	(62,1)
Other receivables	(8,0)	(7,4)
Long-term assets:		
Escrow deposits	(1,7)	(1,6)
Recoverable taxes	(6,6)	(4,8)
Other receivables	(0,1)	(2,7)
	(116,5)	(67,3)
INCREASE (DECREASE) IN LIABILITIES		
Current liabilities:		
Suppliers	40,5	1,2
Salaries, profit sharing and related charges	18,3	7,8
Taxes payable	(25,8)	3,3
Other payables	(0,3)	13,9
Long-term liabilities:		
Other payables	8,2	1,0
	40,9	27,3
NET CASH PROVIDED BY OPERATING ACTIVITIES	326,8	288,2
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(134,9)	(83,8)
NET CASH USED IN INVESTING ACTIVITIES	(134,9)	(83,8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease - short-term loans	(76,1)	(173,1)
Increase - long-term loans	47,6	220,3
Payment of swap and forward contracts	(3,1)	(14,8)
Payment of dividends	(307,1)	(203,8)
Payment of interest on capital	(51,3)	(28,6)
Payment of capital	2,0	0,0
Other	2,7	0,1
Sale of treasury share by exercise of stock options	6,5	2,2
Payment of receivables from shareholders	2,2	2,2
NET CASH USED IN FINANCING ACTIVITIES	(376,6)	(195,4)
NET (DECREASE) INCREASE IN CASH AND BANKS	(184,7)	9,0
Cash and banks at the beginning of period	386,4	231,6
Cash and banks at the end of period	201,7	240,6
CHANGE IN CASH AND BANKS	(184,7)	9,0
SUPPLEMENTARY CASH FLOW DISCLOSURE:		
Income and social contribution taxes paid	91,0	61,0