

C.N.P.J. 71.673.990/0001-77

BALANCE SHEETS AS OF JUNE 30, 2004 AND MARCH 31, 2004 - (In thousands of Brazilian reais - R\$) Company Company Consolidated Consolidated ASSETS.. 06/2004 03/2004 06/2004 03/2004 LIABILITIES AND SHAREHOLDERS' EQUITY 06/2004 03/2004 03/2004 06/2004 **CURRENT ASSETS CURRENT LIABILITIES** Cash and banks 29.380 5.601 32,449 11.700 13.052 24.300 39.716 Loans and financing .. 31.463 Domestic suppliers 5.980 4.201 64.846 60.821 110.497 6.910 157.299 Temporary cash investments 95.137 Foreign suppliers . 1.983 404 166.878 Trade accounts receivable 152.453 159.665 162.071 Suppliers – related parties 76.608 32.057 98.287 Inventories 820 753 89.293 Payroll and related charges 19.972 13.561 45.046 29.380 13.518 10.457 Recoverable taxes 2.815 1.055 36.048 38.843 Taxes payable 47.299 55.225 Related parties 138 95 5.010 Advances to employees 2.533 4.912 6.926 Dividends.. 73.333 73.333 Related parties 932 867 Interest on capital 11.418 11.418 Deferred income and social contribution taxes 10.252 10.506 21.462 21.663 Other payables 20.050 31.922 23.091 35.377 Other receivables 5.624 6.903 12.172 11.810 Reserve for losses on swap contracts..... 1.041 2.847 1.016 2.839 Total current liabilities .. 257.640 154.989 292.332 223.762 197.172 429.224 299.946 502.268 Total current assets LONG-TERM LIABILITIES LONG-TERM ASSETS Loans and financing 25.958 45.325 79.870 101.181 Advance for future capital increase 3.239 550 2.689 34.809 Reserve for contingencies ... 29.706 48.063 35.578 Tax incentives 1.452 1.452 1.492 1.492 Provision for losses on subsidiaries 67 Other payables 872 8.603 7.731 Deferred income and social contribution taxes 11.457 9.656 15.914 11.457 128.805 Total long-term liabilities 60.834 82.762 145.362 Escrow deposits 16.491 15.103 19.635 17.118 MINORITY INTEREST ... 8 Other receivables 1.721 663 3.438 2.379 SHAREHOLDERS' EQUITY Total long-term assets 34.360 27.424 43.168 32.446 Capital .. 230.762 196.371 230.762 196.371 Treasury shares (3.554)(3.762)(3.554)(3.762)PERMANENT ASSETS Capital reserves 114.947 110.714 114.947 110.714 2.670 366.586 355.834 2.739 Investments Profit reserves 3.629 3.629 3.629 3.629 263.192 Property, plant and equipment 9.756 10.395 256.333 46.390 46.122 44.369 44.658 Retained earnings Total permanent assets 376.342 366.229 265.862 259.072 Total shareholders' equity 392.174 353.074 390.153 351.610 TOTAL ASSETS 710.648 590.825 720.742 811.298 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY ... 710.648 590.825 811.298 720.742 STATEMENTS OF INCOME FOR THE QUARTERS ENDED JUNE 30, 2004 AND 2003

		Con	npany			Consc	olidated	
	4/1/2004	4/1/2003	1/1/2004	1/1/2003	4/1/2004	4/1/2003	1/1/2004	1/1/2003
	to	to	to	to	to	to	to	to
	6/30/2004	6/30/2003	6/30/2004	6/30/2003	6/30/2004	6/30/2003	6/30/2004	6/30/2003
Gross sales to domestic market	595.893	446.919	1.055.910	777.843	598.199	452.090	1.060.191	787.648
Gross sales to foreign market	-	_	_	_	18.699	10.156	32.243	19.226
Other sales	5	_	5	72	203	565	316	788
GROSS OPERATING REVENUES	595.898	446.919	1.055.915	777.915	617.101	462.811	1.092.750	807.662
Taxes on sales, returns and rebates	(140.649)	(105.836)	(249.660)	(184.530)	(188.557)	(140.565)	(335.036)	(245.537)
NET OPERATING REVENUES	455.249	341.083	806.255	593.385	428.544	322.246	757.714	562.125
Cost of sales	(202.646)	(160.518)	(351.346)	(272.933)	(145.934)	(119.850)	(254.309)	(208.560)
GROSS PROFIT	252.603	180.565	454.909	320.452	282.610	202.396	503.405	353.565
OPERATING (EXPENSES) INCOME								
Selling	(109.423)	(86.898)	(196.761)	(152.850)	(128.344)	(99.191)	(230.520)	(175.606)
General and administrative	(56.477)	(38.391)	(111.018)	(68.441)	(49.109)	(40.237)	(87.884)	(72.308)
Employee profit sharing	(3.405)	(1.806)	(5.340)	(4.208)	(8.890)	(3.454)	(13.701)	(7.216)
Management compensation	(1.689)	(928)	(3.314)	(1.910)	(2.089)	(1.246)	(3.998)	(2.586)
Equity in subsidiaries	6.558	2.326	14.542	(1.717)	_	_	_	_
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS	88.167	54.868	153.018	91.326	94.178	58.268	167.302	95.849
Financial expenses	(453)	(30.039)	(6.106)	(54.017)	(5.764)	(31.697)	(20.495)	(57.147)
Financial income	2.330	19.744	11.490	32.771	6.542	21.281	20.232	36.142
INCOME FROM OPERATIONS	90.044	44.573	158.402	70.080	94.956	47.852	167.039	74.844
Nonoperating income (expense)	75	242	337	452	(577)	39	111	(1.127)
INCOME BEFORE DEBENTURE PARTICIPATION	90.119	44.815	158.739	70.532	94.379	47.891	167.150	73.717
Debenture participation	_	(27.024)	(7.178)	(42.798)	_	(27.024)	(7.178)	(42.798)
INCOME BEFORE TAXES ON INCOME	90.119	17.791	151.561	27.734	94.379	20.867	159.972	30.919
Income and social contribution taxes	(10.745)	(5.706)	(26.065)	(9.786)	(15.562)	(8.976)	(36.497)	(14.008)
NET INCOME BEFORE MINORITY INTEREST	79.374	12.085	125.496	17.948	78.817	11.891	123.475	16.911
Minority interest	_	_	_	_	_	10	_	28
NET INCOME	79.374	12.085	125.496	17.948	78.817	11.901	123.475	16.939
STATEMENTS OF CHANGES IN SHAREHOLDERS' E	QUITY FOR THE		DED MARCH 31, 2	004 AND JUNE 30	, 2004			
(in thou	isalius VI DIAZIII	ali leais – K⊅)		Capital				
				reserves	Profit re	serves		
		Treasury	Share	Investment			Retained	

00.110	11.010	100.700	70.002	0 1.07 0	17.001	107.100	70.717
-	(27.024)	(7.178)	(42.798)	-	(27.024)	(7.178)	(42.798)
90.119	17.791	151.561	27.734	94.379	20.867	159.972	30.919
(10.745)	(5.706)	(26.065)	(9.786)	(15.562)	(8.976)	(36.497)	(14.008)
79.374	12.085	125.496	17.948	78.817	11.891	123.475	16.911
					10		28
79.374	12.085	125.496	17.948	78.817	11.901	123.475	16.939
		DED MARCH 31, 2	004 AND JUNE 30	, 2004			
			Capital				_
			reserves	Profit re	eserves		
	Treasury	Share	Investment			Retained	
Capital	shares	premium	grants	Legal	Retention	earnings	Total
56.387			9.998	10.687	45.544	_	122.616
	_					46.122	46.122
138.569	_	100.000	-	_	_	-	238.569
1.415	-	-	-	_	_	-	1.415
-	(1.415)	-	-	_	-	_	(1.415)
-	38	716	-	-	-	-	754
-	(2.385)	-	-	_	-	-	(2.385)
-	-	-	-	_	(23.367)	-	(23.367)
-	-	-	-	_	(29.235)	-	(29.235)
-	-	-	-	(7.058)	7.058	-	-
196.371	(3.762)	100.716	9.998	3.629		46.122	353.074
			_			79.374	79.374
34.391	-	-	-	-	-	-	34.391
-	208	3.892	-	-	-	-	4.100
-	_	341	-	_	_	-	341
	(10.745) 79.374	90.119 17.791 (10.745) (5.706) 79.374 12.085 79.374 12.085 EQUITY FOR THE QUARTERS EN usands of Brazilian reais - R\$) Treasury Shares 56.387 138.569 1.415 - (1.415) - 38 - (2.385) 196.371 (3.762) - 34.391 -	90.119 17.791 151.561 (10.745) (5.706) (26.065) 79.374 12.085 125.496 -	90.119 17.791 151.561 27.734 (10.745) (5.706) (26.065) (9.786) 79.374 12.085 125.496 17.948 -	90.119 17.791 151.561 27.734 94.379 (10.745) (5.706) (26.065) (9.786) (15.562) 79.374 12.085 125.496 17.948 78.817	90.119 17.791 151.561 27.734 94.379 20.867 (10.745) (5.706) (26.065) (9.786) (15.562) (8.976) 79.374 12.085 125.496 17.948 78.817 11.891 1.901 1.001 1	90.119

230.762

(3.554)

104.949

9.998

3.629

7.660

(73.333)

(13.433)

46.390

(73.333)

(13.433)

392.174 Continua...

Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A, after elimination of

the merged company's investment in the Company

Dividends payable

Interest on capital

BALANCES AS OF JUNE 30, 2004.



1 OPERATIONS

NATURA COSMÉTICOS S/A

C.N.P.J. 71.673.990/0001-77

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2004 AND MARCH 31, 2004

Indirect:

(Amounts in thousands of Brazilian reais - R\$)

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

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

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

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

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

The amounts of the net assets are as follows:

NATHRA	EMPREENDIMENTOS S A	

NATURA EMPREENDIMENTOS S.A.			
<u>ASSETS</u>		LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash and banks	24,105	Loans and financing	17,566
Recoverable taxes	645	Taxes payable	660
Other receivables	33,338	Dividends	61,215
Total current assets	58,088	Other payables	3,747
		Total current liabilities	83,188
LONG-TERM ASSETS			
Related parties	10,544	LONG-TERM LIABILITIES	
Total long-term assets	10,544	Loans and financing	17,004
		Other payables	11
PERMANENT ASSETS		Total long-term liabilities	<u> 17,015</u>
Investments	136,522		
Total permanent assets	136,522	SHAREHOLDERS' EQUITY	
		Capital	86,950
		Capital reserves	5,347
		Profit reserves	12,654
		Total shareholders' equity	104,951
		TOTAL LIABILITIES AND	
TOTAL ASSETS	205,154	SHAREHOLDERS' EQUITY	205,154
NATURA PARTICIPAÇÕES S.A.			
ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash and banks	307	Other payables	86,001
Recoverable taxes	129	Total current liabilities	86,001
Related parties	61,215		
Total current assets	61,651	LONG-TERM LIABILITIES	
		Related parties	_10,391
LONG-TERM ASSETS		Total long-term liabilities	10,391
Receivables from sale of shares	5.506	3	
Total long-term assets	5,506	SHAREHOLDERS' EQUITY	
3		Capital	1,107,776
PERMANENT ASSETS		Capital reserves	5,450
Investments	104,951	Profit reserves	5,550
Goodwill on investments		Accumulated deficit	(1,043,060)
(-) Provision for maintenance	,-		, , , , , , , , , ,
of dividend payment capacity	1,028,041)	Total shareholders' equity	75,716
Total permanent assets	104,951		-,-
,	- ,	TOTAL LIABILITIES AND	
TOTAL ASSETS	172,108	SHAREHOLDERS' EQUITY	172,108

2. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Brazilian accounting practices and standards 7. established by the Brazilian Securities Commission (CVM).

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

This methodology was prohibited by Law No. 9,249, of December 26, 1995.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Results of operations

Determined on the accrual basis of accounting.

b) Temporary cash investments Consists of highly liquid temporary investments with maturities of less than three months, stated at cost plus income earned to

the balance sheet dates. c) Allowance for doubtful accounts

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

losses. d) Inventories

Stated at average cost of acquisition or production, adjusted to market value, when applicable e) Investments

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

f) Property, plant and equipment

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

g) Deferred charges

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

h) Current and long-term liabilities

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

i) Income and social contribution taxes

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

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

j) Loans and financing

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

k) Reserve for contingencies

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

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

m) Financial income and expenses

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

n) Interest on capital

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

o) Earnings per share

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

p) Stock option plan The Company offers to its directors and certain managers the option for purchase of shares through stock option plans. The

information and effects related to the plans are mentioned in note 17, item q.

q) Use of estimates

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

4. CONSOLIDATION CRITERIA The consolidated balance sheets as of June 30, 2004 and March 31, 2004 and the consolidated statements of income for the sixmonth periods ended June 30, 2004 and 2003 have been prepared in accordance with the consolidation principles established by Brazilian accounting practices and regulatory instructions established by CVM, and include the financial statements of the Company and its direct and indirect subsidiaries, as follows:

Ownership interest - % 06/2004 03/2004 Direct: Indústria e Comércio de Cosméticos Natura Ltda. 99.76 99.76 Natura Cosméticos S.A. - Chile 99.96 99.85 99.85 Natura Cosméticos S.A. - Peru .. Natura Cosméticos S.A. – Argentina 99.99 99.99 Natura Brasil Cosmética Ltda. – Portugal 99.99 99.99

100.00

100.00

100.00

99.99

100.00

100.00

100.00

100.00

99.99

100.00

Consolidated

Consolidated

03/2004

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the accounting practices described in Note 3. Investments in subsidiaries were proportionately eliminated against shareholders' equity and net income of the respective subsidiaries. Intercompany balances and transactions and unrealized profit were also eliminated. The minority interest in the Company's subsidiaries was shown separately. The financial statements of foreign subsidiaries were translated into Brazilian reais at the exchange rates in effect on the date of the related financial statements.

The Company's shareholders' equity as of June 30, 2004 and March 31, 2004 differs by R\$ 2,021 and R\$1,464, respectively, from

those amounts stated in the consolidated financial statements, due to the elimination of subsidiaries' unrealized profit. In addition, net income as of June 30, 2004 and 2003 differs by R\$2,021 and R\$1,009, respectively, due to the elimination of unrealized profit on inventories of the Companies in Peru, Chile and Argentina.

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

	Net income		Shareholde	rs' equity
	06/2004	06/2003	06/2004	03/2004
Company	125,496	17,948	392,174	353,074
Elimination of unrealized profits of the subsidiary Indústria e				
Comércio de Cosméticos Natura Ltda. with other subsidiaries .	(2,021)	_(1,009)	_(2,021)	(1,464)
Consolidated	123,475	16,939	390,153	351,610

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

Commodities Trading S.A. – Uruguay

Natura Logística e Serviços Ltda. ..

Nova Flora Participações Ltda.

Natura Inovação e Tecnologia de Produtos Ltda.

Flora Medicinal J. Monteiro da Silva Ltda.

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

	Company		Consol	idated
	06/2004	03/2004	06/2004	03/2004
Bank CDs	85,332	474	132,506	48,269
Investment funds	9,805	6,436	24,793	62,228
	95,137	6,910	157,299	110,497

As of June 30, 2004, bank CDs are remunerated at rates ranging from 100% to 100.75% of the CDI (interbank deposit rate) (100% to 101.5% as of March 31, 2004). As of June 30, 2004, investment funds are remunerated at rates ranging from 83.06% to 104.04% of the CDI (100% to 106% as of March 31, 2004).

6. TRADE ACCOUNTS RECEIVABLE

	06/2004	03/2004	06/2004	03/2004
Trade accounts receivable	167,069	174,951	177,637	182,835
Allowance for doubtful accounts	(14,242)	(14,916)	(15,192)	(15,587)
Allowance for return of goods	(374)	(370)	(374)	(370)
	152,453	159,665	162,071	166,878
7. INVENTORIES				

Company

Company

	06/2004	03/2004	06/2004	03/2004
Finished products	803	739	50,580	44,299
Raw materials and packaging	_	_	42,491	40,311
Work in process	_	_	5,775	8,844
Promotional material	17	14	9,536	4,326
Imports in transit	_	_	2,649	906
Reserve for losses			<u>(12,744)</u>	(9,393)
	820	753	98,287	89,293
8. RECOVERABLE TAXES				
	0		C	اممدما

	Company		Consolidated		
	06/2004	03/2004	06/2004	03/2004	
Social contribution tax	302	_	598	284	
IRPJ (corporate income tax)	1,833	267	6,524	4,151	
IPI (Federal VAT)	_	_	180	_	
ICMS (State VAT)	680	737	1,948	1,925	
Other		51	<u>4,268</u>	4,097	
	2,815	1,055_	<u>13,518</u>	10,457	

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred

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

	Company		Consolidated	
	06/2004	03/2004	06/2004	03/2004
Current:				
Tax loss carryforwards	_	_	1.793	4.765
Temporary differences:				
Reserve for inventory losses	_	_	4,333	3,193
Allowance for doubtful accounts	5,068	5,072	5,068	5,072
Reserve for losses on swap contracts	382	968	382	968
Other	4,802	4,466	<u>9,886</u>	<u> 7,665</u>
Deferred income and social contribution taxes credits	_10,252	10,506	21,462	21,663
Long-term:				
Temporary differences:				
Reserve for contingencies	10,744	9,010	14,898	10,506
Other	713	646	<u>1,016</u>	951
Deferred income and social contribution taxes	11,457	9,656	15,914	11,457

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:

	00/2004	03/2004
2005	5,482	5,339
2006	1,095	1,171
2007	7,450	3,115
2008	_1,887	1,832
	15,914	11,457
b) Current expense		

Inc

Inc

Cu

2006	1,095	1,171		
2007	7,450	3,115		
2008	_1,887	_1,832		
			<u>15,914</u>	11,457
b) Current expense				
Reconciliation of income and social contribution taxes:				
	Con	npany	Conso	lidated
	06/2004	06/2003	06/2004	06/2003
come before taxes on income	151,561	27,734	159,972	30,919
come and social contribution taxes at the rate of 34%	(51,530)	(9,430)	(54,390)	(10,512)
ax effect on principal additions and exclusions:				
Equity in subsidiaries	4,944	(584)	_	_
Losses generated by subsidiaries	-	-	(2,664)	(3,695)
Deferral of exchange variation	-	(724)	_	(724)
Interest on capital	4,567		4,567	
Other	(690)	952	(654)	923
Reversal of provision for maintenance of dividend payment capacity	16,644	-	16,644	_
come and social contribution taxes	(26,065)	(9,786)	(36,497)	(14,008)
urrent income and social contribution taxes	(27,480)	(16,979)	(40,577)	(22,435)
eferred income and social contribution taxes	<u>1,415</u>	7,193	4,080	8,427
	(26,065)	(9,786)	(36,497)	(14,008)
				Continua



natura			C.I	N.P.J. 71.67	73.990/0001–77				
10. RELATED PARTIES						Servio	e sales	Service p	urchases
Receivables from and payables to related parties are as follows:						06/2004	06/2003	06/2004	06/2003
	Cor	mpany	Consol	idated	Guarantees commission: (f)				
			00/0004	00/0004	Natura Empreendimentos S.A.	_	1,898	_	_
	06/2004	03/2004	06/2004	03/2004	Natura Cosméticos S.A	_	_	-	1,652
Current assets:					Indústria e Comércio de Cosméticos Natura Ltda	_	_	_	237
Accounts receivable:					Natura Logística e Serviços Ltda	_	-	_	4 000
Indústria e Comércio de Cosméticos Natura Ltda. (b)	50	15	-	-	Administrative structure: (g)		<u>1,898</u>		<u>1,898</u>
Nova Flora Participações Ltda (a)	833	833	_	_	Natura Logística e Serviços Ltda	57.219	32,800	_	_
Natura Logística e Serviços Ltda. (b)	42	15	_	_	Natura Cosméticos S.A.	57,219	52,000	40,647	26,435
Natura Inovação e Tecnologia de Produtos Ltda. (b)	7	4			Indústria e Comércio de Cosméticos Natura Ltda.	_	_	12,028	6,365
, , ,	932	867	_	_	Natura Inovação e Tecnologia de Produtos Ltda	_	_	4,544	_
Long-term assets:						57,219	32,800	57,219	32,800
Advance for future capital increase (i)					Product research and development: (h)				
	2 220	FFO			Natura Inovação e Tecnologia de Produtos Ltda	29,229	20,000	-	_
Nova Flora Participações Ltda.	3,239	<u>550</u>		===	Natura Cosméticos S.A			29,229	20,000
Current liabilities:						29,229	20,000	29,229	20,000
Suppliers:						Sorvio	e sales		urchases
Natura Inovação e Tecnologia de Produtos Ltda. (c)	5,935	5,935	-	-					
Indústria e Comércio de Cosméticos Natura Ltda. (d)	64,548	19,997	-	_		06/2004	06/2003	06/2004	06/2003
Natura Logística e Serviços Ltda. (e)	6,125	6,125			Lease of properties and common charges: (i)			504	
	76,608	32,057	_	_	Natura Cosméticos S.A. Natura Empreendimentos S.A	_	_	524 27	323
Accounts payable:					Natura Empreendimentos S.ANatura Participações S.A	_	_	27 14	323
Natura Inovação e Tecnologia de Produtos Ltda	137	95	_	_	Natura Inovação e Tecnologia de Produtos Ltda.	_	_	542	1,617
Natura Logística e Serviços Ltda	1	_	_	_	Indústria e Comércio de Cosméticos Natura Ltda.	2.726	1,940	-	-
Natura Logistica e Gerviços Ltda	120				Natura Logística e Serviços Ltda	_,	_	_1,619	_
	138	<u>95</u>			Total service sales/purchases	2,726	1,940	2,726	1,940
Transactions with related parties in the quarters ended June 30, 200	04 and 2003 ar	re summarized b	pelow:						
	Produ	ict sales	Product	<u>purchases</u>	 a) Amount receivable due to the capital reduction made on January same date. 	30, 2004, appr	oved by the sh	arenoiders' meet	ing held on the
	06/2004	06/2003	06/2004	06/2003	b) Receivables from sale of Natura products to employees.				

	Product sales		Product	<u>purchases</u>
	06/2004	06/2003	06/2004	06/2003
Natura Cosméticos S.A.	_	_	421,961	334,031
Indústria e Comércio de Cosméticos Natura Ltda	433,052	341,565	_	_
Natura Inovação e Tecnologia de Produtos Ltda	_	_	9	291
Flora Medicinal J. Monteiro da Silva Ltda	_	_	16	182
Natura Cosméticos S.A. – Chile	_	_	5,458	3,338
Natura Cosméticos S.A. – Peru	_	_	2,144	1,227
Natura Cosméticos S.A. – Argentina			_3,464	2,496
	433,052	341,565	433,052	341,565

c) Payables for the provision of services described in item (h).
d) Payables for the purchase of products. Prices and terms are within normal market conditions.
e) Payables for the provision of services described in item (g).
f) Guarantees of Natura Empreendimentos S.A., merged into Natura Cosméticos S.A., as mentioned in note 1.

g) Provision of logistic and general administrative services.

h) Provision of product and market development.
i) Rental of the industrial complex located in Cajamar and several units that compose Natura's facilities.
j) Remittances to Nova Flora Participações Ltda. and advance to the subsidiary in France.

The main intercompany balances as of June 30, 2004 and March 31, 2004, as well as the intercompany transactions that affected results for the periods refer to transactions with the Company and its subsidiaries, which were substantially carried out under usual market conditions for each type of transaction.

11. INVESTMENTS

Investments are represented by:

	Company		Consoi	idated
	06/2004	03/2004	06/2004	03/2004
Investments in subsidiaries	366,586	355,834	_	_
Goodwill on acquisition of investment	_	_	8,015	8,015
Amortization of goodwill	_	_	(5,345)	(5,276)
	<u>366,586</u>	<u>355,834</u>	2,670	2,739

by independent appraisers, based on expectation of future profitability which, as of December 31, 2003, was reviewed by management based on new projections of future results, also supported by an appraisal report issued by independent appraisers, and is being amortized over ten years.

The goodwill on the acquisition made by the subsidiary Nova Flora Participações Ltda. is supported by an appraisal report issued

	Indústria Comércio	Natura	Natura	Natura	Natura Brasil	Commodities	Nova Flora	Natura	
	e Cosméticos	Cosméticos S.A	Cosméticos S.A	Cosméticos S.A	Cosmética Ltda	Trading S.A.	Participações Inc	ov. Tec. Prod.	
	Ltda	Chile	Peru	Argentina	Portugal	Uruguai	Ltda	Ltda	<u>Total</u>
Shares of subsidiaries	328.992	49.295	24.841	75.899	19	347	2.413	5.008	
Number of shares (common shares) held	328.213	49.275	24.804	75.891	19	347	2.413	5.008	
Ownership interest	99,76%	99,96%	99,85%	99,99%	99,99%	100,00%	100,00%	100,00%	
Capital	328.992	49.295	24.841	75.899	19	347	2.413	5.008	486.814
Shareholders' equity of subsidiaries	349.216	646	2.925	4.156	(67)	23	1.759	8.693	367.351
Share in shareholders' equity	348.388	646	2.921	4.156	(67)	23	1.759	8.693	366.518
Net income (loss) of subsidiaries from April 1 to June 30, 2004	9.652	(882)	98	(2.071)	(78)	(3)	91	(227)	6.580
Book value of Company investment:									
Balances as of March 31, 2004	338.759	835	2.823	2.792	11	26	1.668	8.920	355.834
Increase in investments	-	692	-	3.435	_	_	_	_	4.127
Equity in subsidiaries:	9.629	(882)	98	(2.071)	(78)	(3)	91	(227)	6.558
Recognition of provision for losses	_	-	-	-	67	_	_	_	67
Balances as of June 30, 2004	348.388	645	2.921	4.156		23	1.759	8.693	366.586
Provision for losses:									
Balances as of March 31, 2004	_	_	_	_	_	_	_	_	_
Provision for losses	-	-	-	-	67	_	-	_	67
Balances as of June 30, 2004					67				67

12. PROPERTY, PLANT AND EQUIPMENT

Is composed of:

	Annual			Com	pany		
	Depreciation		06/2004			03/2004	
		Restated	Accumulated	Net book	Restated	Accumulated	Net book
	Rate -%	Cost	Depreciation	value	Cost	Depreciation	value
Machinery and equipment	10	950	(566)	384	950	(543)	407
Furniture and fixtures	10	3.878	(2.881)	997	3.868	(2.804)	1.064
Vehicles	20	10.746	(5.959)	4.787	10.448	(5.429)	5.019
IT equipment	20	6.705	(5.281)	1.424	6.823	(5.194)	1.629
Leasehold improvements	12	660	(142)	518	660	(135)	525
Software licenses	20	2.579	(959)	1.620	2.579	(832)	1.747
Other	10	6	(3)	3	6	(2)	4
Advances to suppliers	0	23	_	23			
		25.547	(15.791)	9.756	25.334	(14.939)	10.395

	Annual						
	Depreciation		06/2004			03/2004	
		Restated	Accumulated	Net book	Restated	Accumulated	Net book
	Rate -%	Cost	Depreciation	value	Cost	Depreciation	value
Machinery and equipment	10	70.120	(28.869)	41.251	69.460	(27.186)	42.274
Molds	33	24.209	(18.313)	5.896	22.877	(17.253)	5.624
Furniture and fixtures	10	12.326	(6.455)	5.871	12.183	(6.134)	6.049
Installations	10	63.040	(21.835)	41.205	62.703	(20.184)	42.519
Vehicles	20	17.449	(9.250)	8.199	16.417	(8.495)	7.922
IT equipment	20	30.340	(17.672)	12.668	29.737	(16.548)	13.189
Land	0	15.910	_	15.910	15.910	_	15.910
Buildings	4	126.990	(16.652)	110.338	126.963	(15.408)	111.555
Construction in progress	0	8.089	_	8.089	243	_	243
Leasehold improvements	12	679	(161)	518	679	(154)	525
Software licenses	20	10.960	(4.448)	6.512	10.005	(3.932)	6.073
Other	10	6.373	(4.902)	1.471	2.452	(942)	1.510
Advances to suppliers	0	5.264		5.264	2.940	_	2.940
		391.749	(128.557)	263.192	372.569	(116.236)	256.333

13 DEFERRED CHARGES

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

31,463

45,325

24,300

79,870

39,716

101,181

13,052

25,958

The amounts are as follows:

	COII	iparry
	06/2004	03/2004
Goodwill on investments	979,086	1,028,041
Provision for maintenance of dividend payment capacity	(979,086)	(1,028,041)
The provision for maintenance of dividend payment capacity will result in the payment of goods	vill amortizatior	n tax benefits to a
shareholders. The goodwill amount is being amortized over a seven-year period		

14 LOANS AND FINANCING								
Time	CompanyCor		Consoli	dated				
Туре	06/2004	03/2004	06/2004	03/2004	<u>Charges</u>	<u>Guarantees</u>		
Import financing (BNDES Exim)		-	3,782	4,403	Interest of 3.7% per year + TJLP (longterm interest rate)	Natura Cosméticos		
BNDES (Brazilian Bank for Economic and Social Development)	37,841	75,195	37,841	75,195	70% Interest of 4% per year + TJLP	Guarantee, mortgage and bank guarantee		
					30% Interest of 4% per year + UMBNDES(**)			
BNDES-FINAME (Government Agency for Machinery and		-	3,754	3,943	Interest of 5.0% per year + TJLP	Chattel mortgage and Natura Cosméticos		
Equipment Financing)								
BNDES-Poc*	1,169	1,593	1,169	1,593	Interest of 4.5% per year + TJLP	Natura Indústria		
FINEP (Financing Agency for Studies and Projects)		-	26,447	26,215	Interest of 3% per year + TJLP	Guarantee and promissory notes		
Bank loans and financing		_	31,177	29,548	Libor + 6.05% per year	Promissory notes and Natura Cosméticos		
Total	39,010	76,788	104,170	140,897				

(*) Poc - Proposal of Credit Operation

Current

Long term

(**) UMBNDES – BNDES monetary unit



C.N.P.J. 71.673.990/0001-77

Maturities of long-term debt are as follows

	Consolidated		
	06/2004	03/2004	
2005	12,741	21,570	
2006	23,100	29,272	
2007	19,446	19,758	
2008	11,258	16,438	
2009	4,437	5,028	
2010	4,437	4,711	
2011	4,451	4,404	
	79,870	101,181	

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

Natura Inovação e Tecnologia de Produtos Ltda, contracted financing from the Financing Agency for Studies and Projects (FINEP) in the amount of R\$39,153. The amount of R\$24,287 has been released to date. The funds are being used in the development of new products in the biodiversity segment.

Other bank loans and financing in the amount of R\$31,177 (R\$ 29,548 as of March 31, 2004) refer mainly to a repass from the International Finance Corporation (IFC) financing line, which is being used to finance the increase in production capacity and production optimization.

15. TAXES PAYABLE

Taxes payable are represented by:

	Company		Consoli	dated
	06/2004	03/2004	06/2004	03/2004
Current liabilities:				
ICMS (State VAT)	31,696	32,962	34,238	35,387
Cofins (tax on revenue)	337	2	4,338	7,589
PIS (tax on revenue)	71	1	932	1,670
Income tax	_	2,522	922	4,868
Social contribution tax	_	1,554	468	1,989
Withholding income tax	3,241	1,135	4,021	1,637
PIS/Cofins/CSLL (Law No. 10,633/03)	647	629	813	838
Other	56	38	1,567	_1,247
	36,048	38,843	47,299	55,225

16. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to labor, tax and civil lawsuits involving contingent liabilities. These lawsuits are at administrative or judicial levels.

Reserves for contingencies are recognized by management based on the opinion of legal counsel, at amounts restated according to estimates of probable losses

Accrued amounts are classified as follows, according to the nature of the respective lawsuits:

	Consolidated		
	06/2004	03/2004	
Labor	2,748	3,032	
Civil	2,697	2,644	
Tax	42,618	29,902	
	48,063	35,578	

The Company and its subsidiaries are parties to other labor, civil and tax lawsuits, for which the chance of loss is considered possible but not probable by management and its legal counsel. The amounts involved in these lawsuits as of June 30, 2004 are as follows: tax - R\$12,236, civil - R\$4,659 and labor - R\$7,334 (R\$11,183, R\$3,528 and R\$6,498, respectively, as of March 31, 2004). The Company did not record a provision for these lawsuits.

a) Labor/civil lawsuits

The Company and its subsidiaries are parties to 154 labor lawsuits filed by former employees and third parties (156 as of March 31, 2004) claiming the payment of severance amounts, salary premiums and overtime, as well as 413 civil lawsuits (325 as of March 31, 2004), mostly related to indemnity claims.

b) Tax lawsuits

Refer mainly to tax assessment notices related to IPI (Federal VAT) and ICMS (State VAT) of the State of Minas Gerais, as well as injunctions contesting the deductibility of social contribution on profit in its own tax basis and in the income tax basis, the II (import tax) rate, and the judgment of the lawsuits referring to payment of PIS on a six-month basis, and to zero rate, exempt and non-taxed IPI.

The Company and its subsidiaries have escrow deposits for certain lawsuits amounting to R\$19,635 as of June 30, 2004 (R\$17,118 as of March 31, 2004). A substantial part of these deposits refers to tax lawsuits.

17. SHAREHOLDERS' EQUITY

a) Merger of companies

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

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

		4.1011 101	arr arranyono or arrot			- oquity of the oon	inpany are elated be	
			Ca	pital reserves	ı	Profit reserves		
		Treasury	Share	Investment	_		Retained	
	Capital	shares	premium	grants	Legal	Retention	earnings	Total
BALANCES AS OF DECEMBER 31, 2003	56.387	-	-	9.998	10.687	45.544	-	122.616
Net income	-	_	_	_	_	_	46.122	46.122
Capitalization of debentures	138.569	_	100.000	_	_	_	_	238.569
Capital increase through merger of Natura Empreendimentos SA	1.415	_	_	_	_	_	_	1.415
Treasury shares	-	(1.415)	_	-	-	_	-	(1.415)
Sale of treasury shares through exercise of stock options (item f)	-	38	716	_	_	_	_	754
Receivables from shareholders	_	(2.385)	_	_	_	_	_	(2.385)
Absorption of excess liabilities through merger of Natura Empreendimentos S.A,								
after elimination of the merged company's investment in the Company	_	_	_	_	_	(23.367)	_	(23.367)
Absorption of excess liabilities through merger of Natura Participações S.A,								
after elimination of the merged company's investment in the Company	_	_	_	_	_	(29.235)	_	(29.235)
Absorption of reserve	_	_	_	_	(7.058)	7.058	_	_
BALANCES AS OF MARCH 31, 2004	<u>196.371</u>	(3.762)	<u>100.716</u>	9.998	3.629		<u>46.122</u>	353.074
Net income	_	_	_	-	-	_	79.374	79.374
Capital increase through subscription of shares	34.391	_	_	_	_	_	_	34.391
Sale of treasury shares through exercise of stock options (item f)	_	208	3.892	-	-	_	-	4.100
Profit on sale of shares	_	_	341	_	_	_	_	341
Additional absorption of excess liabilities through merger of Natura Empreendimentos S.A,								
after elimination of the merged company's investment in the Company	_	_	_	_	_	_	7.660	7.660
Dividends payable	_	_	_	_	_	_	(73.333)	(73.333)
Interest on capital	_	_	_	_	_	_	(13.433)	(13.433)
BALANCES AS OF JUNE 30, 2004	230.762	(3.554)	104.949	9.998	3.629		46.390	392.174

b) Capital

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

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

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

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

Consequently, 2.172.550 registered common shares without par value, totaling R\$34.391, were subscribed, and the Company's capital was changed from R\$196,371, represented by 83,266,061 common shares, to R\$230,762, represented by 85,438,611 common shares.

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

c) Interest on capital

The Company's management recorded interest on capital pursuant to CVM Resolution No. 207/86 and Law No. 9,249/95. As of June 30, 2004, the gross amount of interest on capital is R\$13,433 and was calculated in accordance with statutory limits, and the withholding income tax was retained and paid by the Company.

d) Dividend distribution policy

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

- The increase in the amounts resulting from the reversal, in the year, of reserves for contingencies, recognized previously. The decrease in the amounts intended for the recognition, in the year, of the legal reserve and reserve for contingencies.
- The bylaws allow the Company to prepare semi-annual and interim balance sheets, and based on these balance sheets, authorize the payment of dividends upon approval by the Board of Directors.

Dividends were calculated as follows:

Net income	125,496
Legal reserve on net income	(6,275)
Calculation basis for minimum dividends	119,221
Mandatory minimum dividends (30%)	35,766
Proposed dividends	73,333
Interest on capital	13,433
Dividends per share	0.865276623
Interest on capital per share	0.13472337
Amount exceeding mandatory minimum dividend	51,000
a) Conduit on the inquence of charge	

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

f) Reserve for profit retention

As of December 31, 2003, this reserve was recorded in accordance with article 196 of Law No. 6.404/76. On March 5, 2004 it was used for absorbing excess liabilities arising from the mergers of the companies Natura Empreendimentos S.A. and Natura Participações S.A. See details in item b) above.

In 1998, the extinguished Natura Empreendimentos S.A. approved an incentive policy for certain directors and managers of the group's companies, through which they would be entitled to buy shares. Subsequently, this Program was also assumed by the extinguished Natura Participações S.A., and the general bases of the Stock Option Grant Program remained unchanged. On March 5, 2004, the General Shareholders Meeting of Natura Cosméticos S.A. approved the merger of Natura Empreendimentos S.A. and Natura Participações S.A. into the Company, and fully assumed the Stock Option Program. As it became a publiclyheld company, Natura Cosméticos S.A. changed its Stock Option Program, and the main changes were the criteria for establishing the subscription or purchase price, and the Company's obligation to repurchase the shares was discontinued. The Board of Directors meets once a year for the purpose of, within the Program's general bases, establish the Plan, indicating the directors and managers who will receive the options.

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

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

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

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

2,476,351

(24,127)

(511,321)

1,940,903

380,292

(51,019)

(438,556)

1,831,620

805,064

144,813

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

Options converted into shares and sold

Total options exercised

Options converted into shares and held

Number of stock options (in shares):

Balance of options as of February 1, 2004 (after merger of Natura Participações S.A.) Cancelled options Exercised options (*) Balance of options as of March 31, 2004..... Distributed options Exercised options (*) Balance of options as of June 30, 2004..... (*) Breakdown of exercised options through June 30, 2004

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

		Amount for the year updated
	Number of call	by IPCA through
	options (in shares)	June 30, 2004
2000	46,348	16.97
2001	84,513	17.80
2002	585,786	24.71
2003	743,439	13.84
2004	371,534	34.06
Total	1 831 620	

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

On June 30, 2004, if the Company's Management had opted to recognize in the accounting books the effects of the plans, taking into account the time span for maturity, and using the intrinsic value method (the difference between market price as of June 30, 2004 and the option value updated by the IPC-A), the proforma statement of income would be as follows, comparing the statement of income for the three and six-month periods ended June 30, 2004:

	IFS	Pro Forma	IFS	Pro Forma
	1/1/2004 to	1/1/2004 to	4/1/2004 to	4/1/2004 to
	6/30/2004	6/30/2004	6/30/2004	6/30/200
GROSS OPERATING REVENUES	1.092.750	1.092.750	617.101	617.101
Taxes on sales, returns and rebates	(335.036)	_(335.036)	_(188.557)	(188.557)
NET OPERATING REVENUES	757.714	757.714	428.544	428.544
Cost of sales	_(254.309)	_(254.309)	_(145.934)	(145.934)
GROSS PROFIT	503.405	503.405	282.610	282.610
OPERATING (EXPENSES) INCOME				
Operating expenses	(336.103)	(350.997)	(188.432)	(200.748)
INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS.	167.302	152.408	94.178	81.862
Financial expenses	(20.495)	(20.495)	(5.764)	(5.764)
Financial income	20.232	20.232	6.542	6.542
INCOME FROM OPERATIONS	167.039	152.145	94.956	82.640
Nonoperating income (expense)	111	111	(577)	(577)
INCOME BEFORE DEBENTURE PARTICIPATION	167.150	152.256	94.379	82.063
Debenture participation	(7.178)	(7.178)	_	_
INCOME BEFORE TAXES ON INCOME	159.972	145.078	94.379	82.063
Income and social contribution taxes	(36.497)	_(36.497)	(15.562)	(15.562)
NET INCOME	123.475	108.581	78.817	66.501

h) Receivables from shareholder

On December 30, 2002, the Company sold 2.413 registered common shares to a shareholder. The amount of the sale will be settled through 2009, with interest rate of 3% per year. For 2004, the amount of R\$2,385 was classified as a charge to capital reserves until full settlement.

C.N.P.J. 71.673.990/0001-77

18. FINANCIAL INSTRUMENTS

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

Temporary cash investments are mainly made at negotiated return rates, since the Companies intend to hold these investments to redemption. These investments reflect the market conditions at the balance sheet dates Loans and financing are recorded at the contractual interest rates of each transaction

The Company has entered into swap and forward transactions to hedge against exchange variation on its liabilities resulting from assumed liabilities. According to the Company's policy, hedge transactions should be contracted for all debts that may expose the Company to exchange risks. As of June 30, 2004 and March 31, 2004, the Company had swap transactions with financial institutions in the amounts of R\$43,685 (US\$14,058,000) and R\$36,336 (US\$12,493,000), respectively. Forward transactions as of June 30, 2004 amounted to R\$7,477 (Euros \$ 2,000,000). These transactions generated losses as of June 30, 2004 and March 31, 2004, of R\$1,124 and R\$2,839 respectively, which were recorded in current liabilities. The exchange risk is substantially

The Company and its subsidiaries do not have derivative financial instruments

c) Interest rate risk

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

São Paulo - SP

consolidated.

As of June 30, 2004 and March 31, 2004, the fair values of cash and banks, temporary cash investments, and accounts receivable and payable approximate the amounts recorded in the financial statements due to their short term. The fair values of loans and financing substantially approximate the amounts recorded in the financial statements since these financial instruments have variable interest rates.

1. We have performed a special review of the accompanying interim financial statements of Natura Cosméticos S.A. and subsidiaries

(Company and Consolidated), consisting of the balance sheets (Company and consolidated) as of June 30, 2004, the related

statements of income for the quarter and six-month period then ended, and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management. We

have also reviewed the statements of income for the quarter and six-month period ended June 30, 2003, Company and

(IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with

2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors

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

		ed		
	06	6/2004	03/	2004
	Book value	Fair value	Book value	Fair value
Payables - swap transactions	1,124	896	2,839	1,248
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.

19. INSURANCE

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

<u>Item</u>	Coverage	Insured amount
Industrial complex/inventories	Any material damages to buildings,	
	installation and machinery and equipment	365,032
Vehicles	Fire, theft and collision for	
	816 vehicles	17,000
Loss of profits	Nonrealization of profits arising from	
	material damages to production installation,	
	buildings and machinery and equipment	428,398

INDEPENDENT AUDITORS' REVIEW REPORT

statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries.

- 3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
- 4. We had previously reviewed the Company and consolidated balance sheets as of March 31, 2004, presented for comparative purposes, and issued an unqualified special review report thereon, dated April 15, 2004.
- 5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil. São Paulo, July 16, 2004

DELOITTE TOUCHE TOHMATSU - Auditores Independentes Edimar Facco – Engagement Partner

persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial COMMENTS ON PERFORMANCE 2nd QUARTER OF 2004

OPERATIONAL AND FINANCIAL HIGHLIGHTS

To the Board of Directors and Shareholders of

- Unit sales increased 27.9% in 2Q04, compared to the same period last year;
- √ Net revenue grew 33.0%, reaching R\$ 428.5 million in 2Q04;

income was R\$ 123.5 million (R\$ 16.9 million in 1H03).

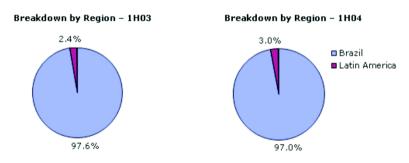
- Gross margin was 65.9% in 2Q04, compared to 62.8% in the same period in 2003;
- EBITDA reached R\$ 102.2 million in 2Q04, representing growth of 51.5%, compared to the same period in 2003;
- Net income in 2Q04 was R\$ 78.8 million, compared to R\$ 11.9 million in the same period in 2003. In the first half of 2004, net
- √ The number of Natura active consultants in Brazil was 366,900 as of June 30, 2004 (growth of 16.1%, compared to the number
- as of June 30, 2003). Financial Summary - Consolidated Data

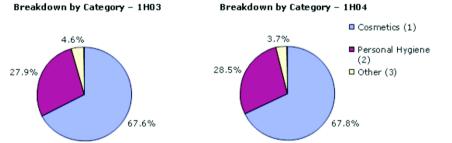
2Q03 In R\$ million 2Q04 Variação % Units Sold (in million) 46,3 36,2 27,9 Gross Revenue 617,1 462.8 33.3 Net Revenue 428,5 322,2 33,0 **Gross Profit** 282.6 202.4 39,6 Gross Margin (%) 65,9 62,8 **EBITDA** 102,2 67,4 51,5 EBITDA Margin (%) 23.8 20,9 Net Income 78.8 11.9 562.3 Net Debt(Investments) (84,6)94,7 n/a Active consultants at en of period - Brazil 316.1 (in thousands) 366.9 16,1 Active consultants at end of period -Latin America(1) (in thousands) Note 1 - Number of consultants in our operations in Argentina, Chile and Peru. n/a – not applicable

Consolidated Operating Revenue

Natura's consolidated gross revenue in 2Q04 was R\$ 617.1 million (R\$ 462.8 million in 2Q03), representing growth of 33.3%

In 1H04, consolidated gross revenue was R\$ 1,092.7 million, growing 35.3% compared to the first half of 2003 (R\$ 807.7 million). The graphs below provide the breakdown of our consolidated gross revenue by region and category, in 1H03 and 1H04:





- (1) Fragrances, makeup, creams and lotions, and sunscreen.
- (2) Hair care products, soaps, deodorants, shaving products and oral hygiene products
- (3) Basically resale support material, samples, demonstrators, accessories (cosmetics bags, hand bags,
- etc.), sales by Flora Medicinal, among others.

Gross revenue in the domestic market reached R\$ 598.2 million in 2Q04 (R\$ 452.1 million in 2Q03), improving 32.3%. This growth was driven by the 27.5% increase in the quantity sold and the average price adjustment of 6.2%, at the end of March.

The increase in sales reflects the success of our strategy in recent years: greater and more diversified marketing efforts, investments in innovation, the evolution of the sales channel and higher productivity.

The innovation index (internal methodology that measures the proportion of products considered innovative, launched in the last 24 months, in relation to total revenue in the period) increased from 33.5% in 2Q03 to 42.7% in 2Q04.

The number of active consultants increased 21.4%, while productivity increased 6.7% in the comparison of periods.

2. Costs and Expenses

Costs – The cost of sales in relation to net revenue decreased from 37.2% in 2Q03 to 34.1% in 2Q04. This decrease is essentially related to the: (i) appreciation of the Brazilian real against the US dollar, between the guarters compared, which benefited raw material costs by approximately 30% (direct imports: 5%, and products indexed to hard currencies: 25%), (ii) change in tax legislation (Law No. 10,865), which allowed the Company to take credits on PIS and Cofins (taxes on revenue) incorporated in prices of materials acquired starting May 1, 2004, and (iii) scale gains. In addition, the average price adjustment of 6.2% in March 2004 offset the average increase in other production costs.

The table below presents the components of cost of sales as a percentage of net revenue for the respective periods:

Composition of Cost of Sales (% of Net Revenue)				
	2Q04	2Q03		
Raw material	26.9	29.7		
Labor	2.4	2.7		
Depreciation	1.2	1.6		
Other (1)	3.5	3.2		
Total	34.1	37.2		

Note 1 - "Other costs" include electric energy, water, gas, consulting, IT services, etc.

labor, due to the outsourcing of engineering services.

Selling Expenses - in relation to net revenue, selling expenses decreased from 30.8% in 2Q03 to 29.9% in 2Q04. This improvement was due to a 6.7% increase in our consultants' productivity and the dilution of fixed costs.

Administrative Expenses - in relation to net revenue, administrative expenses represented 13.5% in 2Q04, compared to 13.6% in 2Q03. This percentage remained practically constant despite the dilution of fixed costs, mainly due to: (i) expenses referring to the process of going public (not including commissions to banks) and (ii) an increase in the provision for employee profit sharing, reflecting the growth in income above the rate of sales growth.

EBITDA in 2Q04 was R\$ 102.2 million (R\$ 67.4 million in 2Q03), growing 48.7%. The EBITDA margin in 2Q04 was 23.8%, compared to 20.9% in the same period last year. In 1H04, EBITDA reached R\$ 184.5 million, 67.5% higher than in the first half of 2003. The EBITDA margin went from 19.6% in 1H03 to 24.3% in 1H04.

The net income generated in 2Q04 was R\$ 78.8 million (R\$ 11.9 million in 2Q03). Among other factors, the improvement in income was due to the: (i) significant growth in revenue and margin described previously, (ii) reduction in average net indebtedness, benefiting financial income and (iii) the end of subordinated debenture participation in income, as a result of their capitalization on March 2, 2004

5. Debt and Cash

In R\$ million	6/30/2004	6/30/2003
Gross debt (1)	105.3	167.0
Cash and banks and Temporary		
cash investments	189.8	72.3
Net debt	(84.5)	94.7

Note 1- Includes provision for adjustment on swap operations.

reduction in our net indebtedness was basically due to cash generation and the capitalization of R\$34.4 million in debentures placed by BNDESPAR (conducted in May 2004). 6. Investments

The Company ended 2Q04 with a negative net debt of R\$ 84.5 million, against a R\$ 94.7 million positive net debt in 2Q03. The

Investments in property, plant and equipment in 2Q04 totaled R\$ 16.2 million (R\$ 22.7 million in 1H04). The main investments are concentrated in the construction of a new vertical warehouse, which will allow the Company to increase its raw material and finished product storage capacity by approximately 120%. In the first half of 2003, R\$ 12.5 million had been invested.

7. Operations in Latin America (Argentina, Chile and Peru)

Summary	of	Results -	US\$	million
			1H	04

	1H04	1H03	Variation %
Units sold (in million)	1,514	932	62,4
Net revenue	7.6	4.9	55.1
Loss from operations	(1.5)	(1.4)	7.1
Operating margin (%)	(19,7)	(28,6)	-

Net revenue (in US dollars) in Latin American operations grew 55.1% in 1H04, in comparison with 1H03. This growth is the result of our intensified marketing efforts and the increase in the operations' sales structure.

Loss from operations as a percentage of net revenue decreased from (28.6%) in 1H03, to (19.7%) in 1H04. The slight increase in the absolute value of the loss is due to the expansion of our sales force in the period.

In terms of local currency, growth in net revenue weighted according to each country's share was 48.9% in the comparison of

8. Listing of Shares on Bovespa

The listing of Natura shares on the São Paulo Stock Exchange (BOVESPA) occurred last May 26 at the price of R\$ 36.50 per share. On the first trading day, Natura shares appreciated 16% (closing price: R\$ 42.20 per share) and trading volume was R\$ 166 million, or 14% of the volume traded on the exchange that day

The average volumes traded in the months of June and July were as follows:

	N⁰ of average		Daily average	
Period	daily trades	Percentage*	volume (R\$ 000)	Percentage **
06/01 to 06/15	204	0.4%	12,212	1.4%
06/15 to 06/30	92	0.2%	7,318	0.6%
07/01 to 07/15	93	0.2%	3,815	0.3%
07/16 to 07/22	106	0.2%	4,293	0.4%

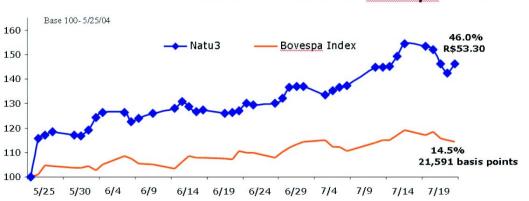
- Percentage of total number of trades on Bovespa.
- ** Percentage of financial trading volume on Bovespa.

By the end of the share placement, Natura had the participation of nearly 5,000 shareholders, including approximately 4,800

The price of Natura shares before the closing of this comment was R\$53.30 (07/23/04), having appreciated 46.0% since the beginning of trading, confirming the strong interest in the Company displayed by investors.

The performance of Natura shares (NATU3) in the period from 05/26 to 07/23 is shown in the graph below:

Performance of Natu3 vs. Bovespa Index



In this first quarterly report, we express our appreciation to all the employees, who have dedicated their work in support of a genuinely Brazilian company, and to our long-time and new shareholders, who will certainly continue participating actively in Natura's evolution.

The increase in "Other costs", above the growth in net revenue, was due to the reclassification of costs previously classified as 9. Dividends and Interest on Capital

The Board of Directors, in a meeting held on July 27, 2004, approved the distribution of dividends and payment of interest on capital in the total gross amount of R\$ 86,765,687, corresponding to R\$ 1.023774714 per share, and in reference to the first half of 2004, as follows: (i) R\$ 73.332.853 in the form of dividends, corresponding to R\$ 0.865276623 per share, free of taxes, and (ii) R\$ 13,432,834 in the form of interest on capital, corresponding to R\$ 0.158498091 per share, or R\$ 0.134723377 per share, net of income tax, except for shareholders who have tax immunity or exemption.

Dividends and interest on capital will be paid to the shareholders existing as of August 3, 2004, and credited to their bank accounts on August 16, 2004.



C.N.P.J. 71.673.990/0001-77

110(010)							
	STATEM	MENT OF INCOME - CO	NSOLIDATED (R\$	5 000)			
	2Q04	% net	t revenue	2Q03	% net revenue		VARIATION
Gross operating revenues	617.101		100,0	462.811	100,0		33,3%
Taxes on sales, returns and rebates	(188.557)		30,6	(140.565)	30,4		34,1%
Net operating revenues	428.544		100,0	322.246	100,0		33,0%
Cost of sales	(145.934)		34,1	(119.850)	37,2		21,8%
Gross profit	282.610		65.9	202.396	62.8		39,6%
Operating (expenses) income			,-		,-		
Selling	(128.344)		29,9	(99.191)	30,8		29,4%
General and administrative	(57.999)		13,5	(43.691)	13,6		32,7%
Management compensation	(2.089)		0,5	(1.246)	0,4		67,7%
Income from operations before financial effects	94.178		22,0	58.268	18,1		61,6%
Financial expenses	(5.764)		,-	(31.697)	0,0		-81,8%
Financial income	6.542			21.281			-69,3%
Income from operations	94.956		22,2	47.852	14,8		98,4%
Nonoperating income (expense)	(577)		(0,1)	39	0,0		-1579,5%
Income before debenture participation	94.379		22,0	47.891	14,9		97,1%
Debenture participation	_			(27.024)	8,4		-100,0%
Income before taxes on income	94.379		22,0	20.867	6,5		352,3%
Income and social contribution taxes	(15.562)		3,6	(8.976)	2,8		73,4%
Income before minority interest	78.817		18,4	11.891	3,7		562,8%
Minority interest	_			10	0,0		-100,0%
Net income	78.817		18,4	11.901	3,7		562,3%
			•				
	BALANCE SH	HEETS AS OF JUNE 30,	,2004 AND MARCH	H 31, 2004			
ASSETS	06/2004	<u>03/2004</u> L	JABILITIES AND S	SHAREHOLDERS' EQUITY		06/2004	03/2004
Cash and banks	32.449	44 = 00		g		24.300	39.716
Temporary cash investments	157.299	110.497	Domestic suppliers			64.846	60.821
Trade accounts receivable	162.071	166.878 F	oreign suppliers			1.983	404
Inventories	98.287	89.293 F	Payroll and related	charges		45.046	29.380
Recoverable taxes	13.518	10.457 T	axes payable			47.299	55.225
Advances to employees	5.010	6.926	Dividends			73.333	_
Deferred income and social contribution taxes	21.462	21.663 II	nterest on capital.			11.418	_
Other receivable	12.172	<u>11.810</u>	Other payables			23.091	35.377
Total current assets	502.268	429.224 F	Reserve for losses	on swap contracts		<u> 1.016</u>	2.839
Advance for future capital increase	2.689			es		292.332	223.762
Tax incentives	1.492			g		79.870	101.181
Deferred income and social contribution taxes	15.914	11.457 F	Reserve for conting	gencies		48.063	35.578
Escrow deposits	19.635					872	8.603
Other receivables	3.438	<u>2.379</u> T	otal long-term liabi	lities		128.805	145.362
Total long-term assets	43.168		Minority interest			8	8
Investments	2.670					230.762	196.371
Property, plant and equipment	263.192	256.333 T	reasury shares			(3.554)	(3.762)
Total permanent assets	265.862					114.947	110.714
			•			3.629	3.629
						44.369	44.658
			3	equity		390.153	351.610
TOTAL ASSETS	811.298			S AND SHAREHOLDERS' EQUITY		811.298	720.742
TOTAL POSE :	0. 1		OIAL LIABILITIES	OAND SHAREHOLDERS EQUIT		011.200	120.172