



## > 2Q07 EARNINGS RELEASE

**São Paulo, Brazil, July 25, 2007** – Natura Cosméticos S.A. (São Paulo Stock Exchange – Bovespa: NATU3) announces today its results for the second quarter 2007 (2Q07). The financial and operating information included in this report, except where otherwise indicated, is presented on a **consolidated basis**, according to Brazilian Corporate Law.

## > FINANCIAL SUMMARY

### > Consolidated Financial Summary (R\$ million)

|   | 2Q07    | 2Q06  | Change% | 1S07    | 1S06    | Change% |
|---|---------|-------|---------|---------|---------|---------|
| Units sold – items for resale<br>(in millions) <sup>1</sup> | 67.6    | 59.9  | 12.9%   | 127.0   | 112.8   | 12.6%   |
| Gross Revenues  | 1,087.5 | 980.8 | 10.9%   | 1,937.0 | 1,703.5 | 13.7%   |
| Net Revenues  | 779.0   | 696.4 | 11.9%   | 1,381.9 | 1,208.2 | 14.4%   |
| Gross Profit  | 536.6   | 473.0 | 13.5%   | 941.4   | 825.3   | 14.1%   |
| <i>Gross Margin (%)</i>                                     | 68.9%   | 67.9% | -       | 68.1%   | 68.3%   | -       |
| Ebitda <sup>2</sup>   | 199.1   | 180.4 | 10.4%   | 323.5   | 293.7   | 10.2%   |
| <i>Ebitda Margin (%)</i>                                    | 25.6%   | 25.9% | -       | 23.4%   | 24.3%   | -       |
| Net Income  | 129.4   | 129.3 | 0.0%    | 209.7   | 210.9   | -0.6%   |
| <i>Net Margin (%)</i>                                       | 16.6%   | 18.6% | -       | 15.2%   | 17.5%   | -       |
| Total consultants <sup>3</sup><br>(in thousands)            | 669.6   | 567.3 | 18.0%   | 669.6   | 567.3   | 18.0%   |

(1) Total consolidated number of cosmetics, fragrances and toiletries products resold by our consultants. Therefore, units sold exclude free samples, gifts, resale supporting materials and *Crer para Ver* products, among others.

(2) EBITDA = operating income before financial effects + non-operating income + depreciation and amortization.

(3) Position at the end of the 9<sup>th</sup> sales cycle for Brazilian consultants and 7<sup>th</sup> sales cycle for international operations consultants.

## > COSMETICS, FRAGRANCES AND TOILETRIES SECTOR IN BRAZIL - NATURA CORE MARKET FIGURES

According to data by the Brazilian Association of Toiletries, Fragrance and Cosmetics Industry (Sipatesp/Abhipec), the core market<sup>1</sup> for cosmetics, fragrances and toiletries (CF&T) products showed a nominal growth of 13.3% in the first four months of 2007 compared to the same period of the previous year. In real terms, discounted by the IPCA (Amplified Consumer Price Index) in the period, the growth was 10.0%.

In the first two months of 2007, core market growth was 9.2% compared to the same period of the previous year. The market growth was 16,5% in March and April 2007 against the same period of 2006, a period that includes Mother's Day sales.

The table below shows the breakdown of the core market in two segments: i) cosmetics and fragrances and ii) toiletries, as well as Natura's market share in these segments. The Company market share in this period slightly increased from 22.6% in 4M06 to 22.8% in 4M07.

### > CF&T Core Market Net Revenues Breakdown and Natura's Market Share in Brazil

|                          | Core Market (R\$ million) |                |              | Natura's Market Share (%) |              |            |
|--------------------------|---------------------------|----------------|--------------|---------------------------|--------------|------------|
|                          | 4M07                      | 4M06           | growth%      | 4M07                      | 4M06         | Change pp  |
| Cosmetics and Fragrances | 1,498.4                   | 1,318.3        | 13.7%        | 39.5%                     | 38.8%        | 0.7        |
| Personal Hygiene         | 2,122.1                   | 1,877.8        | 13.0%        | 11.0%                     | 11.1%        | -0.2       |
| <b>Total</b>             | <b>3,620.5</b>            | <b>3,196.1</b> | <b>13.3%</b> | <b>22.8%</b>              | <b>22.6%</b> | <b>0.2</b> |

Source: Sipatesp / Abhipec

According to data by the Brazilian Association of Direct Sales Companies (ABEVD), total business volumes of direct sales companies in Brazil increased 11.1% in the first half of 2007 when compared to the same period of the previous year. Excluding Natura, which showed a 11.9% growth, the business volume of direct sales companies increased 10.6% during this period. It is worth mentioning that ABEVD informs the business volume of direct sales companies in Brazil, including cosmetic and non-cosmetic products.

(1) Core market – Cosmetics and Fragrances (Skincare, Makeup, Fragrances and Sun Protection) and Toiletries (Soap, Hair Care, Deodorant and Shaving Products).

## > CONSOLIDATED GROSS REVENUES

Consolidated gross revenues in 2Q07 reached R\$1,087.5 million, a 10.9% growth compared to 2Q06 (R\$980.8 million). Gross revenues increased 9.8% and 43.1% in the domestic market and foreign market, respectively. Foreign market revenue contribution to total revenues increased from 3.3% in 2Q06 to 4.2% in 2Q07.

Revenue growth in the domestic market, as well as our market share year-to-date, was below our expectations and brand potential. As we already announced in the beginning of the year, Natura has been implementing adjustments in its marketing strategy, seeking for higher efficiency and better balance between the short and long term.

In the first half of 2007, consolidated gross revenues reached R\$1,937.0 million, 13.7% higher than the gross revenues posted in 1H06 (R\$1,703.5 million). The total consolidated number of consultants reached 669.6 thousand by the end of June 2007, a significant growth of 18.0% compared to the same period of the previous year.

## > COSTS AND EXPENSES

**Cost of Goods Sold** (COGS) decreased from 32.1% in 2Q06 to 31.1% in 2Q07, as a percentage of net revenues. The 100-basis point gain was achieved as consequence of raw materials' price management and dilution of overhead expenses, which were maintained stable.

In the first half of 2007, COGS showed a slight increase of 0.2pp, from 31.7% in 1H06 to 31.9% in 1H07, as percentage of net revenues.

The table below shows the cost breakdown of main components:

### > Composition of Cost of Good Sold (% Net revenues)

| Item               | 2Q07        | 2Q06        | 1S07        | 1S06        |
|--------------------|-------------|-------------|-------------|-------------|
| RM/PM <sup>1</sup> | 24.7        | 25.4        | 24.6        | 24.5        |
| Labor              | 2.7         | 2.6         | 2.9         | 2.9         |
| Depreciation       | 1.2         | 1.1         | 1.3         | 1.3         |
| Other              | 2.5         | 2.9         | 3.0         | 2.9         |
| <b>Total</b>       | <b>31.1</b> | <b>32.1</b> | <b>31.9</b> | <b>31.7</b> |

(1) Raw material and packaging material

**Sales expenses** increased 1.2pp, from 30.8% of net revenues in 2Q06 to 32.0% in 2Q07. In the Brazilian operation only, we had a slight increase of 30 basis points (expenses increased from 29.5% in 2Q06 to 29.8% in 2Q07). The consolidated growth was mainly due to increases in sales expenses related to the expansion of international operations (hiring of sales promoters and higher expenditures related to brand publicity), as projected in our planning for the current year.

Year-to-date, sales expenses also increased from 31.6% of net revenues in 1H06 to 33.5% in 1H07. This increase is mainly due to the same factors mentioned in the quarter.

**Administrative expenses** increased slightly from 12.7% of net revenues in 2Q06 to 12.9% in 2Q07, a result of higher expenses related to the administrative structure and the increase in IT expenditures in Brazil.

Year-to-date administrative expenses showed a decrease of 0.2pp, from 13.8% in 1H06 to 13.5% in 1H07, as percentage of net revenues. This reduction was due to the reversal of part of the reserve for profit sharing related to 2006 and recorded in 1Q07.

## > EBITDA AND NET INCOME

**EBITDA** reached R\$199.1 million in 2Q07, a 10.4% growth compared to 2Q06 (R\$180.4 million). The EBITDA margin was slightly lower in the same period, decreasing from 25.9% in 2Q06 to 25.6% in 2Q07. Year-to-date EBITDA reached R\$323.5 million, a 10.2% growth when compared to 1H06. The EBITDA margin in the first half was 23.4% against 24.3% in 1H06.

**Net income** reached R\$129.4 million in 2Q07 against R\$129.3 million in 2Q06. The difference between the growth rates of net income and EBITDA occurred due to: (i) decrease in net financial result (R\$1.0 million of net financial income in 2Q06 and R\$7.0 million of net financial expenses in 2Q07); (ii) a 28.3% increase in depreciation in 2Q07 against 2Q06, as a result of the increase in Capex between these quarters; and (iii) a higher income tax effective rate in 2Q07 when compared to the same period of the previous year, mainly due to higher net loss from international operations.

Year-to-date net income reached R\$209.7 million, slightly below the net income posted in 1H06 (R\$210.9 million).

## > PRO-FORMA RESULTS BY AREA OF OPERATIONS

From now on, we will present pro-forma results of each area (Brazil, operations under consolidation and operations under implementation), in Reais. The profit margin earned in Brazil's exports to international operations was deducted from the COGS of respective operations, showing the real impact of these subsidiaries<sup>1</sup> on Natura's consolidated results.

Thus, the Brazil Statement of Income only shows the results of sales in the domestic market.

### > Ebitda pro-forma by Areas of Operation (R\$ million)

|   | 2Q07         | 2Q06         | 1S07         | 1S06         |
|---|--------------|--------------|--------------|--------------|
| Brazil  | 213.2        | 186.4        | 348.4        | 311.0        |
| Argentina, Chile and Peru   | -0.3         | 0.3          | 0.3          | -1.3         |
| Mexico, Venezuela, Colombia <sup>2</sup> and France                 | -10.4        | -7.6         | -19.1        | -14.2        |
| Effects of exchange variation on translation of foreign investments | -3.4         | 1.2          | -6.1         | -1.9         |
| <b>Total</b>  | <b>199.1</b> | <b>180.4</b> | <b>323.5</b> | <b>293.7</b> |

(1) This adjustment is complete, since Natura Cosméticos S.A holds 100% of the capital of these subsidiaries.

(2) The Colombian operation began since 1H07.

## >> Brazil – Pro-Forma Statement of Income

### > Financial Highlights – Brazil (R\$ million)

|  | 2Q07    | 2Q06  | Change% | 1S07    | 1S06    | Change% |
|--|---------|-------|---------|---------|---------|---------|
| Total Consultants <sup>1</sup>                 | 602.1   | 525.2 | 14.6%   | 602.1   | 525.2   | 14.6%   |
| Units sold – items for resale<br>(in millions) | 64.1    | 57.5  | 11.5%   | 120.7   | 108.3   | 11.5%   |
| Gross Revenues                                 | 1,042.3 | 949.7 | 9.8%    | 1,855.1 | 1,649.4 | 12.5%   |
| Net Revenues                                   | 743.5   | 672.3 | 10.6%   | 1,317.7 | 1,166.3 | 13.0%   |
| Cost of Sales                                  | 229.5   | 215.4 | 6.5%    | 418.9   | 368.7   | 13.6%   |
| Gross Profit                                   | 514.0   | 456.9 | 12.5%   | 898.9   | 797.5   | 12.7%   |
| <i>Gross Margin</i>                            | 69.1%   | 68.0% | -       | 68.2%   | 68.4%   | -       |
| Selling Expenses                               | 221.2   | 198.5 | 11.5%   | 414.4   | 353.2   | 17.3%   |
| Administrative Expenses                        | 93.5    | 81.3  | 15.0%   | 172.1   | 152.2   | 13.1%   |
| Other Income (Expenses), net                   | -2.6    | -3.9  | -32.3%  | 2.8     | -7.1    | -       |
| Financial Income, net                          | -6.9    | 1.1   | -       | -5.6    | 7.4     | -       |
| Income from Operations                         | 189.8   | 174.3 | 8.9%    | 309.5   | 292.5   | 5.8%    |
| Net Income                                     | 145.5   | 136.7 | 6.5%    | 238.8   | 230.9   | 3.4%    |
| Ebitda   | 213.2   | 186.4 | 14.4%   | 348.4   | 311.0   | 12.0%   |
| <i>Ebitda Margin</i>                           | 28.7%   | 27.7% | -       | 26.4%   | 26.7%   | -       |

(1) Position at the end of the 9<sup>th</sup> sales cycle.

In Brazil, the growth in gross profit more than offset the increase in administrative and sales expenses, in 2Q07. As a consequence, the EBITDA margin increased from 27.7% in 2Q06 to 28.7% in 2Q07.

Revenues for the first half of 2007 amounted to R\$1,855.1 million, a growth of 12.5% compared to 1H06 (R\$1,649.4 million). The number of consultants reached 602.1 thousand by the end of 1H07, a 14.6% growth, compared to the same period of the previous year. The productivity per average active consultant was R\$3.15 thousand in 2Q07, a 3.4% drop compared to the previous year (2Q06: R\$3.26 thousand). Productivity per average active consultant in the first half of 2007 was of R\$5.71 thousand versus R\$5.82 thousand in 1H06 (-1.9%).

## >> Operations under consolidation – Argentina, Chile and Peru – Pro-Forma Statement of Income

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

|  | 2Q07         | 2Q06         | Change%  | 1S07         | 1S06         | Change%  |
|--|--------------|--------------|----------|--------------|--------------|----------|
| Total Consultants <sup>1</sup>                 | 58.5         | 42.1         | 38.8%    | 58.5         | 42.1         | 38.8%    |
| Units sold – items for resale<br>(in millions) | 3.1          | 2.4          | 28.7%    | 5.9          | 4.5          | 30.2%    |
| Gross Revenues                                 | 38.6         | 28.9         | 33.6%    | 71.2         | 50.2         | 41.8%    |
| Net Revenues                                   | 29.8         | 22.2         | 34.6%    | 54.9         | 38.6         | 42.4%    |
| Cost of Sales <sup>2</sup>                     | 10.9         | 8.7          | 25.7%    | 18.6         | 14.9         | 24.8%    |
| Gross Profit                                   | 18.9         | 13.5         | 40.4%    | 36.3         | 23.7         | 53.4%    |
| <i>Gross Margin</i>                            | <i>63.4%</i> | <i>60.8%</i> | <i>-</i> | <i>66.2%</i> | <i>61.4%</i> | <i>-</i> |
| Selling Expenses                               | 16.0         | 10.0         | 59.3%    | 29.2         | 19.1         | 53.1%    |
| Administrative Expenses                        | 3.7          | 3.7          | 1.7%     | 7.6          | 6.6          | 14.8%    |
| Other Income (Expenses), net                   | 0.2          | 0.3          | -34.3%   | 0.3          | 0.2          | 15.4%    |
| Financial Income, net                          | -0.1         | -0.1         | 8.7%     | -0.1         | -0.2         | -48.4%   |
| Net Operating Loss                             | -0.7         | 0.0          | -        | -0.3         | -2.0         | -84.6%   |
| Net Loss                                       | -1.7         | -0.7         | 144.0%   | -2.6         | -3.3         | -20.4%   |
| Ebitda   | -0.3         | 0.3          | -        | 0.3          | -1.3         | -        |
| <i>Ebitda Margin</i>                           | <i>-1.1%</i> | <i>1.3%</i>  | <i>-</i> | <i>0.6%</i>  | <i>-3.4%</i> | <i>-</i> |

(1) Position at the end of the 7<sup>th</sup> sales cycle.

(2) Profit margin derived from Brazilian exports to international operations was deducted from the COGS of the respective operations.

In operations under consolidation, there was a strong growth in the quarter's gross revenue (46.4% in local weighted currency and 33.6% in Brazilian Reais). There was strong growth in sales expenses, with greater investments in brand building and acceleration in contracting new sales supervisors.

The pro-forma statement of income above shows that these operations, together, reached the break even if the income earned in Brazilian exports to subsidiaries is added to the result. The number of consultants for operations under consolidation reached 58.5 thousand by the end of the first quarter of 2007, posting a 38.8% growth when compared to the same period of the previous year.

## >> Operations under implementation – Mexico, Venezuela, Colombia<sup>2</sup> and France – Pro-forma results

### > Financial Highlights – Mexico, Venezuela, Colombia<sup>2</sup> and France (R\$ million)

|  | 2Q07  | 2Q06 | 1S07  | 1S06  |
|--|-------|------|-------|-------|
| Total Consultants <sup>1</sup>                 | 9.1   | 2.7  | 9.1   | 2.7   |
| Units sold – items for resale<br>(in millions) | 0.4   | 0.1  | 0.6   | 0.2   |
| Gross Revenues                                 | 6.5   | 2.3  | 10.7  | 3.9   |
| Net Revenues                                   | 5.7   | 2.0  | 9.3   | 3.4   |
| Net Loss                                       | -11.1 | -8.1 | -20.4 | -14.8 |
| Ebitda   | -10.4 | -7.6 | -19.1 | -14.2 |

(1) Position at the end of the 7<sup>th</sup> sales cycle.

(2) The Colombian operation began since 1H07.

The group of operations under implementation posted gross revenue of R\$6.5 million in 2Q07 versus R\$2.3 million in 2Q06. Gross revenues grew 174.1% in the semester, an increase from R\$3.9 million in 1H06 to R\$10.7 million in 1H07.

The number of consultants in operations under implementation reached 9.1 thousand by the end of the second quarter of 2007, a 234.3% growth compared to the same period of last year. In this quarter, this area's main highlight was the startup of operations in Colombia.

## > CASH FLOW

Internal cash flow generation<sup>1</sup> in 1H07 was R\$244.3 thousand versus R\$237.4 million in 1H06, an increase of 2.9%. Out of this total, R\$90.1 million were invested in operating working capital<sup>3</sup>, R\$18.4 million in other assets and liabilities<sup>4</sup> and R\$42.9 million in the acquisition of property, plants and equipment.



> **Consolidated cash flow – pro forma** (R\$ million)

|   | 1S07         | 1S06         | Change%       |
|---|--------------|--------------|---------------|
| <b>Net income</b>                           | <b>209.7</b> | <b>210.9</b> | <b>-0.6%</b>  |
| (+) Depreciation and amortization           | 34.6         | 26.5         | 30.4%         |
| <b>Internal cash generation<sup>1</sup></b> | <b>244.3</b> | <b>237.4</b> | <b>2.9%</b>   |
| Operating working capital <sup>3</sup>      | -90.1        | -36.4        |               |
| Other assets and liabilities <sup>4</sup>   | -18.4        | -9.1         |               |
| <b>Operating cash generation</b>            | <b>135.7</b> | <b>191.9</b> | <b>-29.3%</b> |
| Capex                                       | -42.9        | -60.6        |               |
| <b>Free cash flow<sup>2</sup></b>           | <b>92.9</b>  | <b>131.4</b> | <b>-29.3%</b> |

From the increase of R\$90.1 million in operating working capital, we highlight: (i) a reduction by R\$56 million in supplier balance, due to the higher concentration of expenses at the end of 2006. Approximately R\$35.0 million can be considered an unusual reduction; and (ii) an increase in inventories due to the higher contribution of sales from the operations abroad (R\$5.0 million); (iii) a residual effect in 2007 caused by the change in the inventory policy which started in October 2006 (R\$25.0 million). This residual effect fully occurred in the first quarter this year; and (iv) a natural growth of the working capital due to sales growth (R\$20.0 million). In the first half of 2007 the increase in other assets and liabilities was mainly driven by prepayments to service providers in the amount of R\$11 million.

Accordingly, free cash flow generation was at R\$92.9 million in 1H07, 29.3% lower compared to the same period of 2006 (R\$131.4 million).

(1) (Net income in the period) + (depreciations and amortizations).

(2) (Internal generation of cash) +/- (variations in working capital and long term assets and liabilities) – (acquisitions of property, plant and equipment).

(3) Assets – Accounts receivable, inventories and short-term recoverable taxes. Liabilities – suppliers, salaries, profit sharing and social charges, tax liabilities, provisions and freights payable.

(4) Assets – Advance to employees and suppliers, short-term deferred income tax and social contribution, other credits and long-term assets. Liabilities – short and long-term other accounts payable and provisions for tax, civil and labor risks.

## > **DIVIDENDS AND INTEREST ON CAPITAL**

On July 25, 2007, the Board of Directors approved by referendum of the Annual General Meeting to be held in 2008 the payment on August 10, 2007 of dividends and interest on capital relative to the earnings of the first half of 2007, in the amount of R\$138.1 million and R\$39.2 million (R\$177.4 million, gross, and R\$171.5 million, net) respectively, representing 190.9% of 1H07 free cash generation and 84.6% of the net income of the same period. Dividends and interest on capital combined will result in a net remuneration of R\$0.40 per

share to shareholders on July 30, 2007. The interest on capital will be recorded on July 31, 2007.

## > CONFERENCE CALL & WEBCAST

**Portuguese:           Friday, July 27, 2007**  
**9 am EDT**

**English:               Friday, July 27, 2007**  
**11 am EDT**

Participants in Brazil: +55 11 4688-6301

Participants in the USA: Toll Free +1 800 860-2442

Participants in other countries: +1 412 858-4600

Access code: Natura

**Live webcast on the Internet at: [www.natura.net/investidor](http://www.natura.net/investidor)**

## > INVESTOR RELATIONS

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## > Annex 1 – Statement of Income (Consolidated)

| (in R\$ million)                                       |                |              |              |              |             |                |              |                |              |              |
|--|----------------|--------------|--------------|--------------|-------------|----------------|--------------|----------------|--------------|--------------|
|  | 2Q07           | %NR          | 2Q06         | %NR          | Change %    | 1S07           | %NR          | 1S06           | %NR          | Change %     |
| Gross sales to domestic market                         | 1,041.1        | 95.7         | 948.3        | 96.7         | 9.8         | 1,852.9        | 95.7         | 1,647.1        | 96.7         | 12.5         |
| Gross sales to foreign market                          | 46.1           | 4.2          | 32.2         | 3.3          | 43.1        | 83.5           | 4.3          | 55.7           | 3.3          | 50.0         |
| Other sales  | 0.3            | 0.0          | 0.4          | 0.0          | 7.0         | 0.6            | 0.0          | 0.7            | 0.0          | (11.5)       |
| <b>GROSS OPERATING REVENUES</b>                        | <b>1,087.5</b> | <b>100.0</b> | <b>980.8</b> | <b>100.0</b> | <b>10.9</b> | <b>1,937.0</b> | <b>100.0</b> | <b>1,703.5</b> | <b>100.0</b> | <b>13.7</b>  |
| Taxes on sales, returns and rebates                    | (308.5)        | (28.4)       | (284.4)      | (29.0)       | 8.5         | (555.1)        | (28.7)       | (495.2)        | (29.1)       | 12.1         |
| <b>NET OPERATING REVENUES</b>                          | <b>779.0</b>   | <b>100.0</b> | <b>696.4</b> | <b>100.0</b> | <b>11.9</b> | <b>1,381.9</b> | <b>100.0</b> | <b>1,208.2</b> | <b>100.0</b> | <b>14.4</b>  |
| Cost of sales  | (242.4)        | (31.1)       | (223.4)      | (32.1)       | 8.5         | (440.5)        | (31.9)       | (382.9)        | (31.7)       | 15.0         |
| <b>GROSS PROFIT</b>                                    | <b>536.6</b>   | <b>68.9</b>  | <b>473.0</b> | <b>67.9</b>  | <b>13.5</b> | <b>941.4</b>   | <b>68.1</b>  | <b>825.3</b>   | <b>68.3</b>  | <b>14.1</b>  |
| <b>OPERATING (EXPENSES) INCOME</b>                     |                |              |              |              |             |                |              |                |              |              |
| Selling  | (249.2)        | (32.0)       | (214.4)      | (30.8)       | 16.2        | (463.5)        | (33.5)       | (382.0)        | (31.6)       | 21.3         |
| General and administrative                             | (100.5)        | (12.9)       | (88.2)       | (12.7)       | 13.9        | (186.9)        | (13.5)       | (166.2)        | (13.8)       | 12.4         |
| Management compensation                                | (3.1)          | (0.4)        | (3.0)        | (0.4)        | 4.3         | (5.1)          | (0.4)        | (6.2)          | (0.5)        | (18.4)       |
| Other operating income (expenses), net                 | (2.0)          | (0.3)        | (0.7)        | (0.1)        | 202.6       | 2.9            | 0.2          | (4.2)          | (0.3)        |              |
| <b>INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS</b> | <b>181.9</b>   | <b>23.3</b>  | <b>166.7</b> | <b>23.9</b>  | <b>9.1</b>  | <b>288.9</b>   | <b>20.9</b>  | <b>266.7</b>   | <b>22.1</b>  | <b>8.3</b>   |
| Financial income                                       | 17.7           | 2.3          | 9.9          | 1.4          | 79.2        | 26.5           | 1.9          | 25.7           | 2.1          | 2.7          |
| Financial expenses                                     | (24.7)         | (3.2)        | (8.9)        | (1.3)        | 178.0       | (32.0)         | (2.3)        | (18.5)         | (1.5)        | 73.4         |
| <b>INCOME FROM OPERATIONS</b>                          | <b>174.9</b>   | <b>22.4</b>  | <b>167.7</b> | <b>24.1</b>  | <b>4.3</b>  | <b>283.3</b>   | <b>20.5</b>  | <b>274.0</b>   | <b>22.7</b>  | <b>3.4</b>   |
| Nonoperating income (expenses), net                    | 0.1            | 0.0          | 0.3          | 0.0          | (77.7)      | 0.1            | 0.0          | 0.4            | 0.0          | (79.4)       |
| <b>INCOME BEFORE TAXES ON INCOME</b>                   | <b>174.9</b>   | <b>22.5</b>  | <b>168.0</b> | <b>24.1</b>  | <b>4.1</b>  | <b>283.4</b>   | <b>20.5</b>  | <b>274.4</b>   | <b>22.7</b>  | <b>3.3</b>   |
| Income and social contribution taxes                   | (45.6)         | (5.9)        | (38.7)       | (5.6)        | 17.8        | (73.7)         | (5.3)        | (63.5)         | (5.3)        | 16.0         |
| <b>NET INCOME</b>                                      | <b>129.4</b>   | <b>16.6</b>  | <b>129.3</b> | <b>18.6</b>  | <b>0.0</b>  | <b>209.7</b>   | <b>15.2</b>  | <b>210.9</b>   | <b>17.5</b>  | <b>(0.6)</b> |
| <b>Depreciation</b>                                    | <b>17.2</b>    | <b>2.2</b>   | <b>13.4</b>  | <b>1.9</b>   | <b>28.3</b> | <b>34.6</b>    | <b>2.5</b>   | <b>26.5</b>    | <b>2.2</b>   | <b>30.4</b>  |
| <b>EBITDA</b>  | <b>199.1</b>   | <b>25.6</b>  | <b>180.4</b> | <b>25.9</b>  | <b>10.4</b> | <b>323.5</b>   | <b>23.4</b>  | <b>293.7</b>   | <b>24.3</b>  | <b>10.2</b>  |

## Annex 2 – Balance Sheet (06/30/2007 and 03/31/2007), R\$ million

| ASSETS  | 06/30/2007     | 03/31/2007     | LIABILITIES AND SHAREHOLDERS' EQUITY                  | 06/30/2007     | 03/31/2007     |
|---|----------------|----------------|---|----------------|----------------|
| <b>CURRENT ASSETS</b>                         |                |                | <b>CURRENT LIABILITIES</b>                            |                |                |
| Cash and banks                                | 36.1           | 73.3           | Loans and financing                                   | 195.0          | 85.7           |
| Cash investments                              | 218.2          | 179.4          | Domestic suppliers                                    | 157.2          | 161.0          |
| Trade accounts receivable                     | 335.9          | 297.5          | Foreign suppliers                                     | 1.1            | 2.4            |
| Inventories                                   | 288.3          | 288.2          | Salaries, profit sharing and related charges          | 81.2           | 63.8           |
| Recoverable taxes                             | 43.9           | 45.3           | Taxes payable   | 87.6           | 102.5          |
| Advances to employees and suppliers           | 4.7            | 6.0            | Dividends   | 138.3          | 213.8          |
| Deferred income and social contribution taxes | 33.4           | 25.7           | Accrued freight                                       | 21.0           | 14.7           |
| Other receivables                             | 39.4           | 29.4           | Sundry accruals                                       | 1.3            | 2.2            |
| <b>Total current assets</b>                   | <b>999.8</b>   | <b>944.8</b>   | Other payables  | 16.0           | 18.2           |
|   |                |                | Allowance for losses on swap and forward transactions | 4.5            | 2.5            |
|   |                |                | <b>Total current liabilities</b>                      | <b>703.1</b>   | <b>666.9</b>   |
| <b>NONCURRENT ASSETS</b>                      |                |                | <b>NONCURRENT LIABILITIES</b>                         |                |                |
| Long-term assets:                             |                |                | Loans and financing                                   | 111.0          | 94.1           |
| Recoverable taxes                             | 21.2           | 21.2           | Reserve for tax, civil and labor contingencies        | 70.9           | 63.4           |
| Deferred income and social contribution taxes | 39.0           | 36.8           | Other payables  | 8.9            | 5.0            |
| Escrow deposits                               | 24.4           | 18.4           | <b>Total noncurrent liabilities</b>                   | <b>190.8</b>   | <b>162.5</b>   |
| Advances to suppliers                         | 5.2            | 2.5            |   |                |                |
| Other receivables                             | 0.6            | 0.7            | <b>MINORITY INTEREST</b>                              | <b>0.0</b>     | <b>0.0</b>     |
| Cash investments                              | 4.6            | 4.5            |   |                |                |
| <b>Permanent assets</b>                       |                |                | <b>SHAREHOLDERS' EQUITY</b>                           |                |                |
| Investments                                   | 0.7            | 0.6            | Capital   | 390.6          | 233.9          |
| Property, plant and equipment                 | 445.8          | 449.0          | Capital reserves                                      | 123.1          | 135.4          |
| Intangible assets                             | 53.6           | 49.9           | Profit reserves                                       | 189.7          | 352.4          |
| <b>Total noncurrent assets</b>                | <b>595.0</b>   | <b>583.5</b>   | Treasury shares                                       | -2.4           | -22.8          |
|   |                |                | <b>Total shareholders' equity</b>                     | <b>701.0</b>   | <b>698.9</b>   |
|   |                |                |   |                |                |
| <b>TOTAL ASSETS</b>                           | <b>1,594.8</b> | <b>1,528.3</b> | <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     | <b>1,594.8</b> | <b>1,528.3</b> |

## > Annex 3– Cash Flow Statement (Consolidated)

| (in R\$ million)  | 1S07           | 1S06           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| <b>Net income</b>   | 209.7          | 210.9          |
| Adjustments to reconcile net income to net cash provided by operating activities:                   |                |                |
| Depreciation and amortizations  | 34.6           | 26.5           |
| Reserve for losses on swap and forward contracts  | 17.8           | 2.3            |
| Reserve for tax, civil and labor contingencies, including monetary variation on those reserves      | 11.3           | 6.1            |
| Proceeds from sale and disposal of property, plant and equipment and intangible assets              | 1.8            | 1.2            |
| Income tax, social contribution and other deferred taxes  | (11.5)         | (10.4)         |
| Other adjustments of income, including provisions in allowance for inventory losses                 | (2.4)          | 0.6            |
| Monetary and exchange variations, net, except those referring to tax, civil and labor contingencies | (0.8)          | 9.0            |
|   | <b>260.5</b>   | <b>246.2</b>   |
| <b>(INCREASE) DECREASE IN ASSETS</b>  |                |                |
| Current assets:   |                |                |
| Accounts receivable   | 38.3           | 29.0           |
| Inventories   | (48.8)         | (32.7)         |
| Other receivables   | (17.4)         | (2.8)          |
| Noncurrent assets (long-term assets):   |                |                |
| Escrow deposits   | (24.4)         | (0.6)          |
| Recoverable taxes   | (0.2)          | (0.9)          |
| Other receivables   | (2.5)          | 0.0            |
| <b>Subtotal</b>   | <b>(55.0)</b>  | <b>(7.9)</b>   |
| <b>INCREASE (DECREASE) IN LIABILITIES</b>   |                |                |
| Current liabilities:  |                |                |
| Suppliers   | (47.8)         | (17.4)         |
| Salaries, profit sharing and related charges, net   | (7.6)          | (1.9)          |
| Taxes payable, net  | 6.3            | (19.7)         |
| Other payables  | (0.7)          | 2.4            |
| Noncurrent liabilities (long-term liabilities):   |                |                |
| Other payables  | 4.3            | 4.2            |
| <b>Subtotal</b>   | <b>(45.5)</b>  | <b>(32.5)</b>  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>160.0</b>   | <b>205.8</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |                |                |
| Acquisition of property, plant and equipment and intangible assets                                  | (42.9)         | (60.6)         |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(42.9)</b>  | <b>(60.6)</b>  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |                |                |
| Decrease in loans   | (145.0)        | (33.0)         |
| Fundings - loans  | 247.3          | 21.8           |
| Payments of swap and forward transactions   | (15.6)         | (1.1)          |
| Payment of dividends  | (213.6)        | (195.0)        |
| Payment of interest on capital  | -              | (17.7)         |
| Payment of capital  | 2.8            | 1.5            |
| Acquisition of treasury shares  | (22.7)         | -              |
| Tax incentives  | 1.3            | 1.5            |
| Sale of treasury shares by exercise of stock options  | 7.4            | 4.0            |
| Payment of receivables from shareholders  | 0.1            | 2.1            |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>  | <b>(138.0)</b> | <b>(216.0)</b> |
| <b>DECREASE IN CASH AND BANKS</b>   | <b>(20.9)</b>  | <b>(70.8)</b>  |
| Cash and banks at beginning of year   | 275.2          | 386.4          |
| Cash and banks at end of year   | 254.3          | 315.6          |
| <b>CHANGE IN CASH AND BANKS</b>   | <b>(20.9)</b>  | <b>(70.8)</b>  |
| <b>SUPPLEMENTARY CASH FLOW DISCLOSURE</b>   |                |                |
| Income and social contribution taxes paid   | 66.7           | 72.1           |
| Interest paid on loans and financing  | 6.4            | 3.8            |

*This report contains forward-looking statements. This information represents not only historical facts, but also reflects the wishes and expectations of Natura's management. The words "foresees", "wishes", "hopes", "forecasts", "intends", "plans", "predicts", "projects", "aims" and similar terms intend to identify statements that, necessarily, involve known and unknown risks. Known risks include uncertainties, which are not limited to the impact of price and product competition, product acceptance in the market, product transition of the Company and its competitors, regulatory approval, currency, currency fluctuation, supply and production difficulties and changes in product sales, among other risks. This report also contains "pro forma" information, prepared by the Company to be used exclusively for information and reference purposes; therefore, they are non-audited figures. This report is updated up to the present date and Natura does not undertake to update it in the event of new information and/or future events.*