



**NATURA COSMÉTICOS S/A**  
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		Consolidated			Company		Consolidated	
	06/2004	03/2004	06/2004	03/2004		06/2004	03/2004	06/2004	03/2004
<b>ASSETS</b> .....					<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and banks .....	29.380	5.601	32.449	11.700	Loans and financing .....	13.052	31.463	24.300	39.716
Temporary cash investments .....	95.137	6.910	157.299	110.497	Domestic suppliers .....	5.980	4.201	64.846	60.821
Trade accounts receivable .....	152.453	159.665	162.071	166.878	Foreign suppliers .....	-	-	1.983	404
Inventories .....	820	753	98.287	89.293	Suppliers – related parties .....	76.608	32.057	-	-
Recoverable taxes .....	2.815	1.055	13.518	10.457	Payroll and related charges .....	19.972	13.561	45.046	29.380
Advances to employees .....	2.533	4.912	5.010	6.926	Taxes payable .....	36.048	38.843	47.299	55.225
Related parties .....	932	867	-	-	Related parties .....	138	95	-	-
Deferred income and social contribution taxes .....	10.252	10.506	21.462	21.663	Dividends .....	73.333	-	73.333	-
Other receivables .....	5.624	6.903	12.172	11.810	Interest on capital .....	11.418	-	11.418	-
<b>Total current assets</b> .....	<b>299.946</b>	<b>197.172</b>	<b>502.268</b>	<b>429.224</b>	Other payables .....	20.050	31.922	23.091	35.377
<b>LONG-TERM ASSETS</b>					Reserve for losses on swap contracts .....	1.041	2.847	1.016	2.839
Advance for future capital increase .....	3.239	550	2.689	-	<b>Total current liabilities</b> .....	<b>257.640</b>	<b>154.989</b>	<b>292.332</b>	<b>223.762</b>
Tax incentives .....	1.452	1.452	1.492	1.492	<b>LONG-TERM LIABILITIES</b>				
Deferred income and social contribution taxes .....	11.457	9.656	15.914	11.457	Loans and financing .....	25.958	45.325	79.870	101.181
Escrow deposits .....	16.491	15.103	19.635	17.118	Reserve for contingencies .....	34.809	29.706	48.063	35.578
Other receivables .....	1.721	663	3.438	2.379	Provision for losses on subsidiaries .....	67	-	-	-
<b>Total long-term assets</b> .....	<b>34.360</b>	<b>27.424</b>	<b>43.168</b>	<b>32.446</b>	Other payables .....	-	7.731	872	8.603
<b>PERMANENT ASSETS</b>					<b>Total long-term liabilities</b> .....	<b>60.834</b>	<b>82.762</b>	<b>128.805</b>	<b>145.362</b>
Investments .....	366.586	355.834	2.670	2.739	<b>MINORITY INTEREST</b> .....	<b>-</b>	<b>-</b>	<b>8</b>	<b>8</b>
Property, plant and equipment .....	9.756	10.395	263.192	256.333	<b>SHAREHOLDERS' EQUITY</b>				
<b>Total permanent assets</b> .....	<b>376.342</b>	<b>366.229</b>	<b>265.862</b>	<b>259.072</b>	Capital .....	230.762	196.371	230.762	196.371
<b>TOTAL ASSETS</b> .....	<b>710.648</b>	<b>590.825</b>	<b>811.298</b>	<b>720.742</b>	Treasury shares .....	(3.554)	(3.762)	(3.554)	(3.762)
					Capital reserves .....	114.947	110.714	114.947	110.714
					Profit reserves .....	3.629	3.629	3.629	3.629
					Retained earnings .....	46.390	46.122	44.369	44.658
					<b>Total shareholders' equity</b> .....	<b>392.174</b>	<b>353.074</b>	<b>390.153</b>	<b>351.610</b>
					<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> ...	<b>710.648</b>	<b>590.825</b>	<b>811.298</b>	<b>720.742</b>

**STATEMENTS OF INCOME FOR THE QUARTERS ENDED JUNE 30, 2004 AND 2003**  
(In thousands of Brazilian reais – R\$)

	Company				Consolidated			
	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
	<b>6/30/2004</b>	<b>6/30/2003</b>	<b>6/30/2004</b>	<b>6/30/2003</b>	<b>6/30/2004</b>	<b>6/30/2003</b>	<b>6/30/2004</b>	<b>6/30/2003</b>
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
<b>GROSS OPERATING REVENUES</b> .....	<b>595.898</b>	<b>446.919</b>	<b>1.055.915</b>	<b>777.915</b>	<b>617.101</b>	<b>462.811</b>	<b>1.092.750</b>	<b>807.662</b>
Taxes on sales, returns and rebates .....	(140.649)	(105.836)	(249.660)	(184.530)	(188.557)	(140.565)	(335.036)	(245.537)
<b>NET OPERATING REVENUES</b> .....	<b>455.249</b>	<b>341.083</b>	<b>806.255</b>	<b>593.385</b>	<b>428.544</b>	<b>322.246</b>	<b>757.714</b>	<b>562.125</b>
Cost of sales .....	(202.646)	(160.518)	(351.346)	(272.933)	(145.934)	(119.850)	(254.309)	(208.560)
<b>GROSS PROFIT</b> .....	<b>252.603</b>	<b>180.565</b>	<b>454.909</b>	<b>320.452</b>	<b>282.610</b>	<b>202.396</b>	<b>503.405</b>	<b>353.565</b>
<b>OPERATING (EXPENSES) INCOME</b>								
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)	-	-	-	-
<b>INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS</b> .....	<b>88.167</b>	<b>54.868</b>	<b>153.018</b>	<b>91.326</b>	<b>94.178</b>	<b>58.268</b>	<b>167.302</b>	<b>95.849</b>
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
<b>INCOME FROM OPERATIONS</b> .....	<b>90.044</b>	<b>44.573</b>	<b>158.402</b>	<b>70.080</b>	<b>94.956</b>	<b>47.852</b>	<b>167.039</b>	<b>74.844</b>
Nonoperating income (expense) .....	75	242	337	452	(577)	39	111	(1.127)
<b>INCOME BEFORE DEBENTURE PARTICIPATION</b> .....	<b>90.119</b>	<b>44.815</b>	<b>158.739</b>	<b>70.532</b>	<b>94.379</b>	<b>47.891</b>	<b>167.150</b>	<b>73.717</b>
Debenture participation .....	-	(27.024)	(7.178)	(42.798)	-	(27.024)	(7.178)	(42.798)
<b>INCOME BEFORE TAXES ON INCOME</b> .....	<b>90.119</b>	<b>17.791</b>	<b>151.561</b>	<b>27.734</b>	<b>94.379</b>	<b>20.867</b>	<b>159.972</b>	<b>30.919</b>
Income and social contribution taxes .....	(10.745)	(5.706)	(26.065)	(9.786)	(15.562)	(8.976)	(36.497)	(14.008)
<b>NET INCOME BEFORE MINORITY INTEREST</b> .....	<b>79.374</b>	<b>12.085</b>	<b>125.496</b>	<b>17.948</b>	<b>78.817</b>	<b>11.891</b>	<b>123.475</b>	<b>16.911</b>
Minority interest .....	-	-	-	-	-	10	-	28
<b>NET INCOME</b> .....	<b>79.374</b>	<b>12.085</b>	<b>125.496</b>	<b>17.948</b>	<b>78.817</b>	<b>11.901</b>	<b>123.475</b>	<b>16.939</b>

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE QUARTERS ENDED MARCH 31, 2004 AND JUNE 30, 2004**  
(In thousands of Brazilian reais – R\$)

COMPANY	Capital	Capital reserves			Profit reserves		Retained earnings	Total
		Treasury shares	Share premium	Investment grants	Legal	Retention		
<b>BALANCES AS OF DECEMBER 31, 2003</b> .....	<b>56.387</b>	<b>-</b>	<b>-</b>	<b>9.998</b>	<b>10.687</b>	<b>45.544</b>	<b>-</b>	<b>122.616</b>
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	-	-
<b>BALANCES AS OF MARCH 31, 2004</b> .....	<b>196.371</b>	<b>(3.762)</b>	<b>100.716</b>	<b>9.998</b>	<b>3.629</b>	<b>-</b>	<b>46.122</b>	<b>353.074</b>
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)
<b>BALANCES AS OF JUNE 30, 2004</b> .....	<b>230.762</b>	<b>(3.554)</b>	<b>104.949</b>	<b>9.998</b>	<b>3.629</b>	<b>-</b>	<b>46.390</b>	<b>392.174</b>

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**18. 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.  
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.
- b) Exchange risk  
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 indexed to the U.S. dollar and euro.  
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.
- d) Fair values  
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.

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

	Company e Consolidated			
	06/2004		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:

Item	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**

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 (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 consolidated.

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 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

**COMMENTS ON PERFORMANCE 2<sup>nd</sup> QUARTER OF 2004**

**OPERATIONAL AND FINANCIAL HIGHLIGHTS**

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

In R\$ million	2Q04	2Q03	Varição %
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 (in thousands)	366,9	316,1	16,1
Active consultants at end of period – Latin America <sup>(1)</sup> (in thousands)	22,0	16,8	31,5

Note 1 – Number of consultants in our operations in Argentina, Chile and Peru.  
n/a – not applicable

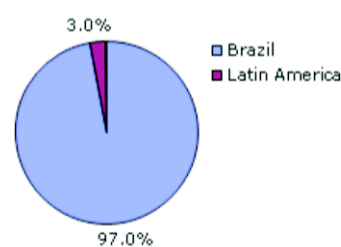
**1. Consolidated Operating Revenue**

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:

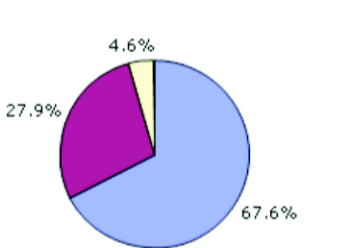
**Breakdown by Region – 1H03**



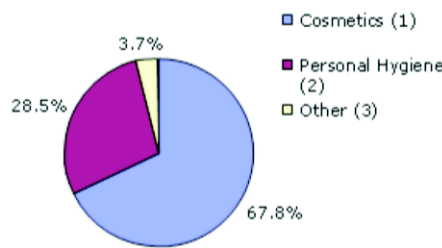
**Breakdown by Region – 1H04**



**Breakdown by Category – 1H03**



**Breakdown by Category – 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 quarters 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.

The increase in "Other costs", above the growth in net revenue, was due to the reclassification of costs previously classified as 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.

**3. EBITDA**

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.

**4. Net Income**

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 <sup>(1)</sup>	105.3	167.0
Cash and banks and Temporary cash investments	189.8	72.3
<b>Net debt</b>	<b>(84.5)</b>	<b>94.7</b>

Note 1 – Includes provision for adjustment on swap operations.

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 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**

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**

	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 periods.

**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:

Period	Nº of average daily trades	Percentage*	Daily average	
			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.

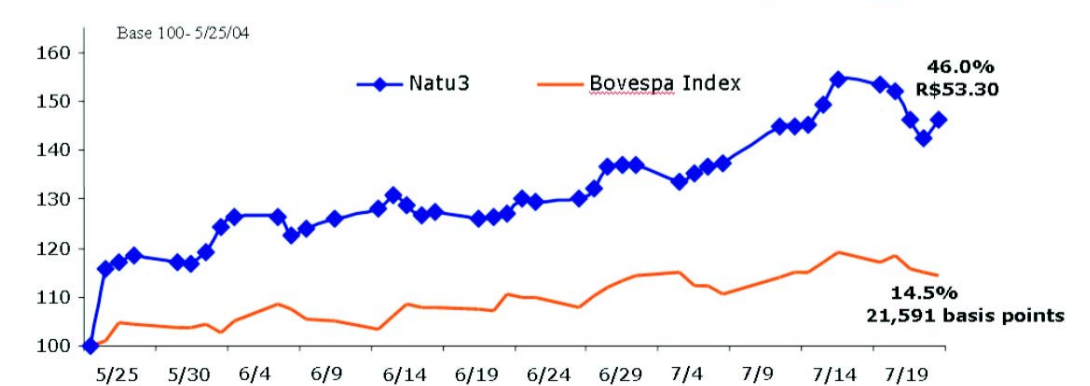
\*\* Percentage of financial trading volume on Bovespa.

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

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.

**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.

STATEMENT OF INCOME – CONSOLIDATED (R\$ 000)

	2Q04	% net revenue	2Q03	% net revenue	VARIATION
<b>Gross operating revenues</b> .....	<b>617.101</b>	<b>100,0</b>	<b>462.811</b>	<b>100,0</b>	<b>33,3%</b>
Taxes on sales, returns and rebates .....	(188.557)	30,6	(140.565)	30,4	34,1%
<b>Net operating revenues</b> .....	<b>428.544</b>	<b>100,0</b>	<b>322.246</b>	<b>100,0</b>	<b>33,0%</b>
Cost of sales .....	(145.934)	34,1	(119.850)	37,2	21,8%
<b>Gross profit</b> .....	<b>282.610</b>	<b>65,9</b>	<b>202.396</b>	<b>62,8</b>	<b>39,6%</b>
<b>Operating (expenses) income</b>					
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%
<b>Income from operations before financial effects</b> .....	<b>94.178</b>	<b>22,0</b>	<b>58.268</b>	<b>18,1</b>	<b>61,6%</b>
Financial expenses .....	(5.764)		(31.697)	0,0	-81,8%
Financial income .....	6.542		21.281		-69,3%
<b>Income from operations</b> .....	<b>94.956</b>	<b>22,2</b>	<b>47.852</b>	<b>14,8</b>	<b>98,4%</b>
Nonoperating income (expense) .....	(577)	(0,1)	39	0,0	-1579,5%
<b>Income before debenture participation</b> .....	<b>94.379</b>	<b>22,0</b>	<b>47.891</b>	<b>14,9</b>	<b>97,1%</b>
Debenture participation .....	-	-	(27.024)	8,4	-100,0%
<b>Income before taxes on income</b> .....	<b>94.379</b>	<b>22,0</b>	<b>20.867</b>	<b>6,5</b>	<b>352,3%</b>
Income and social contribution taxes .....	(15.562)	3,6	(8.976)	2,8	73,4%
<b>Income before minority interest</b> .....	<b>78.817</b>	<b>18,4</b>	<b>11.891</b>	<b>3,7</b>	<b>562,8%</b>
Minority interest .....	-		10	0,0	-100,0%
<b>Net income</b> .....	<b>78.817</b>	<b>18,4</b>	<b>11.901</b>	<b>3,7</b>	<b>562,3%</b>

BALANCE SHEETS AS OF JUNE 30, 2004 AND MARCH 31, 2004

	06/2004	03/2004		06/2004	03/2004
<b>ASSETS</b> .....	<b>06/2004</b>	<b>03/2004</b>	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>06/2004</b>	<b>03/2004</b>
Cash and banks .....	32.449	11.700	Loans and financing .....	24.300	39.716
Temporary cash investments .....	157.299	110.497	Domestic suppliers .....	64.846	60.821
Trade accounts receivable .....	162.071	166.878	Foreign suppliers .....	1.983	404
Inventories .....	98.287	89.293	Payroll and related charges .....	45.046	29.380
Recoverable taxes .....	13.518	10.457	Taxes 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	Interest on capital .....	11.418	-
Other receivable .....	<u>12.172</u>	<u>11.810</u>	Other payables .....	23.091	35.377
<b>Total current assets</b> .....	<b>502.268</b>	<b>429.224</b>	Reserve for losses on swap contracts .....	<u>1.016</u>	<u>2.839</u>
Advance for future capital increase .....	2.689	-	<b>Total current liabilities</b> .....	<b>292.332</b>	<b>223.762</b>
Tax incentives .....	1.492	1.492	Loans and financing .....	79.870	101.181
Deferred income and social contribution taxes .....	15.914	11.457	Reserve for contingencies .....	48.063	35.578
Escrow deposits .....	19.635	17.118	Other payables .....	<u>872</u>	<u>8.603</u>
Other receivables .....	<u>3.438</u>	<u>2.379</u>	<b>Total long-term liabilities</b> .....	<b>128.805</b>	<b>145.362</b>
<b>Total long-term assets</b> .....	<b>43.168</b>	<b>32.446</b>	Minority interest .....	<u>8</u>	<u>8</u>
Investments .....	2.670	2.739	Capital .....	230.762	196.371
Property, plant and equipment .....	<u>263.192</u>	<u>256.333</u>	Treasury shares .....	(3.554)	(3.762)
<b>Total permanent assets</b> .....	<b>265.862</b>	<b>259.072</b>	Capital reserves .....	114.947	110.714
			Profit reserves .....	3.629	3.629
			Retained earnings .....	<u>44.369</u>	<u>44.658</u>
			<b>Total shareholders' equity</b> .....	<b>390.153</b>	<b>351.610</b>
<b>TOTAL ASSETS</b> .....	<b>811.298</b>	<b>720.742</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>811.298</b>	<b>720.742</b>