

NATURA REPORTS PROFIT OF R\$ 78.8 MILLION IN SECOND QUARTER 2004

São Paulo, July 27, 2004 – Natura Cosméticos S.A. (Bovespa: NATU3) announces today its results for the second quarter 2004. Financial and operational information included in this report is presented on a consolidated basis, according to the dispositions of the Brazilian Corporate Law, except when otherwise indicated. Comparisons refer to the second quarter 2003 (2Q03), unless otherwise indicated.

Conference Calls:

July 29, 2004

9:00a.m. US EST (port)

11:00a.m US EST (eng)

Meeting with Investors and Analysts:

August 18, 2004

9:30 a.m. (Brazilian time)

At the Company's
headquarters in Cajamar

Investor Relations:

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NATU3 – 07/27/04

Closing price R\$ 54.02

Appreciation Pos IPO + 48.00%

Volume R\$ 5,142 thousand



2Q04 HIGHLIGHTS

- 2Q04 unit sales increased 27.9%, compared to the same period last year
- Net revenues posted an increase of 33.0%, reaching R\$ 428.5 million in 2Q04
- Gross margin was 65.9% in 2Q04, compared to 62.8% Q-o-Q
- 2Q04 EBITDA reached R\$ 102.2 million, representing 51.5% growth when compared to the same period 2003
- Net income in 2Q04 was R\$ 78.8 million, compared to R\$ 11.9 million in the same period last year. 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 366.9 thousand as of June 30, 2004 (16.1% growth Y-o-Y)

FINANCIAL SUMMARY – Consolidated Figures

In R\$ million	2Q04	2Q03	% Change
Units Sold (in million)	46.3	36.2	27.9
Gross Revenues	617.1	462.8	33.3
Net Revenues	428.5	322.2	33.0
Gross Profit	282.6	202.4	39.6
<i>Gross Margin (%)</i>	<i>65.9</i>	<i>62.8</i>	
EBITDA	102.2	67.4	51.5
<i>EBITDA Margin (%)</i>	<i>23.8</i>	<i>20.9</i>	
Net Income	78.8	11.9	562.3
Net Debt/(Investments)	(84.6)	94.7	n/a
Active consultants at the end of period - Brazil (in thousands)	366.9	316.1	16.1
Active Consultants (1) at end of period - Latin America (in thousands)	22.0	16.8	31.5

(1) Number of consultants in our operations in Argentina, Chile and Peru
n/a not applicable

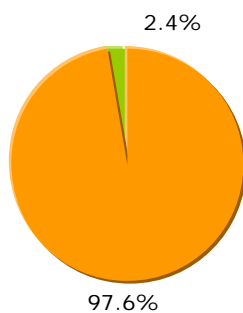
1. Consolidated Gross Revenues

Natura's 2Q04 consolidated gross revenues were R\$ 617.1 million (R\$ 462.8 million in 2Q03), representing 33.3% growth.

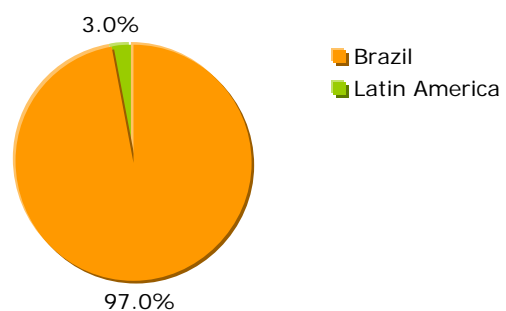
1H04 consolidated gross revenues reached R\$ 1,092.7 million, posting a 35.3% increase compared to the first half of 2003 (R\$ 807.7 million).

The graphs below demonstrate a breakdown of our consolidated gross revenues by region and category in 1H03 and 1H04:

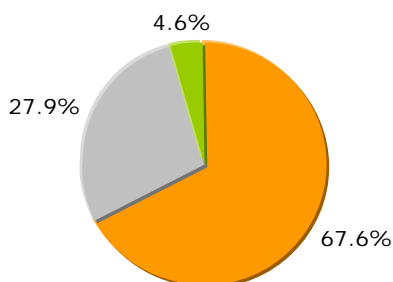
Breakdown by Region – 1H03



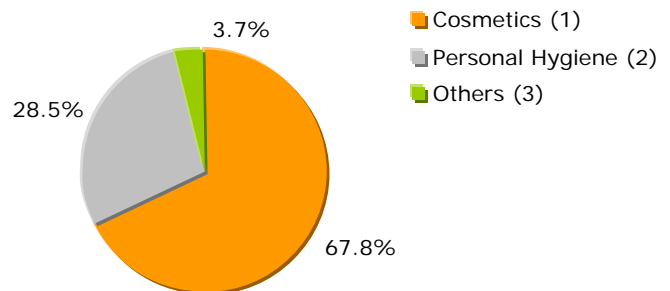
Breakdown by Region – 1H04



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 revenues 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 number of products 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, sales channel evolution 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 revenues 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% when comparing periods.

2. Costs and Expenses

Costs – The cost of sales in relation to net revenues 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, Y-o-Y, 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

(1) "Other costs" include electric energy, water, gas, consulting, IT services, etc.

The increase in "Other costs", above the growth in net revenues, was due to the reclassification of costs previously classified as labor, due to the outsourcing of engineering services.

Selling Expenses – in relation to net revenues, 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 revenues, 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

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

4. Net Income

2Q04 net income generated was R\$ 78.8 million (R\$ 11.9 million in 2Q03). Among other factors, income improvement was due to: (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

(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	% Change
Units sold (in million)	1,514	932	62.4
Net revenues	7.6	4.9	55.1
Loss from operations	(1.5)	(1.4)	7.1
Operating margin (%)	(19.7)	(28.6)	-

Net revenues (in US dollars) in Latin American operations grew 55.1% in 1H04 Y-o-Y. 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 revenues 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 – (NATU3) 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 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 07/23	106	0.2%	4,293	0.4%

* Percentage of total number of trades on Bovespa.

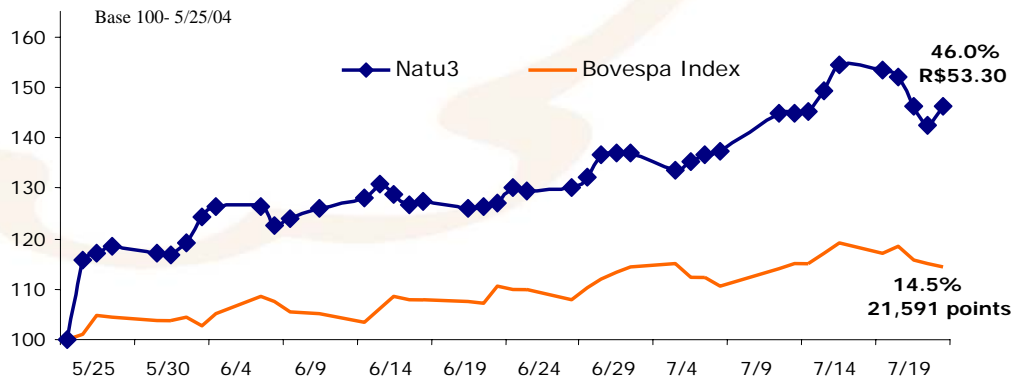
** Percentage of financial trading volume on Bovespa.

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

Natura's share price 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 May 26 to July 23 is shown in the graph below:

Performance of NATU3 vs. Bovespa Index



In this first quarterly report, we express our gratitude to all the employees, who have dedicated themselves to support a truly 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\$ 86,765.7 thousand, corresponding to R\$ 1.023774714 per share, and in reference to the first half of 2004, as follows: (i) R\$ 73,332.9 thousand in the form of dividends, corresponding to R\$ 0.865276623 per share, free of taxes, and (ii) R\$ 13,432.8 thousand 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.

10. Conference Calls

English: Thursday, July 29, 2004
11:00 a.m. – US ET (New York)
Tel: +1 (973) 582-2757

Portuguese: Thursday, July 29, 2004
9:00 a.m. – US ET (New York)
Tel: +55 (11) 4613-0501

Live webcast of the conference calls on the Company's website.

For additional information, please access the Company's website – www.natura.net/investidor, or contact our Investor Relations Area (**Helmut Bossert**, helmutbossert@natura.net, tel. (11) 4446-2180).

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

11. ANNEX I –Income Statement

Income Statement
Natura Cosméticos SA - Consolidated (R\$ 000)

	2Q04	% net revenue	2Q03	% net revenue	VARIATION
Gross operating revenues	617,101		462,811		33.3%
Taxes on sales, returns and rebates	(188,557)		(140,565)		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)		-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	nm
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%

nm - not measurable

12. ANNEX II – Consolidated Balance Sheet

Natura Cosméticos SA - Consolidated (R\$ 000)

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

ASSETS	06/2004	03/2004	LIABILITIES AND SHAREHOLDERS' EQUITY	06/2004	03/2004
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	12,172	11,810	Other payables	23,091	35,377
Total current assets	502,268	429,224	Reserve for losses on swap contracts	1,016	2,839
			Total current liabilities	292,332	223,762
Advance for future capital increase	2,689	-			
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	872	8,603
Other receivables	3,438	2,379	Total long-term liabilities	128,805	145,362
Total long-term assets	43,168	32,446	Minority interest	8	8
Investments	2,670	2,739	Capital	230,762	196,371
Property, plant and equipment	263,192	256,333	Treasury shares	(3,554)	(3,762)
Total permanent assets	265,862	259,072	Capital reserves	114,947	110,714
			Profit reserves	3,629	3,629
			Retained earnings	44,369	44,658
			Total shareholders' equity	390,153	351,610
TOTAL ASSETS	811,298	720,742	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	811,298	720,742