

## NATURA ANNOUNCES 2004 EARNINGS RESULTS

**São Paulo, February 24, 2005** – Natura Cosméticos S.A. (São Paulo Stock Exchange: NATU3) announces today the results for the fourth quarter 2004 (4Q04) and full year 2004. The financial and operating information below, except when otherwise indicated, are presented on a **consolidated basis**, according to the Brazilian Corporate Law.

### Conference Calls:

**February 28, 2005**

08:00 a.m. US EST (port)

10:00 a.m. US EST (eng)

### Investor Relations:

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### NATU3 – 02/24/05

Closing price R\$ 75.50

Appreciation Pos IPO + 113%



### HIGHLIGHTS FOR THE QUARTER (4Q04)

- ✓ The number of products resold<sup>1</sup> units increased from 40.7 million in 4Q03 to 54.5 million in 4Q04 (growth of 33.8%);
- ✓ Net revenues were R\$563.8 million in 4Q04, 29.6% higher than in 4Q03 (R\$435.0 million);
- ✓ Gross margin grew from 67.7% in 4Q03 to 68.2% in 4Q04;
- ✓ EBITDA in 4Q04 was R\$142.5 million, up 30.0% Q-o-Q (R\$109.6 million in 4Q03). The EBITDA margin was 25.3% in 4Q04 and 25.2% in 4Q03;
- ✓ Net income reached R\$99.3 million in 4Q04.

### HIGHLIGHTS FOR THE YEAR (2004)

- ✓ The number of products resold<sup>1</sup> units in 2004 was 176.7 million, 36.7% higher than in 2003 (129.3 million);
- ✓ Net revenues grew 33.2% in 2004, from R\$1,328.9 million in 2003 to R\$1,769.7 million in 2004;
- ✓ Gross margin grew from 65.5% in 2003 to 67.5% in 2004;
- ✓ EBITDA for 2004 was R\$431.7 million, a 46.0% growth compared to 2003 (R\$295.7 million), and the EBITDA margin was 24.4%, against 22.2% in 2003;
- ✓ Net income totaled R\$300.3 million in 2004;
- ✓ The total number of consultants<sup>2</sup> increased from 374,6 thousands in 2003 to 433,0 thousands in 2004, growth of 15.6%.

(1) Total consolidated number of CFT products resold by consultants. Therefore, excludes samples, gifts, resale support material, Crer para Ver product line among others.

(2) Position at the end of the 17th sales cycle; includes Argentina, Chile and Peru.

## 1. Financial Summary (consolidated)

In R\$ million	4Q04	4Q03	% change	2004	2003	% change
Units sold - Total items (in millions) <sup>1</sup>	61.5	43.3	42.2	193.3	144.8	33.5
Units sold - Items for resale (in millions) <sup>2</sup>	54.5	40.7	33.8	176.7	129.3	36.7
Gross revenues	801.3	620.6	29.1	2,539.7	1,910.1	33.0
Net revenues	563.8	435.0	29.6	1,769.7	1,328.9	33.2
Gross profit	384.6	294.3	30.7	1,194.4	870.5	37.2
<i>Gross margin (%)</i>	<i>68.2</i>	<i>67.7</i>	<i>-</i>	<i>67.5</i>	<i>65.5</i>	<i>-</i>
EBITDA	142.5	109.6	30.0	431.7	295.7	46.0
<i>EBITDA margin (%)</i>	<i>25.3</i>	<i>25.2</i>	<i>-</i>	<i>24.4</i>	<i>22.2</i>	<i>-</i>
Net income	99.3	28.4	249.1	300.3	63.9	370.1
Net debt (investment)	(91.1)	(19.0)	n/a	(91.1)	(19.0)	n/a
Total consultants <sup>3</sup> in Brazil (in thousands)	406.7	354.7	14.7	406.7	354.7	14.7
Total consultants <sup>3</sup> in Latin America <sup>4</sup> (in thousands)	26.3	20.0	31.6	26.3	20.0	31.6

(1) Total number of units sold, including samples, gifts, resale support material, Crer para Ver product line among others.

(2) Total consolidated number of CFT products resold by consultants. Therefore, excludes samples, gifts, resale support material, Crer para Ver product line among others.

(3) Position at the end of the 17th sales cycle.

(4) Argentina, Chile and Peru.

## 2. Industry Data in Brazil

Considering Natura's target market<sup>1</sup>, the industry's net revenue in Brazil grew from R\$7,216.6 million in 2003 to R\$8,652.1 million in 2004, with a 19.9% growth.

Natura's share of this target market grew from 17.1% to 18.9% Y-o-Y. In 2004, considering the category of Cosmetics and Fragrances, our share was 30.9% (29.0% over 2003). Our share of the Personal Hygiene market, meanwhile, rose to 9.9% (8.4% over 2003).

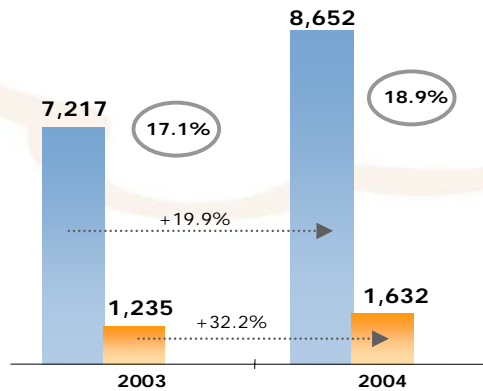
We may attribute the industry's good performance in the period to the following factors:

- GDP recovery, particularly the growth in household consumption;
- The industry's capacity to innovate, attracting an increasingly higher number of consumers; and

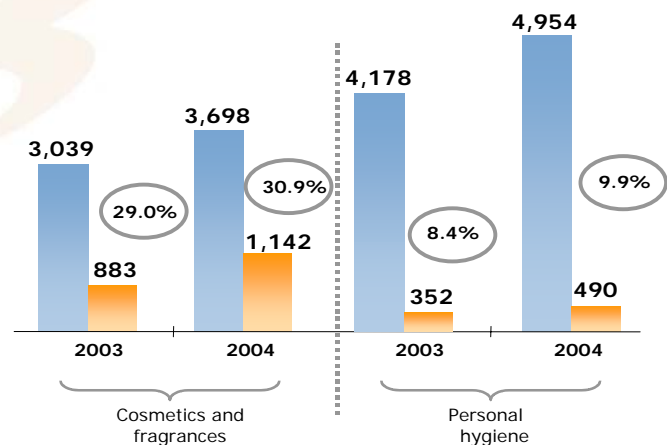
- Demographic effects that continue to have a positive influence on demand, such as the aging of the population and the increasing participation of women in the labor market.

### Target Market<sup>1</sup> Brazil – Net Revenues in R\$ million

Target Market



Target Market - by Category



Market Natura Market Share

Note: net revenue at industry prices  
Source: Sipaesp, ABIHPEC.

- (1) Target Market: Cosmetics, Fragrances and Personal Hygiene (skin care, sunscreen, makeup, fragrances, hair care, shaving products and deodorants) – excludes diapers, nail polishes, sanitary pads, hair dyes and oral hygiene.

## 3. Sales Overview

### 3.1- Gross revenues

Natura's gross revenues in 4Q04 amounted to R\$801.3 million, growing 29.1% compared to the same period of 2003 (R\$620.6 million). In 2004, gross revenues totaled R\$2,539.7 million, up 33.0% compared to R\$1,910.1 million gross revenues posted in 2003.

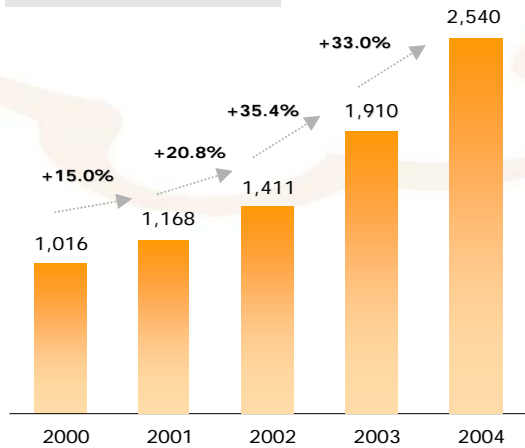
Concentrated demand in certain lines of products caused production bottlenecks, with a small portion of demand not being met. Consequently, the percentage growth in gross revenues for 4Q04 (29.1%) was slightly lower than the growth rate we had been posting over the course of the year.

We illustrate below historical growth for gross revenues, the breakdown by category and region, as well the number of consultants.

### Gross Revenues and Total number of Consultants Historical Growth – Consolidated Figures

Gross Revenues - R\$ million

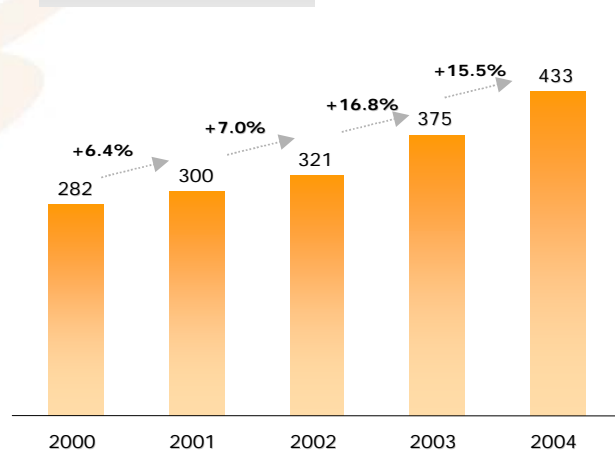
CAGR (00-04) = 25.7%



Note: data for 2000 refer to

Total Number of Consultants - thousands

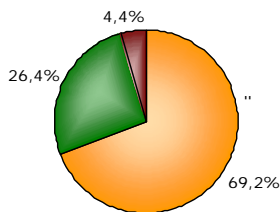
CAGR (00-04) = 11.3%



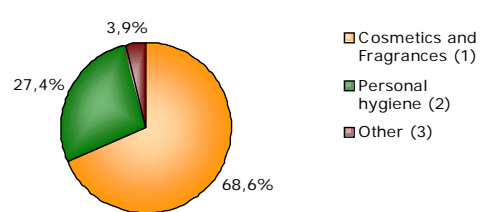
Note: number of consultants at the end of 17th sales cycle.

### Gross Revenues – Breakdown by Category

Breakdown by category - 2003



Breakdown by category - 2004

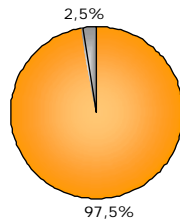


- (1) Fragrances, make-up, creams, lotions and sunscreen.
- (2) Hair care products, soaps, deodorants, shaving products and oral hygiene products.
- (3) Mainly sale support material, samples, demonstrators, accessories (cosmetic bags, hand bags, etc), Crer para Ver program and sales by Flora Medicinal.

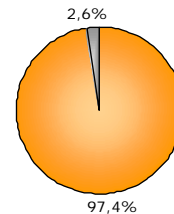
By category, the growth in sales of personal hygiene products in 2004 continued to be slightly above the cosmetics and fragrances posted growth.

Gross Revenues – Breakdown by region

Breakdown by region - 2003



Breakdown by region - 2004



■ Brazil  
■ Latin America

By region, sales in Latin America accounted for 2.6% of total sales in 2004, compared to 2.5% in 2003.

### 3.2- Evolution of Sales in Physical Units in Brazil

For a better understanding of the evolution of physical sales, we disclose below, the concept of CFT products resold units. These units refer to items resold by Natura consultants, therefore excluding samples, gifts, resale support material, Crer para Ver program, among others.

CFT Products resold units in Brazil – million of units

	2004	2003	Var %
1Q	34.8	24.7	41.0%
2Q	41.6	30.3	37.5%
3Q	43.6	32.4	34.6%
4Q	53.4	39.9	34.0%
<b>Total</b>	<b>173.4</b>	<b>127.3</b>	<b>36.4%</b>

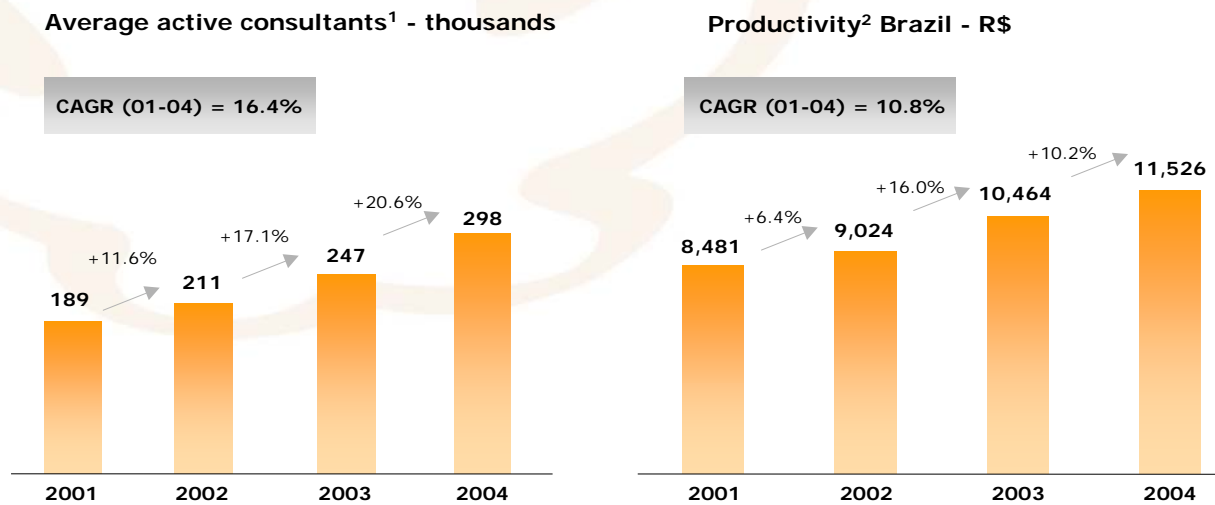
### 3.3- Evolution of Gross Revenue, Consultants and Productivity - Brazil

In the domestic market, gross revenues amounted to R\$2,472.0 million in 2004, accounting for 97.3% of total revenues, up 32.9% compared to 2003 (R\$1,860.3 million).

This growth can be decomposed into: (1) a 20.7% increase in the average number of active consultants, reaching 298,4 thousands in 2004, and (2) a 10.2% increase in average productivity per active consultant Y-o-Y.

The graphs below show the continuous growth in the average number of active consultants and the evolution of productivity:

## Evolution of Consultants number and Productivity (Brazil)



(1) Average active consultants: corresponds to the number of consultants who placed at least one order per month. This figure represents the average number of active consultants in 2003 and 2004.  
(2) Productivity: sales in R\$ in terms of final consumer prices per average active consultant for the period.

### 4. Cost of Sales

The cost of sales in relation to net revenues rose from 32.3% in 4Q03 to 32.0% in 4Q04. In the annual comparison, the cost of sales in relation to net revenues rose from 34.5% in 2003 to 32.6% in 2004.

#### Composition of Cost of Sales (% of net revenues)

Item	4Q04	4Q03	2004	2003
RM/PM *	26.2	26.7	26.0	27.5
Labor	2.2	2.2	2.4	2.6
Depreciation	1.0	1.1	1.2	1.5
Other	2.6	2.4	2.9	2.9
<b>Total</b>	<b>32.0</b>	<b>32.3</b>	<b>32.5</b>	<b>34.5</b>

\* Raw material / packaging material

In 4Q04, the cost as percentage of net revenues posted a slightly drop compared to 4Q03. In 2004, the factors that contributed to the reduction in the cost of sales on net revenues were primarily (i) efficiency and scale gains, (ii) better management of margins, (iii) appreciation of the Brazilian real compared to the dollar, and (iv) a small reduction in the tax burden, particularly in cost of sales, with the positive effect of PIS and Cofins credit included in suppliers' prices.

## 5. Gross Profit

Gross profit in 4Q04 was R\$384.6 million, growing 30.7% compared to the R\$294.3 million registered in 4Q03. Gross margin increased from 67.7% in 4Q03 to 68.2% in 4Q04.

In 2004 gross profit was R\$1,194.4 million, 37.2% higher than the R\$870.5 million earned in 2003. Gross margin increased from 65.5% in 2003 to 67.5% in 2004, according to the reasons listed in the previous item.

## 6. Selling Expenses

Selling expenses increased in relation to net revenues over the quarter, rising from 28.0% in 4Q03 to 29.2% in 4Q04. This rise was primarily due to increased marketing investments.

Both in 2003 and 2004, selling expenses remained stable at 30.3% in relation to net revenues. The gains obtained from the 10.2% increase in our consultants' productivity were used to expand marketing program.

## 7. Administrative Expenses

Administrative expenses decreased in relation to net revenues, from 14.7% in 4Q03 to 13.6% in 4Q04. Y-o-Y, administrative expenses decreased from 13.6% to 12.3%.

Comparing the results of 2003 and 2004, two effects should be considered:

- (1) In 2003, the results of Natura Inovação were not consolidated into Natura Cosméticos. For a better comparison, the profit margin of Natura Inovação, which was recorded in the administrative expenses of Natura Cosméticos in 2003, should be eliminated.
- (2) In 2004, expenses related to the Initial Public Offering (IPO) process are recorded in the amount of R\$9.3 million. In 4Q04 these expenses totaled R\$2.5 million.

With the elimination of these two effects, the share of administrative expenses in relation to net revenues would be reduced by 0.5%, falling from 12.3% in 2003 to 11.8% in 2004. On quarterly basis, the share of administrative expenses as percentage of net revenues, would have increased from 13.0% in 4Q03 to 13.2% in 4Q04.

## **8. Profit Sharing**

On a more comparable basis, including the bonus paid by Natura Inovação in 2003, profit sharing rose from R\$24.1 million in 2003 to R\$35.4 million in 2004, growing 46.9%, in line with the EBITDA growth.

## **9. EBITDA**

In 4Q04, EBITDA totaled R\$142.5 million (R\$109.6 million in 4Q03), growing 30.0%. The EBITDA margin rose from 25.2% in 4Q03 to 25.3% in 4Q04, remaining constant.

In 2004, EBITDA was R\$431.7 million, showing a considerable growth of 46.0% compared to 2003 (R\$295.7 million). The EBITDA margin was 24.4% in 2004, against 22.2% in 2003.

## **10. Net Income**

In 4Q04, net income was R\$99.3 million (R\$28.4 million in 4Q03). In 2004, net income was R\$300.3 million (R\$63.9 million in 2003).

In addition to the evolution of revenues and margins explained above, the increase in income over the periods was due to: (i) the end of the share of subordinated debentures participation in income (redeemed on March 2, 2004), and (ii) the reduction in the average net indebtedness between the periods. Net margin, for its part, rose from 4.8% in 2003 to 16.8% in 2004. Consolidated net income per share (excluding treasury shares) was R\$3.54 in 2004.

## **11. Investments**

2004 - Investments in 2004 totaled R\$83.1 million. The highlights were the construction of the new vertical warehouse, whose inauguration is expected for the end of this year's first quarter.

2005 – For this year investment program, structured throughout 2004, will total R\$120 million. These investments aim to make the logistics process more flexible, enabling us to meet demand peaks without delays. The main investments scheduled for 2005 are (i) the completion of the new vertical warehouse, in the first quarter (ii) a new automatic product picking line, which will be ready at the end of the first half of this year, (iii) increase in manufacturing capacity and production process automation, and (iv) information technology (IT) applied to the Company's various areas.



## 12. International Expansion

### Operations in Latin America (Argentina, Chile and Peru)

#### Financial Highlights– US\$ million

	4Q04	4Q03	Var %	2004	2003	Var %
Product resold units (thousand)	1,063.8	759.0	40.2%	3,349.1	2,137.9	56.7%
Net revenues	5.8	4.1	41.2%	18.5	12.2	52.0%
Income (loss) from operations	-1.2	-1.0	24.2%	-3.3	-3.2	3.6%
Operating margin	-20.7%	-23.5%	-	-17.7%	-26.0%	-

Note: Product resold units: total consolidated number of CFT products resold by consultants. Therefore, excludes samples, gifts, resale support material, Crer para Ver product line among others

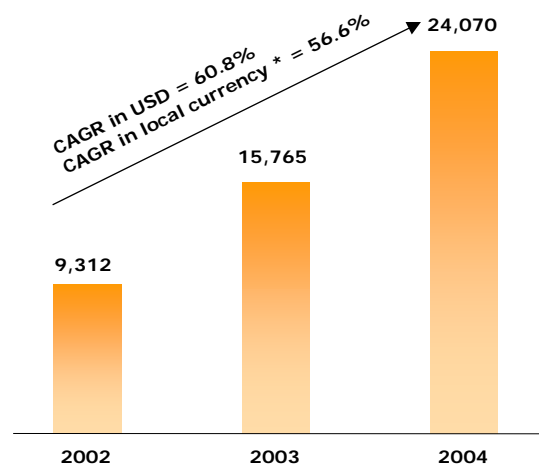
In 2004, our operations in Latin America grew by 48.1% in local currency (weighted by the share in dollars of each operation in 2004). The growth in dollars of net revenues was of 52.0%, and is slightly higher than the growth in local currency as a consequence of the depreciation of the dollar in relation to the currencies of these countries.

As an effect of the dilution of fixed costs, loss from operations, as a percentage of net revenues, fell from (26.0%) in 2003 to (17.7%) in 2004.

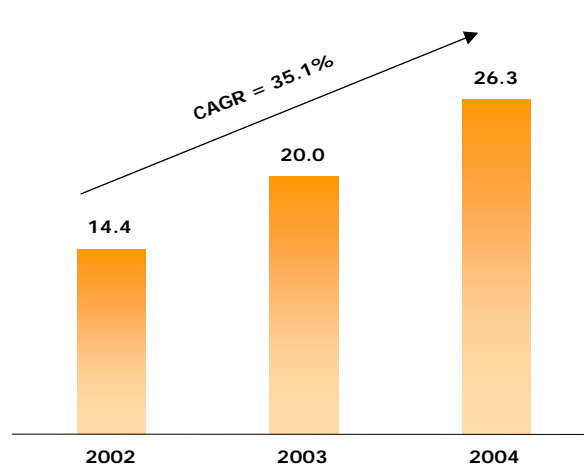
The number of consultants grew 31.6%, from 20,0 thousands in 2003 to 26,3 thousands in 2004.

#### International Operations: Gross Revenues and Consultants

Gross Revenues (International Operations)  
US\$ thousand



Consultants (International Operations)  
thousands



(\*) Growth in local currency weighted by share in dollar of each operation in 2004.

Note: number of beauty consultants at the end of the 17th sales cycle.

### 13. Cash Flow

In 2004, gross cash<sup>1</sup> generation was R\$ 385.6 million, 60.6% higher than in the previous year. Of this total, R\$99.4 million were allocated to working capital and to long-term assets and liabilities, and R\$83.1 million were invested in the purchase of property, plant and equipment.

The volume used in working capital was primarily due to an increase in trade accounts receivable and inventories accounts, as a direct consequence of the increase in sales.

We ended 2004 with free cash flow<sup>2</sup> generation of R\$203.1 million.

Note 1: (Net Income) + (Adjustments to reconcile net income to net cash provided by operating activities)

Note 2: (Net cash provided by operating activities) - (net cash used in investing activities)

### 14. Dividends – Interest on Capital

In a meeting held on February 23, 2005, the Board of Directors deliberated the payment of dividends and interest on capital in the total gross amount of R\$ 216,352.1 thousands (R\$ 211,935.8 thousands net), representing a payout of 72.0% of net income and 106.5% of free cash flow<sup>1</sup> generation in 2004.

Of the gross total of R\$ 216,352.1 thousands, R\$ 86,765.7 thousands was paid in August 2004, referring to the result for the first half of 2004.

For the second half of 2004, the Board of Directors has approved the total gross amount of R\$ 129,586.4 thousands, corresponding to R\$ 1.528312942 per share, as follows: (i) R\$113,577.0 thousands as dividends, corresponding to R\$1.339559989 per share, tax free, and (ii) R\$ 16,009.5 thousands as interest on capital, corresponding to R\$0.1887529535 per share, or R\$0.160440011 per share, after income tax, except for shareholders who are immune or exempt.

Note 1: (Net cash provided by operating activities) - (net cash used in investing activities)

### 15. Conference Calls

**English:** Monday, February 28, 2005  
10:00 a.m. US EST  
Phone: +1 (973) 582-2757 (Code: Natura or 5563998)

**Portuguese:** Monday, February 28, 2005  
8:00 a.m. US EST  
Phone: +55 (11) 2101-1490 (Code: Natura)

Live webcast of conference calls at: [www.natura.net/investor](http://www.natura.net/investor).

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**Coordinators**

*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.*

16. Attachment I – Statement of Income

	4Q04	% net revenues	4Q03	% net revenues	Variation	2004	% net revenues	2003	% net revenues	Variation
<b>GROSS OPERATING REVENUES</b>	<b>801.3</b>	<b>100.0</b>	<b>620.6</b>	<b>100.0</b>	<b>29.1%</b>	<b>2,539.7</b>	<b>100.0</b>	<b>1,910.1</b>	<b>100.0</b>	<b>33.0%</b>
Taxes on sales, returns and rebates	(237.5)	(29.6)	(185.6)	(29.9)	34.6%	(770.0)	(30.3)	(581.2)	(30.4)	32.5%
<b>NET OPERATING REVENUES</b>	<b>563.8</b>	<b>100.0</b>	<b>435.0</b>	<b>100.0</b>	<b>29.6%</b>	<b>1,769.7</b>	<b>100.0</b>	<b>1,328.9</b>	<b>100.0</b>	<b>33.2%</b>
Cost of sales	(179.2)	(31.8)	(140.7)	(32.3)	24.7%	(575.3)	(32.5)	(458.4)	(34.5)	25.5%
<b>GROSS PROFIT</b>	<b>384.6</b>	<b>68.2</b>	<b>294.3</b>	<b>67.7</b>	<b>30.7%</b>	<b>1,194.4</b>	<b>67.5</b>	<b>870.5</b>	<b>65.5</b>	<b>37.2%</b>
<b>OPERATING (EXPENSES) INCOME</b>	<b>(250.5)</b>	<b>(44.4)</b>	<b>(195.7)</b>	<b>(45.0)</b>	<b>28.0%</b>	<b>(796.2)</b>	<b>(45.0)</b>	<b>(610.0)</b>	<b>(45.9)</b>	<b>30.5%</b>
Selling	(164.4)	(29.2)	(121.9)	(28.0)	33.2%	(535.9)	(30.3)	(403.0)	(30.3)	33.0%
General and administrative	(76.8)	(13.6)	(63.8)	(14.7)	27.9%	(216.9)	(12.3)	(180.5)	(13.6)	20.1%
Profit sharing	(7.1)	(1.3)	(8.1)	(1.9)	125.3%	(35.0)	(2.0)	(20.5)	(1.5)	71.0%
Management compensation	(2.2)	(0.4)	(1.8)	(0.4)	52.4%	(8.4)	(0.5)	(5.9)	(0.4)	41.9%
<b>INCOME FROM OPERATIONS BEFORE FINANCIAL EFFECTS</b>	<b>134.0</b>	<b>23.8</b>	<b>98.6</b>	<b>22.7</b>	<b>35.9%</b>	<b>398.2</b>	<b>22.5</b>	<b>260.5</b>	<b>19.6</b>	<b>52.8%</b>
Financial expenses	(8.6)	(1.5)	2.3	0.5	-55.7%	(38.2)	(2.2)	(64.4)	(4.8)	-40.8%
Financial income	4.4	0.8	(6.1)	(1.4)	-23.3%	35.4	2.0	34.3	2.6	3.1%
<b>INCOME FROM OPERATIONS</b>	<b>129.8</b>	<b>23.0</b>	<b>94.8</b>	<b>21.8</b>	<b>36.9%</b>	<b>395.4</b>	<b>22.3</b>	<b>230.4</b>	<b>17.3</b>	<b>71.6%</b>
Nonoperating income (expenses)	(0.1)	(0.0)	1.4	0.3	-1125.0%	(0.9)	(0.0)	1.5	0.1	-159.7%
<b>INCOME BEFORE DEBENTURES PARTICIPATION</b>	<b>129.8</b>	<b>23.0</b>	<b>96.2</b>	<b>22.1</b>	<b>34.9%</b>	<b>394.6</b>	<b>22.3</b>	<b>231.9</b>	<b>17.5</b>	<b>70.2%</b>
Debentures participation	-	-	(54.3)	(12.5)	-90.2%	(7.2)	(0.4)	(127.7)	(9.6)	-94.4%
<b>INCOME BEFORE TAXES ON INCOME</b>	<b>129.8</b>	<b>23.0</b>	<b>41.9</b>	<b>9.6</b>	<b>209.8%</b>	<b>387.4</b>	<b>21.9</b>	<b>104.2</b>	<b>7.8</b>	<b>271.8%</b>
Income and social contribution taxes	(30.5)	(5.4)	(13.5)	(3.1)	110.5%	(87.1)	(4.9)	(40.4)	(3.0)	115.8%
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>99.3</b>	<b>17.6</b>	<b>28.4</b>	<b>6.5</b>	<b>249.3%</b>	<b>300.3</b>	<b>17.0</b>	<b>63.8</b>	<b>4.8</b>	<b>370.5%</b>
Minority interest	-	-	0.1	0.0	-100.0%	0.0	0.0	0.1	0.0	-98.3%
<b>NET INCOME</b>	<b>99.3</b>	<b>17.6</b>	<b>28.5</b>	<b>6.5</b>	<b>248.5%</b>	<b>300.3</b>	<b>17.0</b>	<b>63.9</b>	<b>4.8</b>	<b>370.1%</b>
<b>Depreciation</b>	<b>8.5</b>	<b>1.5</b>	<b>9.6</b>	<b>2.2</b>	<b>-11.5%</b>	<b>34.3</b>	<b>1.9</b>	<b>33.7</b>	<b>2.5</b>	<b>2.0%</b>
<b>EBITDA</b>	<b>142.5</b>	<b>25.3</b>	<b>109.6</b>	<b>25.2</b>	<b>30.0%</b>	<b>431.7</b>	<b>24.4</b>	<b>295.7</b>	<b>22.2</b>	<b>46.0%</b>

17. Attachment II – Balance Sheet (as of December 31, 2003 and 2004)

ASSETS	2004	2003	LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and banks	29,592	34,072	Loans and financing	62,407	75,102
Temporary cash investments	202,020	102,039	Domestic suppliers	76,971	55,384
Trade accounts receivable	250,066	180,118	Foreign suppliers	4,172	2,139
Inventories	121,961	79,254	Suppliers - related parties	-	5,304
Recoverable taxes	18,158	8,525	Payroll and related charges	65,265	41,563
Advances to employees	6,949	4,938	Taxes payable	62,382	64,297
Related parties	-	1,275	Debentures	-	102,170
Deferred income and social contribution taxes	21,630	22,096	Related parties	-	964
Other receivables	6,063	5,214	Dividends	113,644	20,000
<b>Total current assets</b>	<b>656,439</b>	<b>437,531</b>	Interest on capital	13,623	8,541
			Other payables	42,331	24,243
			Reserve for losses on swap contracts	6,138	9,012
			<b>Total current liabilities</b>	<b>446,933</b>	<b>408,719</b>
<b>LONG-TERM ASSETS</b>			<b>LONG-TERM LIABILITIES</b>		
Related parties	-	3,382	Loans and financing	71,982	32,986
Advance for future capital increase	-	-	Debentures	-	130,656
Receivables from shareholder	172	-	Reserve for contingencies	59,559	28,381
Tax incentives	1,162	641	Provision for losses on subsidiaries	-	-
Deferred income and social contribution taxes	21,301	9,447	Other payables	1,885	1,809
Recoverable taxes	3,848	-	<b>Total long-term liabilities</b>	<b>133,426</b>	<b>193,832</b>
Escrow deposits	24,256	14,595			
Other receivables	1,716	1,715			
<b>Total long-term assets</b>	<b>52,455</b>	<b>29,780</b>			
			<b>MINORITY INTEREST</b>	<b>7</b>	<b>(30)</b>
<b>PERMANENT ASSETS</b>			<b>SHAREHOLDERS' EQUITY</b>		
Investments	8,707	2,809	Capital	230,762	56,387
Property, plant and equipment	298,822	253,739	Capital reserves	112,016	9,998
Total permanent assets	307,529	256,548	Profit reserves	93,279	54,953
			<b>Total shareholders' equity</b>	<b>436,057</b>	<b>121,338</b>
<b>TOTAL ASSETS</b>	<b>1,016,423</b>	<b>723,859</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,016,423</b>	<b>723,859</b>

18. Attachment III – Statement of Cash Flow

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2004</b>	<b>2003</b>
<b>Net income</b>	300,294	63,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,340	33,673
Monetary and exchange variations, net	7,353	(14,076)
Reserve for losses on swap contracts	4,243	36,581
Reserve for contingencies	33,052	16,551
Reserve for obsolete inventories	7,007	588
Other reserves	1,420	2,762
Deferred income and social contribution taxes	(9,634)	(3,528)
Disposal of permanent assets	1,828	1,596
Debentures participation, net of taxes	5,743	102,170
Minority interest	(1)	(60)
	<b>385,645</b>	<b>240,141</b>
<b>(INCREASE) DECREASE IN ASSETS</b>		
<b>Current assets:</b>		
Accounts receivable	(68,455)	(23,042)
Inventories	(49,715)	(5,406)
Other receivables	532	1,304
<b>Long-term assets:</b>		
Escrow deposits	(9,073)	(11,296)
Other receivables	115	3,934
<b>Subtotal</b>	<b>(126,596)</b>	<b>(34,506)</b>
<b>INCREASE (DECREASE) IN LIABILITIES</b>		
<b>Current liabilities:</b>		
Suppliers	19,099	4,417
Payroll and related charges	21,691	8,498
Taxes payable	(20,705)	6,183
Other payables	8,517	(21,769)
<b>Long-term liabilities:</b>		
Other payables	(1,448)	(1,432)
<b>Subtotal</b>	<b>27,154</b>	<b>(4,103)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>286,203</b>	<b>201,532</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(76,886)	(23,891)
Investments	(6,179)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(83,065)</b>	<b>(23,891)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in current and long-term loans	(9,130)	(82,458)
Payment of dividends	(130,003)	(9,103)
Payment of interest on capital	(11,403)	(3,292)
Payment of debentures	-	(4,080)
Sale of treasury shares	630	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(149,906)</b>	<b>(98,933)</b>
Merger of Natura Empreendimentos S.A. and Natura Participações S.A. net assets	42,269	-
<b>NET INCREASE IN CASH AND BANKS</b>	<b>95,501</b>	<b>78,708</b>
Cash and banks at beginning of year	136,111	57,403
Cash and banks at end of year	231,612	136,111
<b>CHANGE IN CASH AND BANKS</b>	<b>95,501</b>	<b>78,708</b>
<b>SUPPLEMENTARY CASH FLOW DISCLOSURE:</b>		
Income and social contribution taxes paid	84,378	13,468
Interest paid on loans and financing	12,061	9,657
Swap contracts paid	9,170	8,134