

São Paulo, July 27, 2016 – Natura Cosméticos S.A. (BM&FBOVESPA: NATU3) announces today its results for the second quarter of 2016 (2Q16). Except where stated otherwise, the financial and operating information in this release is presented on a consolidated basis, in accordance with International Financial Reporting Standards (IFRS).

The Natura logo is a dark blue, textured shape resembling a stylized flower or leaf, positioned behind the main title text.

EARNINGS RELEASE

2Q16

In the second quarter of 2016, Natura posted consolidated net revenue of R\$2,026 million (+5.0% vs. 2Q15), EBITDA of R\$345 million (-3.5% vs 2Q15), net income of R\$91 million (-22% vs. 2Q15) and free cash flow of R\$96 million (-66% vs. 2Q15).

In Brazil, despite the still-challenging scenario, our gross revenue¹ advanced 1.2% from 2Q15, reversing the negative trend observed in the last six quarters.

In the period, we continued to make progress on executing our strategic plan, whose focus is on revitalizing the direct selling channel, innovative propositions for products and concepts with differentiated technologies and performance, streamlining our portfolio, reviewing our brand positioning and strategy, developing new alternative channels, designing a more agile and efficient organization and maintaining accelerated growth in the International Operations.

Among the highlights in the quarter, we intensified the use of targeted promotions and communications, defined a more attractive portfolio for cycles with commemorative dates (Mother's Day and Valentine's Day), published our new catalog *Revista Natura* with enhanced presentation of products, launched the communication strategy "Viva a sua beleza Viva" that reclaims our fundamental pillars and invests more in and gives greater attention to products, which included relaunching the Chronos skin treatment line and expanding the portfolio of the UNA makeup line, both of which enjoyed positive initial results.

In the development of new channels, with the positive results of the SOU line in the drugstore channel, we are executing the expansion plan and, by July 31, we will be present in 1,278 stores. For our owned stores, in April 2016, the first unit² was opened in São Paulo City, with positive results. The second store³ is slated to open in August 2016, and our plan includes progressive openings of other units. Rede Natura, the online channel that posted double-digit revenue growth, now has 70,000 digital franchisees (32,000 in 2Q15) and 950,000 registered consumers.

In the International Operations, which account for 32% of total net revenue (27% in 2Q15), we maintained our accelerated growth pace in local currency in Latam and in AUD⁴ at AESOP of 33.3% (20.4% in BRL) and 47.4% (49.2% in BRL), respectively. In the Latam, note that growth in BRL was affected by this currency's appreciation against a basket of the region's currencies. Aesop ended the quarter with 157 stores in 19 countries (112 stores in 16 countries in 2Q15) and same-store sales growth of around 17%.

¹ Gross revenue = net revenue + tax burden. Net revenue decreased 2.3% compared to 2Q15, due to the higher effective tax rate.

² Store opened in the mall Shopping Morumbi.

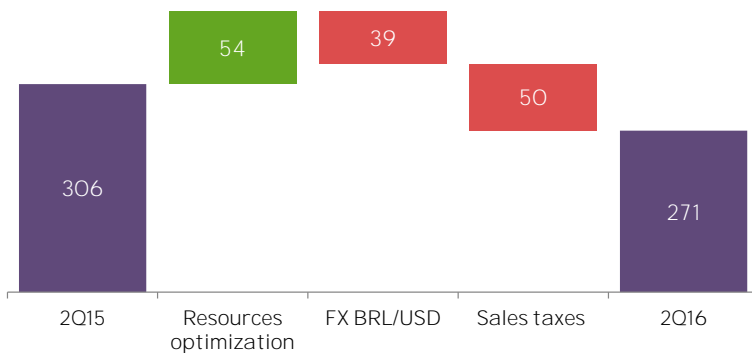
³ The second store will be opened in the mall Shopping Villa Lobos in São Paulo City.

⁴ AUD: Australian dollar.

R\$ million	2016	2015	Var. (%)	6M16	6M15	Var. (%)
Brazil Gross Revenue	2003,5	1979,2	1,2	3.615,2	3.682,9	(1,8)
International Gross Revenue	812,0	658,1	23,4	1.520,3	1.160,2	31,0
Consolidated Gross Revenue	2.815,5	2.637,3	6,8	5.135,5	4.843,1	6,0
Brazil Net Revenue	1376,2	1408,9	(2,3)	2.497,9	2.651,7	(5,8)
International Net Revenue*	649,5	520,1	24,9	1.217,5	918,9	32,5
Consolidated Net Revenue	2.025,7	1.928,9	5,0	3.715,4	3.570,7	4,1
% Share International Net Revenue	32,1%	27,0%	5,1 pp	32,8%	25,7%	7,0 pp
Brazil pro-forma EBITDA	270,9	305,7	(11,4)	427,3	574,2	(25,6)
% Brazil pro-forma EBITDA Margin	19,7%	21,7%	(2,0) pp	17,1%	21,7%	(4,5) pp
International pro-forma EBITDA	73,8	51,5	43,3	134,5	68,9	95,1
% International pro-forma EBITDA Margin	11,4%	9,9%	1,5 pp	11,0%	7,5%	3,5 pp
EBITDA Consolidado	344,7	357,2	(3,5)	561,7	643,1	(12,6)
% Margem EBITDA Consolidada	17,0%	18,5%	(1,5) pp	15,1%	18,0%	(2,9) pp
Consolidated Net Income	90,9	116,7	(22,0)	21,8	236,3	(90,8)
% Consolidated Net Margin	4,5%	6,0%	(1,6) pp	0,6%	6,6%	(6,0) pp
Internal cash generation	219,3	215,5	1,8	220,9	401,8	(45,0)
Free cash flow	96,3	281,6	(65,8)	-71,4	329,8	n/a
Net Debt / EBITDA	n/d	n/d	n/d	1,43	1,17	22,4

*Net (Loss) income attributable to owners of the Company

Brazil's EBITDA change



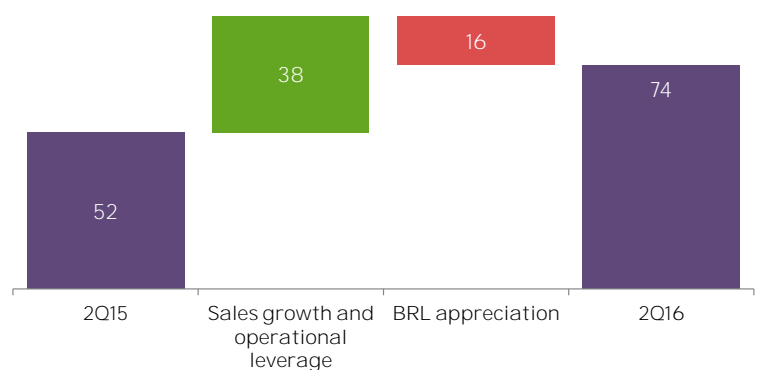
Consolidated EBITDA amounted to R\$345 million in the period, 3.5% lower than in 2015.

As shown in the chart on the left, the 11.4% decrease in EBITDA in Brazil is basically explained by the higher effective tax rate (31.3% in 2016 vs. 28.8% in 2015) and by the negative effect from exchange variation on costs of goods sold. These factors were partially neutralized by the more robust budget management, focused on capturing productivity gains, which enabled

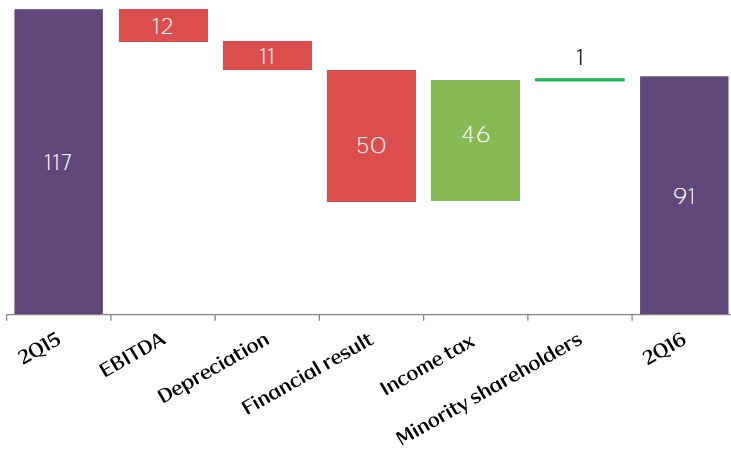
administrative expenses to remain at the same levels of last year (in nominal terms).

EBITDA from the International Operations (Latam, Aesop and France) amounted to R\$74 million, increasing 43.3% from 2015 and accounting for 21% of the consolidated amount (14% in 2015). When EBITDA from the International Operations is translated into BRL and incorporated into the consolidated results, the negative effect from BRL's appreciation was neutralized by the continued accelerated growth in revenue with operational leverage.

International Operations' EBITDA change



Change in consolidated net profit



Consolidated net income for the quarter amounted to R\$91 million (R\$117 million in 2Q15), with this contraction due to the following factors:

_EBITDA: deterioration primarily due to the higher effective tax rate in Brazil and the effects from exchange variation on our operations as a whole, both as explained above;

_Depreciation: growth in the asset base due to the investments made in recent years;

_Financial Result: a) (R\$6 million) due to the higher CDI (Brazil Interbank Deposit Rate) rate (3.36% in 2Q16 vs. 3.03% in 2Q15); b) (R\$13

million) due to the negative effect from BRL appreciation on the balance of accounts receivable from exports in USD in the International Operations; c) +R\$3 million due to the restatement of the liability associated with Aesop's purchase option; d) (R\$9 million) due to the depreciation in the ARS against the BRL on the balance of imports payable to Natura Brazil, at Natura Argentina's balance sheet, recorded in BRL; e) other impacts (R\$25 million): accrual of interests on liabilities and contingencies, PIS/Cofins taxes on financial income, adjustment of expenses on subsidized loan as per accounting pronouncement "CPC 07", bank suretyship, bank fees, etc.

_Income and Social Contribution taxes: positive effect in 2Q16 from the lower net profit before income tax coupled with the adoption of the straight-line method in the period. Effective tax rate of 9.8% in 2Q16 (32.5% in 2Q15) and 38.1% in 1H16 (32.0% in 1H15).

Free cash flow in the quarter was R\$96 million (R\$282 million in 2Q15). The decrease of R\$185 million is explained by the the investment in working capital due to the higher coverage of inventories in Brazil and Latam. In line with the plan for 2016, these negative effects were mitigated by the reduction in capital expenditure (capex guidance for 2016 of R\$350 million). In the first six months of the year, we invested R\$111 million (R\$141 million in 1H15), with the highlight to the International Operations (Latam and Aesop).

R\$ million	2Q16	2Q15	Var. R\$	Var. %	6M16	6M15	Var. R\$	Var. %
Net Income*	90,9	116,7	(25,7)	(22,0)	21,8	236,3	(214,5)	(90,8)
Depreciation and amortization	64,4	52,7	11,7	22,1	127,4	109,9	17,6	16,0
Non-cash / Other**	64,0	46,1	17,9	38,8	71,6	55,7	15,9	28,7
Internal cash generation	219,3	215,5	3,8	1,8	220,9	401,8	(180,9)	(45,0)
Working Capital (Increase)/Decrease	(60,2)	156,9	(217,2)	(138,4)	(181,6)	68,9	(250,6)	(363,5)
Operating cash generation	159,0	372,4	(213,3)	(57,3)	39,3	470,8	(431,5)	(91,7)
Capex	(62,7)	(90,8)	28,0	(30,9)	(110,6)	(141,0)	30,3	(21,5)
Free cash flow***	96,3	281,6	(185,3)	(65,8)	(71,4)	329,8	(401,2)	(121,6)

(*) Net income attributable to owners of the Company

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

We remain confident in Natura's fundamentals, in the strength of our brand and in the potential of our strategic plan to boost our competitiveness and ensure a financially healthy company with strong cash generation.

1. social and environmental highlights

Natura is the first company in Latin America to monetize the impact of its business on the environment and on society by adopting the international methodology environmental profit and loss account (E P&L). The analysis was supported by the technical consulting services of PwC and was based on Natura's consolidated data for 2013. The account registered water use and pollution, greenhouse gas emissions, solid waste generation, air pollution and land use.

According to the study, the environmental impact of Natura's chain – which encompasses the extraction of raw materials, the manufacture and transportation of products and the disposal of packaging – was estimated at R\$132 million for 2013. This impact would have been greater (equivalent to R\$164 million) without the measures of the Carbon Neutral Program, which, since 2007, reviews the company's processes to reduce greenhouse gas emissions and offset those that could not be reduced. The impact of our offsetting projects, based on the E P&L calculation, was positive R\$77 million.

In the cosmetics industry, Natura is the world's first company to conduct an end-to-end analysis of its entire chain, including the product-use phase. The study brings unprecedented information on this phase, which depends on consumers' behavior. As already expected, this phase has the biggest weighting, since personal care and cosmetic products are used in large part when taking a shower. The use phase represents an additional impact of R\$455 million, which is three times more than the phases related directly to Natura's business chain.

This is a pioneering management tool that details the environmental impacts generated by our operations in order to guide the company's strategic decisions and provide a more effective assessment of our Triple Bottom Line approach. We will start measuring our social impacts so that we can fulfill our ambition for 2020: be capable of measuring in financial terms Natura's impact on the economic, environmental and social dimensions. This will support the integrated management of our business and create a level of transparency of extreme importance for building a new capitalism.

Indicator	Unit	2020 ambition	6M16	2015 (12 months)
Relative carbon emissions (escopes 1, 2 e 3)	kg CO2/kg prod billed	2,15	3,38	3,18
% post consumption recycled materials ²	% (g recycled mat/g packaging)	10,0	3,6	2,9
% product recyclability ³	% (g recycled mat/g packaging)	74,0	51,0	50,0
Eco-efficient packaging ⁴	% (eco-efficient packaging units billed/ total units billed)	40,0	22,5	26,0
Amazon inputs consumed in relation to total inputs	% (R\$ Amazon inputs/R\$ total inputs)	30,0	19,7	12,2
Cumulative business volume in the Pan-Amazon region ⁵	R\$ millions	1.000,0	866,8	751,9
Water consumption	Liters / units manufactured	0,32	0,54	0,49
"Crer Para Ver" Penetration - Brazil ⁶	% active Natura Consultants	23,6	14,3	19,5

1 Results for the second quarter 2016.

2 The indicator considers the % of packaging materials sourced from post-consumer recycling in relation to total mass of packaging billed.

3 The indicator considers the % of packaging that can be recycled in relation to the total mass of packaging billed.

4 Eco-efficient packaging is 50% lighter in relation to regular/similar

5 Cumulative amounts since 2011.

6 Refers to the profit before income tax attributed to the Crer Para Ver product line.

Relative carbon emissions (scopes 1, 2 and 3): increase compared to 2015 due to weaker sales in Brazil and higher emissions from exports by airfreight to Latam. We continue working to reverse this situation by expanding the distribution of our products via maritime freight. Reaching our ambition for 2020 will depend on the development of new eco-efficient products and alternatives for increasing local production in Latam.

% post-consumer recycled materials: The strategy of using recycled glass containers for fragrances continued to generate good results. Our challenge for reaching the 2020 goal is to increase the penetration of recycled glass in the entire fragrances portfolio.

% of product recyclability: stable results in relation to the previous year. The challenge proposed for 2020 will depend on redesigning certain products in the portfolio that allow for separating components and on using materials with higher recycling rates.

Eco-efficient packaging: Lower share of sales from items with eco-efficient packaging. We must resume our efforts to encourage consumers to use refills and expand our use of post-consumer recycled materials to include more items in the portfolio.

Consumption of Amazonian inputs in relation to Natura's total consumption: The result is mainly due to the higher purchases of Amazonian inputs for soap production. The increased use of Pan-Amazon ingredients in our formulations is our challenge for reaching the 2020 goal and in turn helping to protect forest regions.

Cumulative business volume in the Pan-Amazon region: Acquiring inputs for soap production has contributed more significantly to the business conducted in the Pan-Amazon region. The investments in Ecoparque, the technology park built in the state of Pará, will make an important contribution.

Relative water consumption: The higher water consumption in production processes is due to the reduction in production volume, which results in smaller batches and consequently more frequent equipment cleaning. We have ongoing projects to optimize the washing and sanitization processes by reducing water consumption and to increase the use of recycled water in our facilities to reverse this situation. We believe that, through our water footprint, which includes the company's entire value chain, we can better direct our efforts to the main focal points in this area.

Funding for Crer para Ver (Education) program: The performance of our product sales was excellent in terms of profitability, which will be allocated to investments in education through the Natura Institute. A portion of the funds will be allocated to education for Natura Consultants that includes high school, vocational and undergraduate programs.

2. economic performance

As from the second quarter of 2015, the following business segmentation was adopted: "Brazil," "Latam" (operations in Latin America, including Latam Corporate) and "Aesop" (including the results of the holding companies Natura Brasil Pty Ltd. and Natura Cosmetics Australia Pty Ltd. domiciled in Australia).

The historical data series since 2011 is available in the new format at the following link:

<http://natu.infoinvest.com.br/static/enu/balancos-interativos.asp?idioma=enu>

Quarter (R\$ million)	Consolidated ⁵			Pro-Forma								
				Brazil			Latam			Aesop		
	2Q16	2Q15	Change (%)	2Q16	2Q15	Change (%)	2Q16	2Q15	Change (%)	2Q16	2Q15	Change (%)
Total Consultants - end of period ('000) ⁶	1.863,8	1.810,6	2,9	1.327,2	1.344,4	(1,3)	535,6	465,1	15,1	-	-	-
Total Consultants - average of period ('000)	1.855,4	1.781,4	4,2	1.326,6	1.326,8	(0,0)	527,8	453,4	16,4	-	-	-
Units sold - items for resale (in million)	116,9	120,3	(2,8)	83,9	94,8	(11,5)	31,6	24,5	29,1	12	0,9	36,7
Gross Revenue	2.815,5	2.637,3	6,8	2.003,5	1.979,2	1,2	668,2	561,6	19,0	139,2	91,8	51,5
Net Revenue	2.025,7	1.928,9	5,0	1.376,2	1.408,9	(2,3)	519,6	431,7	20,4	126,1	84,5	49,2
COGS	(638,5)	(589,7)	8,3	(444,0)	(445,2)	(0,3)	(180,4)	(134,5)	34,1	(13,3)	(9,1)	47,2
Gross Profit	1.387,2	1.339,3	3,6	932,2	963,6	(3,3)	339,2	297,2	14,1	112,7	75,5	49,4
Selling, Marketing and Logistics Expenses	(770,6)	(745,5)	3,4	(527,6)	(530,7)	(0,6)	(222,0)	(199,2)	11,5	(16,2)	(10,5)	53,5
Administrative, R&D, IT and Projects Expenses	(331,8)	(299,1)	10,9	(179,0)	(180,2)	(0,7)	(64,2)	(59,7)	7,4	(86,1)	(56,3)	52,9
Other Operating Income / (Expenses), net	(4,4)	9,9	(144,8)	(4,9)	9,6	(150,9)	0,1	0,1	1,6	0,4	0,2	n/a
Financial Income / (Expenses), net	(178,9)	(129,1)	n/d	(164,4)	(124,8)	n/d	(10,6)	(4,7)	n/d	(3,9)	0,3	n/a
Earnings Before Taxes	101,4	175,4	(42,2)	56,3	137,5	(59,0)	42,5	33,7	26,2	6,9	9,1	n/d
Income Tax and Social Contribution	(9,9)	(57,0)	(82,6)	7,0	(38,4)	(118,2)	(13,2)	(15,7)	(15,9)	(3,7)	(3,0)	24,8
Noncontrolling shareholders	(0,6)	(1,7)	(64,0)	-	-	-	-	-	-	(0,6)	(1,7)	(64,0)
Net Income**	90,9	116,7	(22,0)	63,3	99,2	(36,2)	29,4	18,0	62,8	2,6	4,4	(41,7)
EBITDA*	344,7	357,2	(3,5)	270,9	305,7	(11,4)	58,6	42,8	37,0	19,2	13,3	44,5
Gross Margin	68,5%	69,4%	(1,0) pp	67,7%	68,4%	(0,7) pp	65,3%	68,8%	(3,6) pp	89,4%	89,3%	0,1 pp
Selling, Marketing and Logistics Expenses/Net Revenue	38,0%	38,6%	(0,6) pp	38,3%	37,7%	0,7 pp	42,7%	46,1%	(3,4) pp	12,8%	12,5%	0,4 pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	16,4%	15,5%	0,9 pp	13,0%	12,8%	0,2 pp	12,3%	13,8%	(1,5) pp	68,3%	66,6%	1,6 pp
Net Margin	4,5%	6,0%	(1,6) pp	4,6%	7,0%	(2,4) pp	5,7%	4,2%	1,5 pp	2,1%	5,3%	(3,2) pp
EBITDA Margin	17,0%	18,5%	(1,5) pp	19,7%	21,7%	(2,0) pp	11,3%	9,9%	1,4 pp	15,2%	15,7%	(0,5) pp

(*) EBITDA = Income from operations before financial effects + depreciation & amortization.

(**) Net / (Loss) income attributable to owners of the Company

⁵ Consolidated figures include Brazil, Latam, Aesop and France.

⁶ Position at the end of Cycle 6 in France and Cycle 8 in Latam and Brazil.

Year-to-Date (R\$ million)	Pro-Forma											
	Consolidated ⁵			Brazil			Latam			Aesop		
	6M16	6M15	Change (%)	6M16	6M15	Change (%)	6M16	6M15	Change (%)	6M16	6M15	Change (%)
Total Consultants - end of period ('000) ⁴	1863,8	1810,6	2,9	1327,2	1344,4	(1,3)	535,6	465,1	15,1	-	-	0,0
Total Consultants - average of period ('000)	1850,5	1748,3	5,8	1333,5	1305,5	2,1	517,0	441,5	17,1	-	-	0,0
Units sold - items for resale (in million)	226,1	238,8	(5,3)	167,4	188,0	(11,0)	55,8	49,0	13,8	2,7	1,7	57,6
Gross Revenue	5.135,5	4.843,1	6,0	3.615,2	3.682,9	(1,8)	1.229,0	987,2	24,5	282,7	164,9	71,4
Net Revenue	3.715,4	3.570,7	4,1	2.497,9	2.651,7	(5,8)	954,2	761,5	25,3	256,1	150,7	69,9
COGS	(1.159,3)	(1.084,8)	6,9	(817,6)	(831,7)	(1,7)	(312,2)	(234,2)	33,3	(28,1)	(17,3)	62,3
Gross Profit	2.556,1	2.485,9	2,8	1.680,3	1.820,0	(7,7)	642,0	527,3	21,8	228,0	133,4	70,9
Selling, Marketing and Logistics Expenses	(1.462,0)	(1.393,8)	4,9	(1.004,6)	(1.006,6)	(0,2)	(415,3)	(359,8)	15,4	(32,3)	(18,2)	77,6
Administrative, R&D, IT and Projects Expenses ⁹	(663,1)	(577,2)	14,9	(350,5)	(346,5)	1,2	(128,9)	(119,1)	8,3	(177,9)	(105,8)	68,2
Other Operating Income / (Expenses), net	3,3	18,4	(81,9)	2,8	18,1	(84,7)	0,2	0,2	(13,1)	0,4	0,1	347,8
Financial Income / (Expenses), net	(396,7)	(183,8)	115,9	(367,7)	(194,1)	89,4	(25,7)	7,4	(446,7)	(3,4)	2,9	(215,8)
Earnings Before Taxes	37,6	349,5	(89,3)	(39,8)	290,9	(113,7)	72,2	56,0	29,0	14,8	12,4	19,3
Income Tax and Social Contribution	(14,3)	(111,8)	(87,2)	10,7	(81,6)	(113,2)	(17,5)	(26,6)	(34,3)	(7,6)	(3,7)	105,4
Noncontrolling shareholders	(1,4)	(1,3)	6,4	-	-	-	-	-	-	(1,4)	(1,3)	6,4 ¹
Net Income**	21,8	236,3	(90,8)	(29,1)	209,4	(113,9)	54,7	29,4	86,2	5,8	7,4	(21,5)
EBITDA*	561,7	643,1	(12,6)	427,3	574,2	(25,6)	108,8	56,5	92,7	35,1	21,4	63,5
Gross Margin	68,8%	69,6%	(0,8) pp	67,3%	68,6%	(1,4) pp	67,3%	69,2%	(2,0) pp	89,0%	88,5%	0,5 pp
Selling, Marketing and Logistics Expenses/Net Revenue	39,4%	39,0%	0,3 pp	40,2%	38,0%	2,3 pp	43,5%	47,2%	(3,7) pp	12,6%	12,1%	0,5 pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	17,8%	16,2%	1,7 pp	14,0%	13,1%	1,0 pp	13,5%	15,6%	(2,1) pp	69,4%	70,2%	(0,7) pp
Net Margin	0,6%	6,6%	(6,0) pp	(1,2)%	7,9%	(9,1) pp	5,7%	3,9%	1,9 pp	2,3%	4,9%	(2,6) pp
EBITDA Margin	15,1%	18,0%	(2,9) pp	17,1%	21,7%	(4,5) pp	11,4%	7,4%	4,0 pp	13,7%	14,2%	(0,5) pp

(*) EBITDA = Income from operations before financial effects + depreciation & amortization.

(**) Net / (Loss) income attributable to owners of the Company

⁷ Consolidated figures include Brazil, Latam, Aesop and France.

⁸ Position at the end of Cycle 6 in France and Cycle 8 in Latam and Brazil.

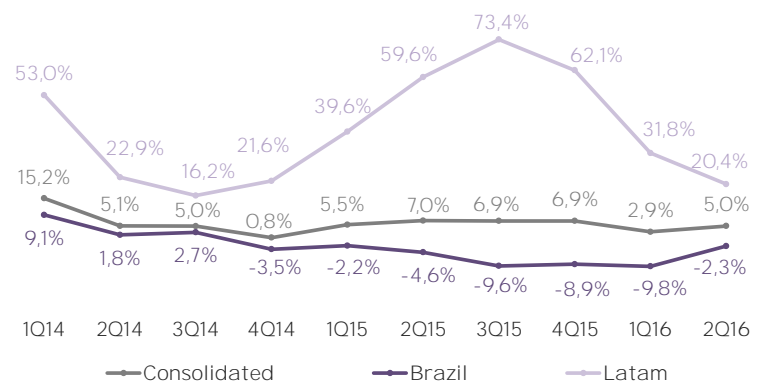
2.1. net revenue

In Brazil, net revenue contracted 2.3% compared to 2Q15, reflecting the negative effect from the higher effective tax rate.

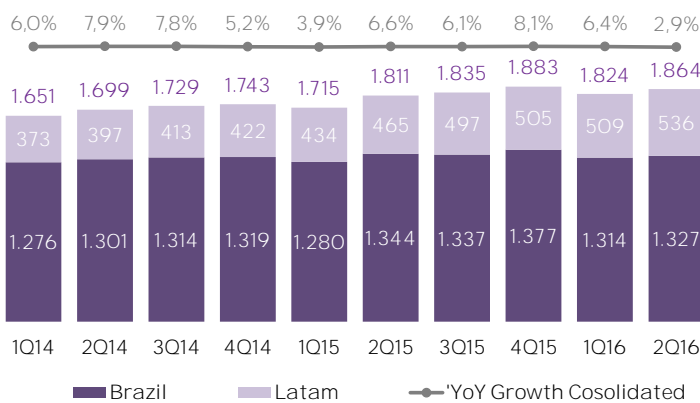
In the same period, gross revenue advanced 1.2% compared to 2Q15. The initiatives adopted to support a recovery in sales growth, as already commented in the introduction of this report, coupled with the higher participation of the Mother's Day cycle in 2Q16 compared to 2Q15, supported a reversal in the trend of declining sales observed in the past six quarters. During the period, the average number of consultants remained stable compared to the previous year and was adversely affected by a reduction in the channel's activity. The productivity level increased compared to the year-ago period.

In 2Q16, in view of the challenging market conditions, sales volumes fell 11%, which was offset by the 14.7% increase in average price, which is explained by the price increases implemented in the period and the optimization of promotional efforts.

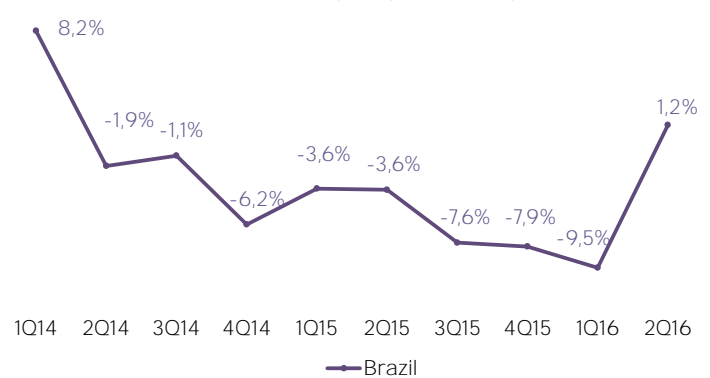
Net Revenue Growth (R\$ - % Year over Year)



Consultants - end of period



Productivity (% year over year) ⁽⁵⁾



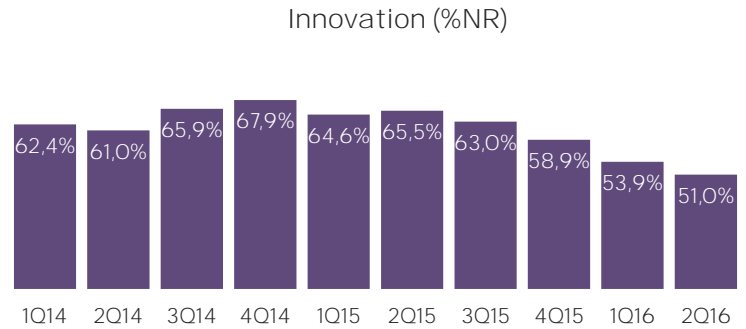
Net revenue from Latam advanced 20.4% in BRL (33.3% in local currency) in 2Q16 to account for 25.7% of consolidated net revenue (22.4% no 2Q15), which was supported by the strong expansion in the consultant base in relation to 2Q15 (15.1% based on base at end of period and 16.4% based on average in the period) and by the sales volume growth of 29.1%.

In 2Q16, Aesop posted net revenue growth of 49.2% in BRL (47.4% in AUD) to account for 6.2% of consolidated net revenue (4.4% in 2Q15), with a 36.6% increase in the number of items sold and 45 new stores opened in the last 12 months, which included three new countries (Italy, Denmark and Canada), bringing the total to 157 stores (112 in 2Q15) in 19 countries (16 in 2Q15). A directory with all Aesop stores can be found on the website www.aesop.com.

⁹ Productivity at retail prices = (gross revenue in the period/average number of consultants in the period)/(1 - % consultants' profit).

2.2. innovation & products

The innovation index¹⁰ stood at 51.0% in the 12 months to June, compared to 65.5% in 2Q15. The relative contribution of products launched in the quarter was lower than that of launches in the same period of the previous year.



2.3. gross margin

Consolidated gross margin in 2Q16 decreased 0.9 p.p. from the year-ago period. In Latam, gross margin contracted 3.6 p.p., while Aesop's margin remained stable (+0.1 p.p.) and Brazil's margin compressed 0.6 p.p.

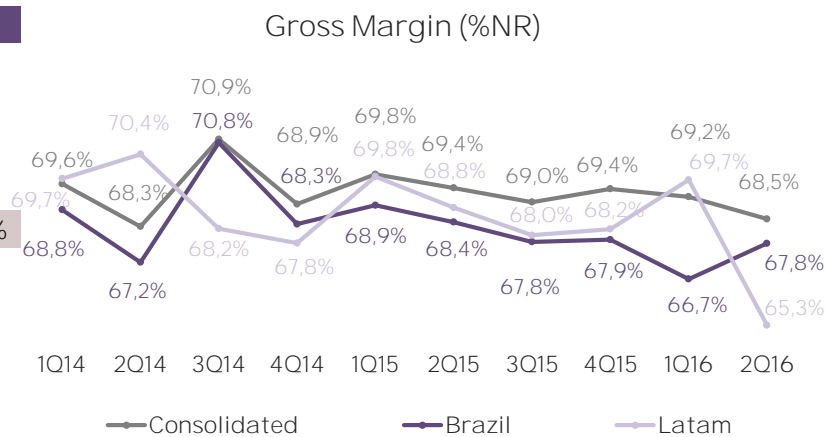
In Brazil, the reduction is explained by the higher effective tax rate and the lower dilution of fixed costs on lower sales volumes. These impacts were neutralized by the higher prices and the paring back of promotional efforts.

In Latam, the 3.6 p.p. decline is basically explained by the negative effects from the appreciation in the BRL on the cost of goods manufactured in Brazil and sold elsewhere in the region, and by the negative adjustment of R\$12 million in inventories at Natura Argentina.

The following table presents the main cost components:

	2Q16	2Q15	6M16	6M15
RM / PM / FP*	80,1%	80,1%	78,2%	78,4%
Labor	9,8%	9,1%	10,9%	9,9%
Depreciation	3,1%	2,9%	3,4%	3,4%
Other	7,1%	7,9%	7,6%	8,2%
Total	100,0%	100,0%	100,0%	100,0%

*Raw Material, Packaging Material and Finished Products



¹⁰ Innovation Index: share in the last 12 months of the sale of products launched in the last 24 months.

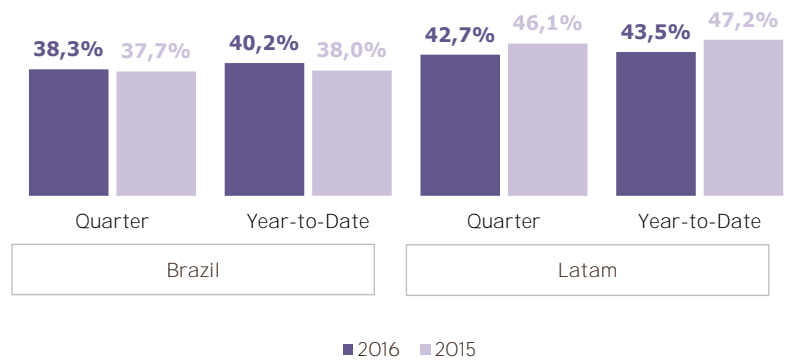
2.4. operating expenses

In Brazil, selling, marketing and logistics expenses decreased 0.6% in nominal terms compared to 2Q15. As a percentage of net revenue, the slight increase of 0.7 p.p., from 38.3% in 2Q16 to 37.7% in 2Q15 was due to the lower sales volume. We maintained the level of marketing investments and captured productivity gains in other lines.

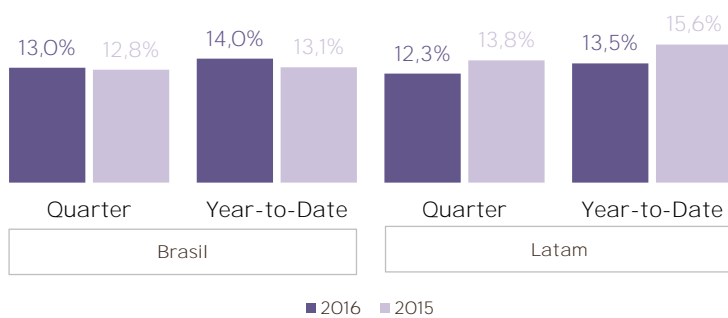
In Latam, as observed in prior quarters, even with the maintenance of significant marketing investments, the increase in this group of expenses lagged revenue growth and helped to dilute fixed costs.

In the consolidated results for the period, these expenses increased 3.4% from 2Q15 in nominal terms, with the International Operations registering an increase due to its accelerated growth and Brazil registering a decrease due to the efforts to optimize resources.

Selling, Marketing and Logistics Expenses (%NR)



Administrative, R&D IT and Project Expenses (%NR)



Administrative, R&D, IT and project expenses in Brazil decreased 0.6% in 2Q16 in relation to 2Q15, reflecting our ongoing efforts to build a leaner and more efficient organization.

In Latam, the increase in administrative expenses continues to lag revenue growth, supporting fixed cost dilution and neutralizing the high inflation in Argentina and the costs with implementing systems in the region.

2.5. other operating income and expenses

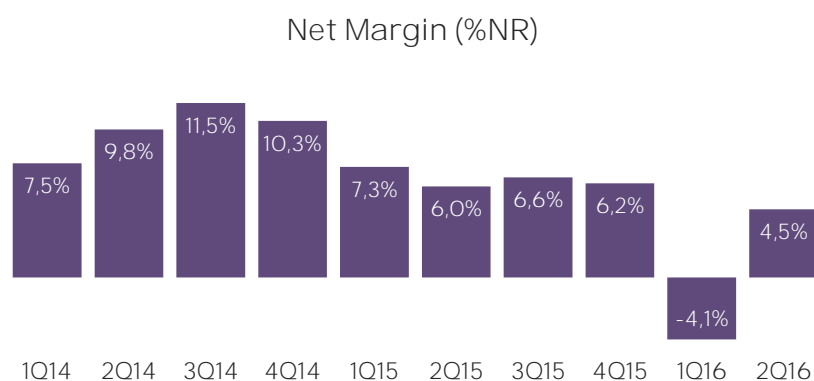
In 2Q16, we registered consolidated operating expenses of R\$4.4 million, compared to income of R\$9.9 million in 2Q15, which was mainly due to the higher allocation of the results of the Crer Para Ver project which were partially offset by the reclassification of interest expenses on subsidized loans from the net financial result (Accounting Pronouncement CPC 07) in the quarter.

2.6. EBITDA

	CONSOLIDATED EBITDA (R\$ million)					
	2Q16	2Q15	Change (%)	6M16	6M15	Change (%)
Net Revenue	2.025,7	1.928,9	5,0	3.715,4	3.570,7	4,1
(-) Income and Expenses	1.745,3	1.624,4	7,4	3.281,1	3.037,5	8,0
EBIT	280,4	304,5	(7,9)	434,3	533,2	(18,6)
(+) Depreciation / Amortization	64,4	52,7	22,1	127,4	109,9	16,0
EBITDA	344,7	357,2	(3,5)	561,7	643,1	(12,6)

In 2Q16, consolidated EBITDA contracted 3.5% from 2Q15, reflecting the operational deleverage in Brazil, the higher effective tax rate and the negative effects from exchange variation on cost of goods sold, as explained above. In nominal terms, these factors were partially neutralized by EBITDA growth in the International Operations and by the ongoing efforts to cut expenses.

2.7. net income (loss)



Natura posted net income of R\$90.9 million in the quarter (net income of R\$116.7 million in 2Q15). In addition to the contraction in EBITDA, as previously explained, the decrease of R\$49.8 million in the financial result compared to 2Q15 adversely affected net income in the period.

The composition of net income based on EBITDA follows:

(R\$ million)	2Q16	2Q15	Change R\$	Change (%)	6M16	6M15	Change R\$	Change (%)
EBITDA - Consolidated	344,7	357,2	(12,5)	(3,5%)	561,7	643,1	(81,3)	(12,6%)
Depreciation and amortization	(64,4)	(52,7)	(11,7)	22,1%	(127,4)	(109,9)	(17,6)	16,0%
Financial result	(178,9)	(129,1)	(49,8)	38,6%	(396,7)	(183,8)	(213,0)	115,9%
Income tax and social contrib.	(9,9)	(57,0)	47,1	(82,6%)	(14,3)	(111,8)	97,5	(87,2%)
Noncontrolling shareholders	(0,6)	(1,7)	1,1	(64,0%)	(1,4)	(1,3)	(0,1)	6,4%
Net income - Consolidated	90,9	116,7	(25,7)	(22,0%)	21,8	236,3	(214,5)	(90,8%)

The following chart presents the changes in the financial result, supported by some notes:

(R\$ million)	2Q16	2Q15	Change R\$	Change (%)	6M16	6M15	Change R\$	Change (%)
Financial result	(178,9)	(129,1)	(49,8)	39%	(396,7)	(183,8)	(212,9)	116%
1. Borrowings/financing and short-term investments - Brazil	(65,1)	(59,4)	(5,7)	10%	(125,1)	(107,9)	(17,2)	16%
2. Operational FX gains/(losses) - Brazil	(8,3)	4,9	(13,2)	(269%)	(16,5)	17,7	(34,2)	n/a
FX % change - USD/BRL	(9,8%)	(3,3%)	(6,5) pp	n/a	(17,8%)	16,8%	(34,6) pp	n/a
Beginning of period FX rate - BRL/USD	3,56	3,21	0,35	11%	3,90	2,66	1,25	47%
End of period FX rate - BRL/USD	3,21	3,10	0,11	3%	3,21	3,10	0,11	3%
Average trade receivable (exports) - USD million	23,8	18,0	5,8	32%	23,70	21,00	2,7	13%
Exports FX gains/(losses)	(8,3)	(1,9)	(6,4)	n/a	(16,5)	9,4	(25,8)	n/a
Operational derivatives	-	6,8	(6,8)	n/a	-	8,3	(8,3)	n/a
3. Provision for acquiring Aesop's remaining interest	(47,1)	(50,1)	3,0	(6%)	(116,3)	(67,8)	(48,5)	72%
4. International Operations - LATAM	(13,7)	(4,9)	(8,8)	180%	(41,7)	8,1	(49,8)	n/a
FX % change - USD/ARS	2,4%	3,0%	(0,6) pp	(21%)	15,4%	6,3%	9,2 pp	n/a
FX % change - USD/BRL	(9,8%)	(3,3%)	(6,5) pp	198%	(17,8%)	16,8%	(34,6) pp	n/a
FX % change - BRL/ARS	12,4%	6,4%	6,0 pp	94%	36,0%	(9,9%)	45,9 pp	n/a
Average trade payables balance (imports) at Argentina - BRL million	110,4	76,6	33,8	44%	115,9	81,4	34,5	42%
5. Other financial expense / income	(44,7)	(19,7)	(25,0)	127,4%	(97,1)	(33,9)	(63,2)	186%
Mark-to-market of financial derivatives	3,3	7,3	(4,0)	(55%)	(20,1)	17,6	(37,7)	(214%)
Interest accrual on taxes due and tax contingencies	(21,0)	(13,4)	(7,6)	56%	(41,3)	(25,2)	(16,1)	64%
Other	(27,0)	(13,5)	(13,5)	100%	(35,7)	(26,3)	(9,5)	36%

Loans and investments in Brazil: deterioration due to the higher CDI (Brazil Interbank Deposit Rate) rate. We are investing at more attractive rates and raising capital with a lower average interest rate compared to last year.

Exchange variation Brazil Operations: the loss reflects the effects from the appreciation in the BRL against the USD on export receivables.

Provision for acquiring Aesop's remaining interest: restatement of the liability related to the acquisition of the remaining interest in Aesop. The amount booked in each period reflects the performance of the business (EBITDA), exchange variation and hedge instrument mark-to-market adjustment.

International Operations Latam: combined negative effect from the appreciation in the BRL against the USD and the depreciation in the ARS against the USD on the balance of imports payable at Natura Argentina.

2.8. cash flow

Free cash generation in the quarter amounted to R\$96.3 million, compared to R\$281.6 million in 2Q15, reflecting the lower net income, as explained above, combined with the investment in working capital of R\$60.2 million (reduction in working capital of R\$156.9 million in 2Q15), due to the expansion in inventory coverage in Brazil and Latam and the efforts to mitigate stockouts in certain countries in Latam.

In the first six months, cash burn is explained by the effects identified in 1Q16, such as the net loss and the higher investment in working capital.

R\$ million	2Q16	2Q15	Change R\$	Change (%)	6M16	6M15	Change R\$	Change (%)
Net Income*	90,9	116,7	(25,7)	(22,0)	21,8	236,3	(214,5)	(90,8)
Depreciation and amortization	64,4	52,7	11,7	22,1	127,4	109,9	17,6	16,0
Non-cash / Other	64,0	46,1	17,9	38,8	71,6	55,7	15,9	28,7
Internal cash generation	219,3	215,5	3,8	1,8	220,9	401,8	(180,9)	(45,0)
Working Capital (Increase)/Decrease	(60,2)	156,9	(217,2)	(138,4)	(181,6)	68,9	(250,6)	(363,5)
Operating cash generation	159,0	372,4	(213,3)	(57,3)	39,3	470,8	(431,5)	(91,7)
Capex	(62,7)	(90,8)	28,0	(30,9)	(110,6)	(141,0)	30,3	(21,5)
Free cash flow**	96,3	281,6	(185,3)	(65,8)	(71,4)	329,8	(401,2)	(121,6)

(*) Net income attributable to owners of the Company

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

2.9. indebtedness

As the following chart shows, we ended the year with a net debt/EBITDA ratio of 1.43, compared to 1.17 in the year-ago period.

R\$ million	jun/16	Part (%)	jun/15	Part (%)	Change (%)
Short-Term	2133,4	49,7	1425,8	31,9	49,6
Long-Term	2601,7	60,6	3836,8	85,9	(32,2)
Derivatives*	(220,2)	(5,1)	(466,3)	(10,4)	(52,8)
Finance Leases / Others**	(219,2)	(5,1)	(332,1)	(7,4)	(34,0)
Total Debt	4.295,7		4.464,2		(3,8)
(-) Cash, cash equivalents and short-term investment	2.272,2		2.637,2		(13,8)
(=) Net Debt	2.023,5		1.827,0		10,8
Net Debt / Ebitda	1,43		1,17		
Total Debt / Ebitda	3,04		2,86		

*Excluding the temporary, non-cash effects of mark-to-market adjustments of derivatives pegged to foreign currency debt

**Other: reclassification of expenses with interest on subsidized loans from financial result in accordance with

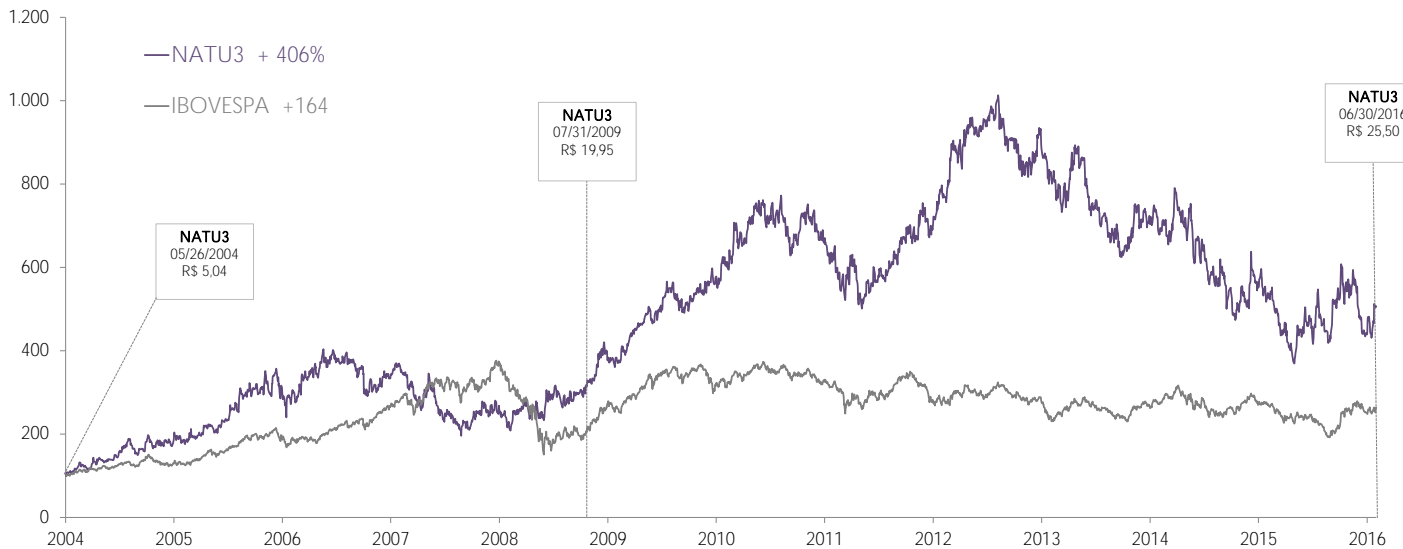
The growth in net debt reflects the lower EBITDA and the cash burn in the first six months of the year.

3. NATU3 performance

In 2Q16, the price of Natura stock gained 9.7% since December 2015, while the Bovespa Index increased 18.9%.

Average daily trading volume in the quarter was R\$32.4 million, compared to R\$32.8 million in the prior-year period.

In June 2016, our ranking in the Bovespa Liquidity Index was 50th (49th in June 2015). The following chart shows the performance of Natura stock since its IPO:



4. conference call & webcast

The Conference Call and Webcast will be held on Jul. 28, 2016 (Thursday) at the following time:

Portuguese / English

10:00 a.m. (Brasília time)

9:00 a.m. (New York time) (simultaneous translation)

From Brazil: +55 11 3193 1001 / +55 11 2820 4001

From USA: Toll Free: +1 888 700 0802

From other countries: +1 786 924 6977

Code: Natura

Live webcast:

www.natura.net/investidor

5. investor relations

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Índice Carbono Eficiente **ICO2** **MSCI**

Índice de Sustentabilidade Empresarial **ISE**
2015

6. balance sheet

as of June 2016 and December 2015

(in millions of Brazilian real - R\$)

ASSETS	jun-16	dez-15	LIABILITIES AND SHAREHOLDERS' EQUITY	jun-16	dez-15
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	1.196,8	1.591,8	Borrowings and financing	2.133,4	2.161,4
Short-term investments	1.075,4	1.191,8	Trade and other payables	742,0	802,9
Trade receivables	957,9	909,0	Payroll, profit sharing and related taxes	223,3	201,2
Inventories	1.039,3	963,7	Taxes payable	951,7	1.048,0
Recoverable taxes	311,6	320,4	Provision for acquisition of non-controlling interest	241,5	190,7
Derivatives	108,3	734,5	Other payables	187,0	168,8
Other receivables	311,7	307,5	Total current liabilities	4.478,9	4.572,9
Total current assets	5.000,9	6.018,7			
NON CURRENT ASSETS			NON CURRENT LIABILITIES		
Recoverable taxes	284,0	289,4	Borrowings and financing	2.601,7	3.374,5
Deferred income tax and social contribution	405,4	212,6	Taxes payable	162,8	87,7
Escrow deposits	295,0	287,8	Deferred income tax and social contribution	24,7	34,1
Other noncurrent assets	20,6	17,6	Provision for tax, civil and labor risks	84,2	77,9
Property, plant and equipment	1.717,7	1.752,4	Others provisions	287,1	170,1
Intangible assets	753,6	816,5	Total non current liabilities	3.160,5	3.744,3
Total noncurrent assets	3.476,3	3.376,3	SHAREHOLDERS' EQUITY		
			Capital	427,1	427,1
			Treasury shares	137,9	134,7
			Capital reserves	431,3	409,5
			Earnings reserves	(37,9)	(37,9)
			Proposed additional dividend	0,0	123,1
			Adjustment of equity evaluation	(165,9)	(28,3)
			Total equity attributable to owners of the Company	792,5	1.028,2
			Non controlling interests	45,2	49,6
			Total shareholders' equity		
			Total do patrimônio líquido	837,7	1.077,8
TOTAL ASSETS	8.477,1	9.395,0	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8.477,1	9.395,0

7. statement of income

for the periods ended June 30, 2016 and 2015

R\$ million	2T16	2T15	6M16	6M15
NET REVENUE	2.025,7	1.928,9	3.715,4	3.570,7
Cost of sales	(638,5)	(589,7)	(1.159,3)	(1.084,8)
GROSS PROFIT	1.387,2	1.339,2	2.556,1	2.485,9
OPERATING (EXPENSES) INCOME				
Selling, Marketing and Logistics expenses	(770,6)	(745,8)	(1.462,0)	(1.393,8)
Administrative, P&D, IT and Project Expenses	(331,8)	(298,8)	(663,1)	(577,2)
Other operating (expenses) income, net	(4,4)	9,9	3,3	18,4
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	280,4	304,5	434,3	533,2
Financial income	381,1	305,4	785,6	934,5
Financial expenses	(560,0)	(434,5)	(1.182,3)	(1.118,3)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	101,4	175,4	37,6	349,5
Income tax and social contribution	(9,9)	(57,0)	(14,3)	(111,8)
NET INCOME BEFORE NONCONTROLLING	91,5	118,4	23,3	237,6
Noncontrolling	0,6	1,7	1,4	1,3
NET INCOME	90,9	116,7	21,8	236,3
ATTRIBUTABLE TO				
Owners of the Company	91,0	116,7	21,8	236,3
Noncontrolling	0,6	1,7	1,4	1,3
	91,5	118,4	23,3	237,6

8. statement of cash flows

for the periods ended June 30, 2016 and 2015

R\$ million	6M16	6M15
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	23,3	237,6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	127,4	109,9
Provision (reversal) for losses on transactions with derivative contracts " swap " and "f	513,9	(315,1)
Provision (reversal) for tax, civil and labor contingencies	8,3	(0,9)
Monetary restatement of escrow deposits	(11,5)	(9,8)
Income tax and social contribution	14,3	111,8
Loss on sale and disposal of fixed and intangible assets	2,5	(1,2)
Equity income	0,0	0,0
Interest and exchange variation on loans and financing	(305,5)	425,3
Exchange variation on other assets and liabilities	(29,2)	9,5
Provision (reversal) for losses on property	0,3	(0,7)
Provision (reversal) related to the grant of options to purchase shares	3,2	(7,2)
Provision (reversal) for doubtful accounts	3,0	(14,9)
Provision (reversal) for losses on inventories	29,1	(0,2)
Provision of health care plan and carbon credits	5,4	2,0
Net income attributable to non-controlling	(1,4)	(1,3)
Provision for acquisition of non-controlling	50,8	67,8
	433,9	612,5
(INCREASE) DECREASE IN ASSETS		
Trade receivables	(51,9)	(24,5)
Inventories	(104,7)	23,2
Recoverable taxes	14,3	(69,5)
Other receivables	(12,4)	(1,1)
Subtotal	(154,6)	(72,0)
INCREASE (DECREASE) IN LIABILITIES		
Domestic and foreign suppliers	(59,2)	119,2
Payroll, profit sharing and related taxes, net	22,1	0,9
Taxes payable	(142,6)	(82,5)
Other payables	21,8	4,4
Subtotal	(157,9)	42,0

CASH GENERATED BY OPERATING ACTIVITIES	121,3	582,6
OTHERS CASH FLOWS BY OPERATING ACTIVITIES		
Payments of income tax and social contribution	(75,9)	(26,7)
Withdrawal (payment) of escrow deposits	4,3	(3,8)
Payment of tax, civil and labor contingencies	(5,9)	(3,3)
Receivables of derivatives	83,5	191,5
Payment of interest on borrowings and financing	(159,4)	(88,6)
NET CASH GENERATED (USED IN) BY OPERATING ACTIVITIES	(32,0)	651,8
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(110,5)	(141,0)
Receivable from sale of fixed and intangible assets	10,1	5,4
Short-term investments	(2540,0)	(2737,8)
Redemption of short-term investments	2656,4	2445,4
Capital increase in subsidiaries	-	-
Dividends received from subsidiaries	-	-
NET CASH GENERATED (USED) IN INVESTING ACTIVITIES	16,0	(427,9)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings and financing - principal	(799,2)	(857,1)
Proceeds from borrowings and financing	574,3	1721,6
Payment of dividends and interest on capital of the prior year	(123,1)	(449,3)
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES	(348,0)	415,2
Gain arising on translation foreign currency cash and cash equivalents	(31,0)	9,8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,0)	648,8
Cash and cash equivalents at the beginning of the year/period	1591,8	1164,2
Cash and cash equivalents at the end of the year/period	1196,8	1813,0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,0)	648,8
ADDITIONAL STATEMENTS OF CASH FLOWS INFORMATION:		
Non cash items:	-	-
Capitalization of financial leasing	-	80,9
Hedge accounting	24,6	40,5
Effects of changes from participation of subsidiaries abroad	-	3,6
* The notes are an integral part of these interim financial information.		

9. glossary

_CDI: the overnight rate for interbank deposits.

_Natura Consultants (CN): self-employed resellers who do not have a formal labor relationship with Natura.

_Natura Consultant Advisors (CNO): self-employed resellers who do not have a formal labor relationship with Natura and support the Relationship Managers in their activities.

_Supplier Communities: the communities of people involved in small-scale farming and extraction activities in a variety of locations in Brazil, especially in the Amazon Region, who extract the inputs used in our products from the social and biodiversity. We form production chains with these communities that are based on fair prices, the sharing of benefits gained from access to the genetic heritage and associated traditional knowledge and support for local sustainable development projects. This business model has proven effective in generating social, economic and environmental value for Natura and for the communities.

_GHG: Greenhouse gases.

_Innovation Index: share in the last 12 months of the sale of products launched in the last 24 months.

_Natura Institute: is a nonprofit organization created in 2010 to strengthen and expand our Private Social Investment initiatives. The institute has enabled us to leverage our efforts and investments in actions that contribute to the quality of public education.

_Target Market: refers to the market share data published by SIPATESP/ABIHPEC. Considers only the segments in which Natura operates. Excludes diapers, oral hygiene products, hair dyes, nail polish, feminine hygiene products as well as other products.

_Profit Sharing: the share of profit allocated to employees under the profit-sharing program.

_Natura Crer Para Ver Program: special line of non-cosmetic products whose profits are transferred to the Natura Institute, in Brazil, and invested by Natura in social initiatives in the other countries where we operate. Our consultants promote these sales to benefit society and do not obtain any gains.

_Sustainable Relations Network: sales model adopted in Mexico that features eight stages in a consultant's development: Natura Consultant, Entrepreneurial Natura Consultant, Natura Developer 1 and 2, Natura Transformer 1 and 2, Natura Inspirer and Natura Associate. To rise up through the various stages, consultants must fulfill certain criteria based on sales volume, attracting new consultants and (unlike the models adopted in other countries) personal development and social and environmental relationships in the community.

_Benefit Sharing: in accordance with Natura's Policy for the Sustainable Use of Biodiversity and Associated Traditional Knowledge, benefits are shared whenever we perceive various forms of value in the access gained. Therefore, one of the practices that define the way in which these resources are divided is to associate payments with the number of raw materials produced from each plant as well as the commercial success of the products in which these raw materials are used.

_Sipatesp/Abihpec: São Paulo State Perfumery and Toiletries Association / Brazilian Cosmetics, Fragrances and Toiletries Industry Association.

EBITDA is not a measure under BR GAAP and does not represent cash flow for the periods presented. EBITDA should not be considered an alternative to net income as an indicator of operating performance or an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and the definition of EBITDA used by Natura may not be comparable with that used by other companies. Although EBITDA does not provide under BR GAAP a measure of cash flow, Management has adopted its use to measure the Company's operating performance. Natura also believes that certain investors and financial analysts use EBITDA as an indicator of performance of its operations and/or its cash flow.

This report contains forward-looking statements. These forward-looking statements are not historical fact, but rather reflect the wishes and expectations of Natura's management. Words such as "anticipate", "wish", "expect", "foresee", "intend", "plan", "predict", "project", "desire" and similar terms identify statements that necessarily involve known and unknown risks. Known risks include uncertainties that are not limited to the impact of price and product competitiveness, the acceptance of products by the market, the transitions of the Company's products and those of its competitors, regulatory approval, currency fluctuations, supply and production difficulties and changes in product sales, among other risks. This report also contains certain pro forma data, which are prepared by the Company exclusively for informational and reference purposes and as such are unaudited. 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.

