

# management report **natura** 2005

## Letter from the Board



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*Emmanuelle Moquet and Marie Gilliot, Natura's costumers in Paris*

*Constance Von Oertzen and your daughter Emily, Natura's costumers*

The year 2005 gave cause for enthusiastic celebration by all who root for Natura's success. We once again achieved superlative earnings as we continue to garner the results from our commitment to sustainable development and to our common future.

For over a decade now, our strategy has been anchored to the belief that a business can be a powerful engine for social transformation and help create a much more just and egalitarian society, sharing the common knowledge and promoting well-being. Well-being of people with themselves, the world around then and the nature we all partake.

The permanent challenge is aligning these principles with our day-to-day business practices. This way of being and doing business constitutes Natura's distinguishing trait and helped our company and our brand to earn the recognition and admiration of the community, much to our pride.

Natura's management style is characterized by a dauntless, visionary disposition to mobilize large social networks and manage, with discipline, the multiple processes that make the business chain, all the way from research and development, production, distribution, to the marketing and communication of products and services, while responding to society's needs and creating value.

The continual exercise of this organic approach, the enthusiastic allegiance of our staff and all those who interact with Natura add on to the consistent results we deliver and reinforce our optimistic vision of the future.

Natura's gross revenues grew 27.7% in 2005, or 129.5% in cumulative terms over the past three years. Earnings were up 32.2% from 2004, amounting to R\$397 million. Our stock appreciated by 38%, above the 27.7% rise in the Bovespa index during the year; creating outstanding returns for our investors and shareholders, ratifying the trust bestowed by the market in our proposition. Besides holding on to the leadership in Brazilian cosmetic industry, we are now the country's largest direct selling company.

It is also extremely gratifying to confirm that we made a significant social contribution, sharing wealth in the forms of taxes, wages, dividends and income. Our 519,000 Consultants in Brazil and Latin America, for example, shared some R\$1.3 billion in income.

Our Consultants are quickly becoming more the leading agents of the changes in attitudes and behaviors that we work to promote, also spread -- with much enthusiasm -- our social and environmental causes, while marketing 220 million items to our 50 million consumers. Their involvement was a deciding factor; for example, in the Educational Campaign of Young and Adults program and in the dissemination of the use or refills as a way to reduce the environmental impact from product's packaging.

Moved by the prospects of spreading this Natura way of doing business to an ever-greater number of people and markets, we decided to boost investments in the company's international expansion program. We opened the doors, in April 2005, to Casa Natura Paris, in France, the birthplace of modern cosmetics and later, in August, we started operating in Mexico, one of the world's largest and most competitive direct sales markets. The significant growth in operations in Argentina, Chile and Peru, which together achieved a 45.4% gross revenues growth over 2004 reinforces the conviction that we have substantial space to occupy in international markets over the next years.

To prepare for this international expansion, we embraced a sweeping organizational realignment. New corporate structures were rolled into place while the existing ones were reinforced and energized, lending a new burst of support, efficiency and speed to operations in Brazil and abroad. We also took further steps in corporate governance, appointing a CEO who came from outside Natura's controlling group. Under this renewed structure, the founding partners continue active in the formulation of the company's strategy, sharing their expertise and entrepreneurial vision in their new roles in the Board of Directors, working side by side with the executive group.

We are conscious that, by launching a new research platform, anchored in the sustainable use of Brazilian biodiversity and in the combination of traditional knowledge with scientific expertise and

