



Aēsop.



São Paulo, November 14, 2017

Strong Q3-17 results mark the beginning of Natura Group

- Strong growth in consolidated net revenue, with advances in all businesses: R\$2,365.4 million, up 24.3% vs. Q3-16, including one month of revenue from The Body Shop (“TBS”). On a comparable basis, growth was 11.4%.
 - Natura: R\$1,959.8 million, up 10.6%, driven by the strong performance of sales in Brazil, which grew 10.4% (5.2% excluding the exceptional impact from the IPI excise tax reversal in the period), and by the excellent sales performance in Latam (+11.5%, or +18.9% in local currency);
 - Aesop: R\$160.1 million, up 21.9% (+20.3% in AUD), with same-store sales advancing 12%;
 - The Body Shop: R\$245.5 million in September, the first month of consolidation. In Q3-17 (pro forma), net revenue in GBP grew 1.3% on Q3-16;
- Strong growth in consolidated EBITDA: R\$450.4 million, up 40.8% vs. Q3-16:
 - Recurring EBITDA (pro forma) stood at R\$408.6 million, posting solid growth of 31.3% excluding the effects from the TBS acquisition, adjustments for specific provisions and one-off expenses in Brazil;
 - Natura: R\$452.5 million, up 53.0%, with growth of 62.5% in Brazil and 29.2% in Latam;
 - Aesop: R\$15.4 million, stable after excluding the positive one-off effect on Q3-16 COGS of R\$ 8.7 million;
 - The Body Shop: R\$11.6 million in September. In Q3-17 (pro forma), EBITDA increased 15.5% vs. Q3-16 in BRL;
- Consolidated net income up 136.8% vs. Q3-16, excluding non-recurring effects (comparable):
 - Net Income of R\$61.0 million in Q3-17. Excluding non-recurring effects in the period, including acquisition expenses and adjustments for specific provisions, net income was R\$166.7 million;
- Solid cash generation:
 - Internal cash generation of R\$259.2 million, 60.5% higher than in Q3-16;
 - Strong consolidated free cash flow of R\$79.1 million in Q3-17, compared to R\$138.3 million in Q3-16, considering the impacts from the TBS acquisition of R\$63.4 million. We continue to rigorously manage working capital and registered a significant reduction in the cash conversion cycle. Focused on the company's deleveraging, net-debt-to-EBITDA ratio stood at 3.52 times EBITDA (vs. 1.47 times in Q3-16), which is below the previously announced projection for year-end of 3.60 times, reflecting the TBS acquisition;
- Notable advances in sustainability:
 - Inclusion, for the first time, in the FTSE4GOOD index, and for the fourth straight year in the Dow Jones Sustainability Index;
 - Release of the “Commitment to Climate Request for Proposal” for projects to offset greenhouse gas emissions;
 - Record number of enrollments in the Consultant Education program.

Management commentary:

This quarter represents a historical milestone for Natura: with the closing of the acquisition of The Body Shop, we took a decisive step towards becoming a global, multi-brand and multi-channel group, with three different businesses and brands committed to ethical and sustainable business practices that generate positive social impacts.

Our figures for the third quarter include one month of results from The Body Shop, which we consolidated on September 1, as well as the non-recurring effects from this transaction and other one-off expenses. Our results excluding these effects demonstrate the health and strength of the group we are building. This quarter, Natura resumed its growth and leadership in various strategic categories in Brazil, while maintaining a strong pace of its expansion in Latin America. Aesop reported another quarter of strong sales, while The Body Shop also contributed to our robust performance.

Net income before effects from acquisition of The Body Shop grew significantly, driven by recovery in our performance in the Brazilian market.

In the quarter, we made advances in sustainable development, including partnerships to leverage our positive social and environmental impact and to reduce our carbon emissions. Our commitments were rewarded by our inclusion, for the first time, in the FTSE4GOOD index, which recognizes companies with strong environmental, social and governance practices.

The quality of our third-quarter operating results reinforces our confidence in the successful integration of The Body Shop, that will celebrate the arrival of its new CEO, David Boynton.

1. consolidated results

In the third quarter of 2017, consolidated net revenue amounted to R\$2,365.4 million (+24.3% vs. Q3-16). Consolidated EBITDA came to R\$450.4 million (+40.8% vs. Q3-16) and net income was R\$61.0 million (-16.6% vs. Q3-16). Free cash flow before effects from the TBS acquisition was R\$142.5 million, compared to R\$138.3 million in Q3-16.

In 9M17, consolidated net revenue stood at R\$6,119.8 million (+8.9% vs. 9M16). Consolidated EBITDA amounted to R\$1,113.6 million (+26.3% vs. 9M16) and net income came to R\$413.4 million (318.5 vs. 9M16). Free cash flow before the impact of the acquisition of TBS was R\$440.6 million, compared to R\$66.9 million in 9M16.

Our consolidated results by brand and business are shown below. Pro forma results include Natura, Aesop and one month of results from The Body Shop. In this format, we isolated all TBS acquisition related expenses:

R\$ million	Pro-Forma					
	Q3-17	Q3-16	Change (%)	09M17	09M16	Change (%)
Natura Gross Revenue	2,671.6	2,511.3	6.4	7,542.3	7,364.1	2.4
Aesop Gross Revenue	176.7	144.9	21.9	503.6	427.6	17.8
The Body Shop Gross Revenue ¹	354.9	0.0	n/a	354.9	0.0	n/a
Consolidated Gross Revenue	3,203.2	2,656.2	20.6	8,400.8	7,791.7	7.8
Natura Net Revenue	1,959.8	1,771.3	10.6	5,418.1	5,230.6	3.6
Aesop Net Revenue	160.1	131.3	21.9	456.2	387.4	17.8
The Body Shop Net Revenue ¹	245.5	0.0	n/a	245.5	0.0	n/a
Consolidated Net Revenue	2,365.4	1,902.6	24.3	6,119.8	5,618.0	8.9
Natura EBITDA ²	452.5	295.7	53.0	1,124.8	822.4	36.8
<i>% Natura EBITDA Margin</i>	<i>23.1%</i>	<i>16.7%</i>	<i>6.4 pp</i>	<i>20.8%</i>	<i>15.7%</i>	<i>5.0 pp</i>
Aesop EBITDA	15.4	24.1	(36.3)	41.9	59.2	(29.2)
<i>% Aesop EBITDA Margin</i>	<i>9.6%</i>	<i>18.4%</i>	<i>(8.8) pp</i>	<i>9.2%</i>	<i>15.3%</i>	<i>(6.1) pp</i>
The Body Shop EBITDA ¹	11.6	0.0	n/a	11.6	0.0	n/a
<i>% The Body Shop EBITDA Margin</i>	<i>4.7%</i>	<i>n/a</i>	<i>n/a</i>	<i>4.7%</i>	<i>n/a</i>	<i>n/a</i>
Acquisition related Expenses ³	(29.1)	0.0	n/a	(64.8)	0.0	n/a
Consolidated EBITDA	450.4	319.8	40.8	1,113.6	881.5	26.3
<i>% Consolidated EBITDA Margin</i>	<i>19.0%</i>	<i>16.8%</i>	<i>2.2 pp</i>	<i>18.2%</i>	<i>15.7%</i>	<i>2.5 pp</i>
Consolidated Net Income ⁴	61.0	73.1	(16.6)	413.4	94.9	335.6
<i>% Consolidated Net Margin</i>	<i>2.6%</i>	<i>3.8%</i>	<i>(1.3) pp</i>	<i>6.8%</i>	<i>1.7%</i>	<i>5.1 pp</i>
Internal cash generation	259.2	161.5	60.5	721.0	382.3	88.6
Free cash flow	79.1	138.3	(42.8)	321.0	66.9	379.9
Net Debt / EBITDA	n/a	n/a	n/a	3.52	1.47	139.8

¹September only.

²For pro-forma presentation purposes, TBS related acquisition expenses were excluded from Natura's Profit & Loss.

³Refers to TBS acquisition expenses.

⁴Net (Loss) income attributable to owners of the Company.

Significant growth in consolidated net revenue, with advances in all businesses

The 24.3% growth in consolidated net revenue was driven by Natura and Aesop and includes revenue from The Body Shop for September.

Natura in Brazil posted net revenue growth of 10.4%, driven by the excellent performance of Relationship Sales, the strategy for categories and online sales. During the period, we reversed a provision booked during the year for the IPI excise tax imposed by Decree 8,393/2015, without which net revenue would have grown by 5.2%.

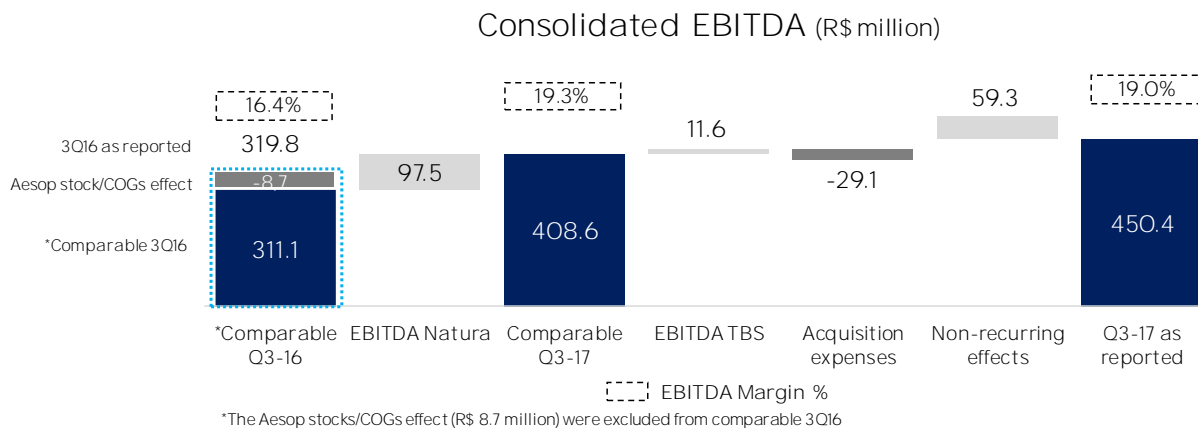
Natura in Latin America maintained solid net revenue growth, of 18.9% in Q3-17 in local currency, despite the difficult political and economic scenario in Peru and the earthquake in Mexico. In BRL, net revenue growth was 11.5%, still partially affected by the BRL appreciation against the region's currencies.

Aesop posted strong net revenue growth of 20.3% in Australian dollar, driven by same-store sales growth of 12% and by the 27 exclusive stores opened since Q3-16. In BRL, net revenue growth was 21.9%.

The Body Shop posted net revenue of R\$245.5 million in September. In the quarter, net revenue in GBP (*pro forma*) was up 1.3% vs. the year-ago period.

Robust growth in consolidated EBITDA: R\$450.4 million, +40.8% vs. Q3-16

Consolidated EBITDA stood at R\$450.4 million in Q3-17, growing 40.8% compared to Q3-16. The main changes are described below:



_Natura's EBITDA grew by R\$97.5 million;

_Aesop's EBITDA decreased by R\$8.7 million, reflecting the one-off adjustment in inventories in Q3-16, which increased the company's EBITDA by R\$8.7 million that year. Excluding this effect, EBITDA in Q3-17 remained stable in relation to Q3-16;

_The Body Shop's EBITDA stood at to R\$11.6 million in the month of September only;

_Expenses of R\$29.1 million related to the TBS acquisition;

_Non-recurring effects with accounting adjustments in the amount of R\$59.3 million, namely:

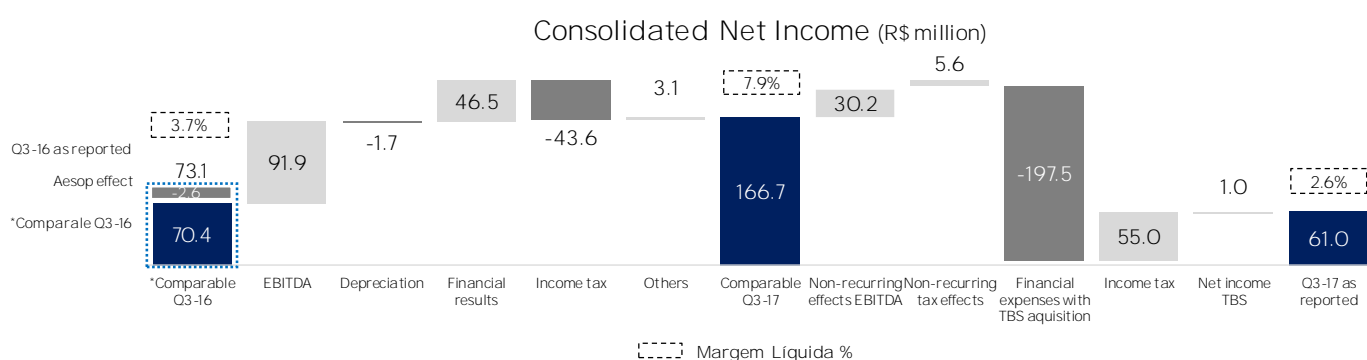
- R\$133.6 million reversal of the provision for IPI tax, originating from the equalization resulting from Decree 8,393/2015, due to the favorable jurisprudence related to the case;

- Accrual of a provision for ICMS-ST contingency in the amount of R\$38.4 million, due to the change in the risk assessment to probable loss;
- Non-recurring administrative expenses in Brazil of R\$35.9 million, including write-offs of non-operating assets and the reassessment of various provisions.

Excluding the non-recurring effects described above and the result from TBS for September, consolidated EBITDA in Q3-17 comparable to Q3-16 was R\$408.6 million, growing 31.3%, with margin expansion of 2.9 p.p.

Consolidated net income grew 136.8% vs. Q3-16, excluding non-recurring effects

Consolidated net income stood at R\$61.0 million in Q3-17, down 16.6% vs. Q3-16. Net income comparable with Q3-16, which excludes non-recurring effects from the TBS acquisition, adjustments to specific provisions and other items, was R\$166.7 million, up 136.8% on Q3-16 (on a comparable basis). The main changes in net income were:



*Comparable Q3-16 excludes Aesop COGS effects on EBITDA and returns the effect in financial income of the Aesop call option from Q3-16, net of income tax

_EBITDA growth due to the strong performance of Natura in Brazil and Latam;

_Net financial expenses decreasing by R\$46.5 million (excluding the effects from the TBS acquisition and before adjustments to provisions in the period), mainly due to higher cash generation, lower net debt and lower interest rates;

_Higher expenses with Income Tax, mainly due to the higher income before tax in the period;

_Non-recurring effects on the financial result arising from the acquisition of The Body Shop and adjustments to tax provisions.

Solid cash generation, including the impacts from the TBS acquisition

R\$ million	Q3-17	Q3-16	Change R\$	Change (%)	09M17	09M16	Change R\$	Change (%)
Net Income*	61.0	73.1	(12.1)	(16.6)	413.4	94.9	318.5	335.6
Depreciation and amortization	83.1	68.4	14.7	21.5	217.0	195.8	21.2	10.8
Non-cash / Other	115.2	20.0	95.2	476.2	90.6	91.6	(1.0)	(1.1)
Internal cash generation	259.2	161.5	97.8	60.5	721.0	382.3	338.7	88.6
Working Capital (Increase)/Decrease	(88.3)	41.7	(130.0)	(311.4)	(212.7)	(139.9)	(72.8)	52.1
Operating cash generation	171.0	203.2	(32.3)	(15.9)	508.3	242.5	265.8	109.6
Capex	(91.9)	(65.0)	(26.9)	41.5	(187.3)	(175.6)	(11.7)	6.7
Free cash flow**	79.1	138.3	(59.2)	(42.8)	321.0	66.9	254.1	380.0

(*) 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).

Cash generation stood at R\$79.1 million in Q3-17 and includes the effects from the acquisition and consolidation of TBS. In 9M17, cash generation came to R\$321.0 million, R\$254.1 million higher than in the same period last year. We maintained our rigorous management of working capital, with a significant reduction in the cash conversion cycle, mainly due to the lower coverage of inventories in Brazil and Latin

America and the efficient control of payables and receivables. The increase in working capital need shown in the above chart is due to the build-up in seasonal inventories ahead of Christmas by TBS.

We ended the quarter with a net-debt ratio of 3.52 times EBITDA (versus 1.47 times in Q3-16), below our projection for 2017 of 3.60 times, reflecting the TBS acquisition.

The following chart shows the complete result by business and on a consolidated basis:

Quarter	R\$ million	Consolidated ¹			Pro-Forma						
		Q3-17 ^(a)	Q3-16	Change (%)	Natura			Aesop			The Body Shop
					Q3-17 ^(b)	Q3-16	Change (%)	Q3-17	Q3-16	Change (%)	Sep/17
Total Consultants - end of period ('000) ²	1,745.2	1,820.9	(4.2)	1,745.2	1,819.9	(4.1)	-	-	n/a	-	-
Total Consultants - average of period ('000)	1,747.7	1,832.6	(4.6)	1,747.7	1,831.5	(4.6)	-	-	n/a	-	-
Units sold – items for resale (in million)	116.2	112.8	3.0	114.3	111.1	2.9	1.9	1.6	19.6	-	-
Gross Revenue	3,203.2	2,656.2	20.6	2,671.6	2,511.3	6.4	176.7	144.9	21.9	354.9	-
Net Revenue	2,365.4	1,902.6	24.3	1,959.8	1,771.3	10.6	160.1	131.3	21.9	245.5	-
COGS	(689.3)	(566.8)	21.6	(613.1)	(562.6)	9.0	(16.6)	(4.2)	294.7	(59.6)	-
Gross Profit	1,676.1	1,335.8	25.5	1,346.7	1,208.7	11.4	143.5	127.1	12.9	185.9	-
Selling, Marketing and Logistics Expenses	(985.1)	(828.5)	18.9	(759.0)	(751.3)	1.0	(84.2)	(77.2)	9.0	(141.9)	-
Administrative, R&D, IT and Projects Expenses	(384.0)	(263.3)	45.8	(280.8)	(225.6)	24.5	(57.9)	(37.8)	53.2	(45.4)	-
Other Operating Income / (Expenses) net	89.4	7.5	n/a	89.1	7.7	n/a	0.4	(0.2)	(296.3)	(0.0)	-
Acquisition related expenses ^(c)	(29.1)	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a	0.0	-
Depreciation	83.1	68.4	21.5	56.5	56.2	0.5	13.6	12.2	11.1	13.0	-
EBITDA	450.4	319.8	40.8	452.5	295.7	53.0	15.4	24.1	(36.3)	11.6	-
Depreciation	(83.1)	(68.4)	21.5	-	-	-	-	-	-	-	-
Financial Income / (Expenses), net	(77.9)	(128.3)	(39.3)	-	-	-	-	-	-	-	-
Acquisition related expenses in Financial Income ^(c)	(197.5)	0.0	n/a	-	-	-	-	-	-	-	-
Earnings Before Taxes	91.9	123.1	(25.3)	-	-	-	-	-	-	-	-
Income Tax and Social Contribution	(30.9)	(46.9)	(34.0)	-	-	-	-	-	-	-	-
Noncontrolling shareholders	0.0	(3.1)	n/a	-	-	-	-	-	-	-	-
Net Income ^(d)	61.0	73.1	(16.6)	-	-	-	-	-	-	-	-
Gross Margin	70.9%	70.2%	0.7 pp	68.7%	68.2%	0.5 pp	89.6%	96.8%	(7.2) pp	75.7%	-
Selling, Marketing and Logistics Expenses/Net Revenue	41.6%	43.5%	(1.9) pp	38.7%	42.4%	(3.7) pp	52.6%	58.8%	(6.2) pp	57.8%	-
Administrative, R&D, IT and Projects Expenses/Net Revenue	16.2%	13.8%	2.4 pp	14.3%	12.7%	1.6 pp	36.2%	28.8%	7.4 pp	18.5%	-
EBITDA Margin	19.0%	16.8%	2.2 pp	23.1%	16.7%	6.4 pp	9.6%	18.4%	(8.8) pp	4.7%	-
Net Margin	2.6%	3.8%	(1.3) pp	-	-	-	-	-	-	-	-

Year-to-Date	R\$ million	Consolidated ¹			Pro-Forma						
		09M17 ^(a)	09M16	Change (%)	Natura			Aesop			The Body Shop
					09M17 ^(b)	09M16	Change (%)	09M17	09M16	Change (%)	Sep/17
Total Consultants - end of period ('000) ²	1,745.2	1,820.9	(4.2)	1,745.2	1,819.9	(4.1)	-	-	n/a	-	-
Total Consultants - average of period ('000)	1,788.3	1,843.1	(3.0)	1,788.1	1,842.1	(2.9)	-	-	n/a	-	-
Units sold – items for resale (in million)	325.6	338.7	(3.9)	320.0	334.2	(4.3)	5.5	4.2	31.0	-	-
Gross Revenue	8,400.8	7,791.7	7.8	7,542.3	7,364.1	2.4	503.6	427.6	17.8	354.9	-
Net Revenue	6,119.8	5,618.0	8.9	5,418.1	5,230.6	3.6	456.2	387.4	17.8	245.5	-
COGS	(1,814.6)	(1,726.1)	5.1	(1,707.3)	(1,693.8)	0.8	(47.7)	(32.3)	47.5	(59.6)	-
Gross Profit	4,305.3	3,891.8	10.6	3,710.8	3,536.8	4.9	408.5	355.0	15.1	185.9	-
Selling, Marketing and Logistics Expenses	(2,664.1)	(2,396.7)	11.2	(2,268.1)	(2,181.0)	4.0	(254.2)	(215.7)	17.8	(141.9)	-
Administrative, R&D, IT and Projects Expenses	(962.3)	(820.2)	17.3	(769.8)	(710.8)	8.3	(147.1)	(109.5)	34.4	(45.4)	-
Other Operating Income / (Expenses) net	282.5	10.9	n/a	282.3	10.7	n/a	0.3	0.2	23.8	(0.0)	-
Expenses with Acquisition ^(c)	(64.8)	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a	0.0	-
Depreciation	217.0	195.8	10.8	169.6	166.8	1.7	34.4	29.1	18.4	13.0	-
EBITDA	1,113.6	881.5	26.3	1,124.8	822.4	36.8	41.9	59.2	(29.2)	11.6	-
Depreciation	(217.0)	(195.8)	10.8	-	-	-	-	-	-	-	-
Financial Income / (Expenses), net	(149.1)	(525.1)	(71.6)	-	-	-	-	-	-	-	-
Expenses with Acquisition in Financial Income ^(c)	(124.9)	0.0	n/a	-	-	-	-	-	-	-	-
Earnings Before Taxes	622.6	160.6	287.7	-	-	-	-	-	-	-	-
Income Tax and Social Contribution	(209.2)	(61.2)	241.9	-	-	-	-	-	-	-	-
Noncontrolling shareholders	0.0	(4.5)	n/a	-	-	-	-	-	-	-	-
Net Income ^(d)	413.4	94.9	335.6	-	-	-	-	-	-	-	-
Gross Margin	70.3%	69.3%	1.1 pp	68.5%	67.6%	0.9 pp	89.5%	91.6%	(2.1) pp	75.7%	-
Selling, Marketing and Logistics Expenses/Net Revenue	43.5%	42.7%	0.9 pp	41.9%	41.7%	0.2 pp	55.7%	55.7%	0.0 pp	57.8%	-
Administrative, R&D, IT and Projects Expenses/Net Revenue	15.7%	14.6%	1.1 pp	14.2%	13.6%	0.6 pp	32.2%	28.3%	4.0 pp	18.5%	-
EBITDA Margin	18.2%	15.7%	2.5 pp	20.8%	15.7%	5.0 pp	9.2%	15.3%	(6.1) pp	4.7%	-
Net Margin	6.8%	1.7%	5.1 pp	-	-	-	-	-	-	-	-

^(a)The acquisition costs of TBS were included in the consolidated Profit & Loss.

^(b)The acquisition costs of TBS were excluded from the Natura Profit & Loss.

^(c)TBS acquisition related expenses.

^(d)Net / (Loss) income attributable to owners of the Company.

Link to the historical data series since 2011: [Historical data series](#)

¹Consolidated figures include Brazil, Latam, France, United States, Aesop and The Body Shop.

²Position at the end of cycle 13 in Brazil, cycle 12 in Argentina, Chile, Mexico, Peru and Colombia.

Performance by brand and business

Natura - Brazil

We made progress in the transformation of our main business model in Brazil, with the implementation of the new Relationship Sales. The significant increase of 15.4% in productivity in the quarter from the year-ago period, combined with the recovery in the level of activity, shows that our Consultants are already benefitting from this new value proposition. We are moving towards the convergence of our online and offline business models, with the digitalization of Relationship Sales reaching hundreds of thousands of active users on our exclusive mobile app for Consultants.

Our fragrances continued to perform better than expected in the period, maintaining the significant growth observed in the first half of the year. The Body category posted excellent volume and value growth in the quarter, helped by campaigns that had already delivered encouraging initial results in the second quarter and we maintained the great results in the gifts category. Our Innovation Index increased for the fourth straight quarter, to 63.1%, demonstrating how innovation can help power our business.

Our online sales through the [Natura Network](#) maintained the trend of triple-digit growth in the first nine months, generating excellent results. During the period, we observed an increase in the average ticket, a higher number of visits and expansion in the registered consumer base.

Natura's net revenue in Brazil amounted to R\$1,397.6 million in the quarter, up 10.4% vs. Q3-16, driven by the excellent performance of Relationship Sales, the categories strategy and online sales. In the period, there was the reversal of the IPI provision expenses incurred over the course of the year, of R\$66.3 million which corresponded to 5.2% of this growth. In the year to date, net revenue reached R\$3,901.3 million, increasing 3.7% on the same period of 2016.

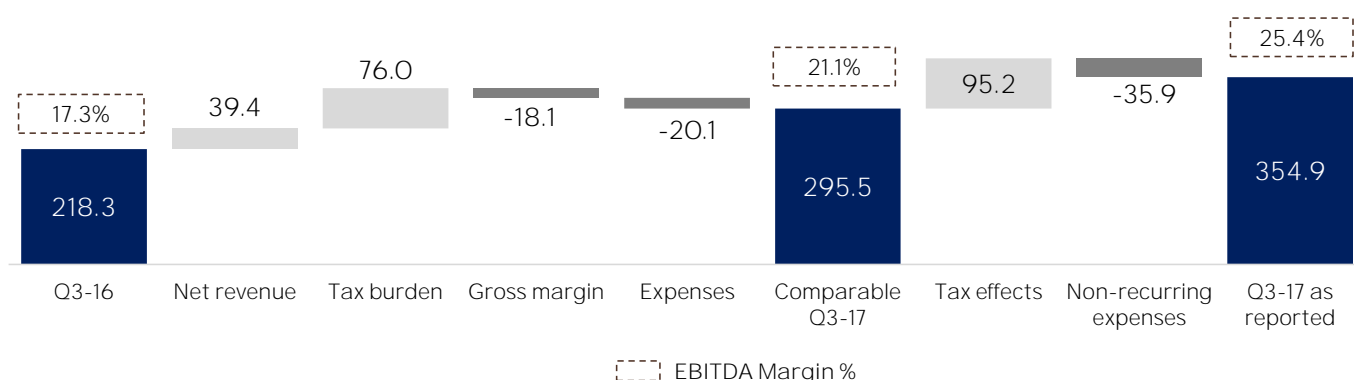
We continued to expand our retail presence and currently have 18 Natura stores in shopping malls, 13 of which are in the state of São Paulo and 5 in the city of Rio de Janeiro, in addition to being present in 3,300 stores of major drugstore chains.

Quarter and year-to-date	Pro-Forma					
	Natura Brasil					
R\$ million	Q3-17 ^(a)	Q3-16	% Change	09M17 ^(a)	09M16	% Change
Total Consultants - end of period ('000)	1,160.9	1,275.9	(9.0)	1,160.9	1,275.9	(9.0)
Total Consultants - average of period ('000)	1,169.7	1,292.0	(9.5)	1,228.6	1,317.6	(6.8)
Units sold – items for resale (in million)	82.3	79.3	3.7	229.3	246.7	(7.0)
Gross Revenue	1,931.4	1,849.5	4.4	5,557.9	5,464.6	1.7
Net Revenue	1,397.6	1,265.5	10.4	3,901.3	3,763.3	3.7
COGS	(429.2)	(395.9)	8.4	(1,203.3)	(1,213.5)	(0.8)
Gross Profit	968.4	869.6	11.4	2,698.0	2,549.9	5.8
Selling, Marketing and Logistics Expenses	(538.1)	(539.8)	(0.3)	(1,626.4)	(1,544.5)	5.3
Administrative, R&D, IT and Projects Expenses	(214.7)	(168.7)	27.3	(580.2)	(519.2)	11.7
Other Operating Income / (Expenses), net	89.0	7.1	n/a	280.8	9.8	n/a
Depreciation	50.3	50.2	0.2	150.2	149.6	0.4
EBITDA	354.9	218.3	62.5	922.3	645.6	42.9
Gross Margin	69.3%	68.7%	0.6 pp	69.2%	67.8%	1.4 pp
Selling, Marketing and Logistics Expenses/Net Revenue	38.5%	42.7%	(4.2) pp	41.7%	41.0%	0.6 pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	15.4%	13.3%	2.0 pp	14.9%	13.8%	1.1 pp
EBITDA Margin	25.4%	17.3%	8.1 pp	23.6%	17.2%	6.5 pp

^(a) TBS acquisition related expenses were excluded from Natura Profit & Loss.

Excluding the non-recurring effects in the period, EBITDA was R\$295.5 million, up 35.4% from Q3-16, with margin of 21.1% (+3.8pp vs. Q3-16), as shown in the following chart:

Brazil EBITDA (R\$ million)



Natura - Latam

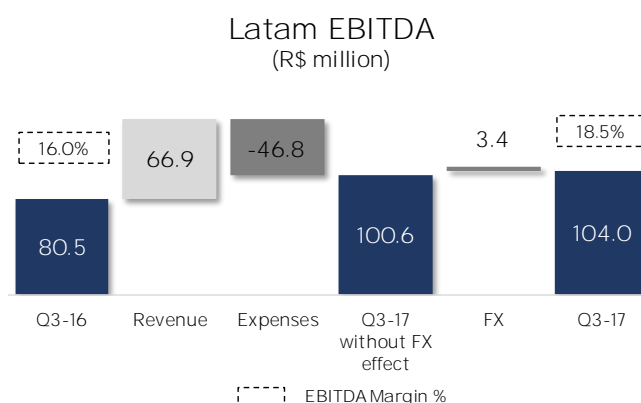
In Q3-17, net revenue grew 18.9% in local currency, with the number of Consultants expanding by 7.4%, supported by productivity gains. In BRL, net revenue grew by 11.5%, partially impacted by the exchange rate in the period. EBITDA grew by 42.5% in local currency (29.2% in BRL) compared to Q3-16, with margin of 18.5% (+2.5 p.p.), driven by operating efficiency gains.

In the first nine months, net revenue in local currency grew 17.8%, while EBITDA advanced 16.8%. In BRL, net revenue and EBITDA grew 3.8% and 16.3%, respectively, mainly due to the exchange variation in the nine-month period.

The highlights were Argentina and Mexico, which performed better than expected, while Peru has been facing challenges due to its political, economic and environmental situation.

Quarter and year-to-date	Pro-Forma					
	R\$ million			Natura Latam		
	Q3-17	Q3-16	% Change	09M17	09M16	% Change
Total Consultants - end of period ('000)	584.3	543.9	7.4	584.3	543.9	7.4
Total Consultants - average of period ('000)	578.0	539.5	7.1	559.4	524.5	6.7
Units sold – items for resale (in million)	32.0	31.8	0.7	90.6	87.6	3.5
Gross Revenue	738.9	658.6	12.2	1,979.0	1,887.6	4.8
Net Revenue	561.1	503.1	11.5	1,512.2	1,457.3	3.8
COGS	(183.6)	(166.1)	10.5	(501.9)	(478.3)	4.9
Gross Profit	377.5	337.0	12.0	1,010.4	979.0	3.2
Selling, Marketing and Logistics Expenses	(216.4)	(207.7)	4.2	(628.9)	(623.0)	1.0
Administrative, R&D, IT and Projects Expenses	(63.2)	(55.1)	14.6	(181.5)	(184.0)	(1.4)
Other Operating Income / (Expenses), net	0.1	0.7	(80.1)	1.4	0.8	74.7
Depreciation	6.0	5.6	6.8	18.9	16.6	13.9
EBITDA	104.0	80.5	29.2	220.3	189.3	16.3
Gross Margin	67.3%	67.0%	0.3 pp	66.8%	67.2%	(0.4) pp
Selling, Marketing and Logistics Expenses/Net Revenue	38.6%	41.3%	(2.7) pp	41.6%	42.7%	(1.2) pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	11.3%	11.0%	0.3 pp	12.0%	12.6%	(0.6) pp
EBITDA Margin	18.5%	16.0%	2.5 pp	14.6%	13.0%	1.6 pp

The following are the main changes in EBITDA in Latam in Q3-17:



Aesop

Aesop posted strong gross revenue growth of 20.3% in AUD in the quarter, with a significant increase in same-store sales of 12% and the addition of 27 signature stores since Q3-16, for a total of 196 units. Aesop is also present in 97 department stores (83 in Q3-16). In BRL, gross revenue grew 21.9% on Q3-16.

EBITDA in BRL fell by 36.3% compared to Q3-16. Excluding the non-recurring adjustment to inventories in Q3-16 of R\$8.7 million, EBITDA remained stable, with margin decreasing by 2.1 p.p., mainly due to the new long-term incentive plan granted to the company's key executives since Q4-16, with effects to June 2019.

In the first nine months, gross revenue advanced 27.1% on 2016 in AUD, compared to 17.8% in BRL, impacted by the exchange rate. EBITDA decreased 24.1% in local currency, contracting 29.2% in BRL, impacted by the executive retention plan and the inventory adjustment in Q3-16.

The Body Shop

The Body Shop posted net revenue in September of R\$245.5 million and EBITDA of R\$11.6 million. In the quarter, net revenue in GBP increased 1.3% from the year-ago period and EBITDA margin stood at 4.5% (like Q3-16). Note that TBS's business model presents strong seasonality in revenue and EBITDA, with the strongest results in the fourth quarter.

In the first nine months, we observed initial signs of recovery, with net revenue in GBP growing 2.2%, with the highlights being the United Kingdom, Canada, Asian franchises and e-commerce in the United States. The Skincare category has been growing steadily in all markets. Pro forma EBITDA in the period grew to GBP 10.1 million, versus GBP 2.9 million in 9M16, thanks to the more effective control of expenses and the better mix, which supported gross margin expansion.

Since the conclusion of the acquisition, The Body Shop's team has been dedicated to ensuring the successful execution of the most important event of the year, the Christmas campaign. All business models, such as franchises, own stores, retail and e-commerce, are ready and confident for this all-important period of the year, focusing on offering a unique customer experience.

2. social and environmental performance

During the period we commemorated our inclusion, for the fourth straight year, in the Dow Jones Sustainability Index of the New York Exchange (DJSI), in the emerging markets portfolio, as well as our inclusion, for the first time, in the FTSE4GOOD index, which was created by the global index FTSE Russell to measure the performance of companies that demonstrate strong environmental, social and corporate governance practices.

We forged unprecedented partnerships to leverage our positive social and environmental impact, such as the agreement to strengthen the use of products and services from Amazonian social and biodiversity, signed with the Banco do Brasil Foundation, which will benefit some 200 families in the Baixo Tocantins region in Pará state and contribute to the technical training of cooperatives and to the adoption of social technologies adapted to family agriculture. We launched the Commitment to Climate Call for Proposals, in partnership with Itaú, to support projects for offsetting greenhouse gas emissions. Together the two companies aim to acquire an estimated 500,000 tons of CO₂ to offset their emissions.

We had a record number of enrollments in the Consultant Education program, with 4,347 new consultants and family members enrolling (18,996 in the first nine months) in college program and English courses, using funds from the sale of Crer Para Ver products.

During this period, Natura launched, at the United Nations event in New York, the application BexCo, whose goal is to build a global community for exchanging information on direct selling around the world as part of the Breakthrough Innovation Challenge (BIC), an initiative of the UN Global Compact for the planet's sustainable development.

Indicator	Unit	2020 ambition	Q3-17 Results	2016 Results
Relative carbon emissions (scopes 1, 2 & 3)	kg CO ₂ /kg prod billed	2.15	3.29	3.17
% post consumption recycled materials ¹	% (g recycled mat/g packaging)	10.0	4.4	4.3
Eco-efficient packaging ²	% (eco-efficient packaging units billed/ total units)	40	20	20
Amazon inputs consumed in relation to total inputs	% (R\$ Amazon inputs/R\$ total inputs)	30.0	18.0	19.1
Cumulative business volume in the Pan-Amazon region ³	R\$ millions	1,000.0	1,151.3	972.6
Water consumption	Liters / units manufactured	0.32	0.52	0.53
Funding for "Crer Para Ver" program - Global ⁴	R\$ millions	41.0	26.0	38.2

¹The indicator considers the % of packaging materials sourced from post-consumer recycling in relation to total mass of packaging billed.

²Eco-efficient packaging is 50% lighter in relation to regular/similar packaging or which has at least 50% in potentially marketable recyclable materials and/or renewable materials, as long as there is no mass increase.

³Cumulative amounts since 2011.

⁴Refers to the year to date earnings before income tax attributed to the Crer Para Ver product line.

Relative carbon emissions (scopes 1, 2 and 3): Higher relative emissions vs. 2016, as projected, due to the higher production volume of items with higher relative emissions, such as fragrances, especially those with

heavier packaging. We continue to work to reverse this situation by diversifying the fleet (using electric cars and bicycles) and increasing the use of materials with lower environmental impact in our products. Natura was one of the founders of the Green Brazil Logistics Program (PLVB) jointly with six other large companies with the aim of sharing good practices and encouraging low carbon innovation in our logistic process.

Percentage of post-consumer recycled materials: The higher volume of fragrances still partially using recycled glass prevented an improvement in this indicator during the period, which remained stable. This emphasizes the importance of the initiative, already in progress, to use recycled glass in the entire category. The highlight was the performance in the period of Ekos Corpo and Oils with 100% post-consumer recycled PET.

Eco-efficient packaging: We maintained the same level as in the previous year, continuing the initiative to review the refilling strategy and the development of more packaging made from renewable materials and post-consumer recycled materials in the portfolio.

Consumption of Amazonian inputs in relation to Natura's total consumption: Despite the increase in purchases of Amazonian ingredients, as projected, demand for non-Amazonian ingredients was even higher. The highlights in the period were the higher demand for Amazonian palm oil to make soaps and the higher purchase value of nut oil, due to the shortfall in the 2017 crop due to weather factors.

Cumulative business volume in the Pan-Amazon region: The cumulative result since 2011 is R\$1,151.3 million, exceeding the projection for the period. The third-quarter highlights include stronger demand for palm oil to meet the Christmas strategy and the higher nut oil price due to the crop shortfall. Payments of benefit sharing to cooperatives for Copaiba inputs and the purchase of carbon credits postponed from the second quarter also contributed to the good result.

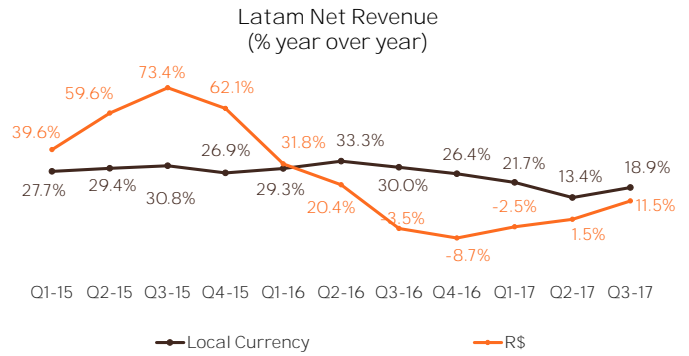
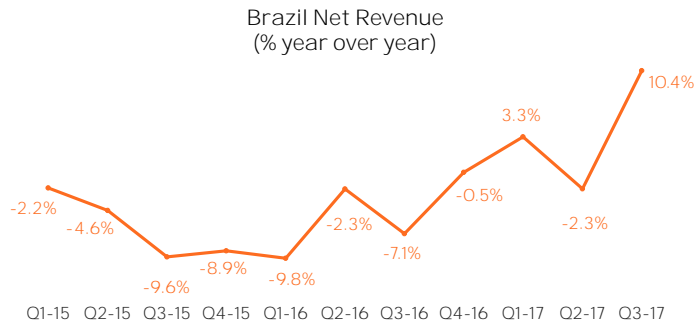
Water consumption: Relative water consumption in the Q3-17 production process was slightly lower than in 2016, mainly due to the higher efficiency of the Cajamar and Ecoparque industrial sites. The higher production, the efficient use of drinking water in production facilities and the reuse of water in utility and building-maintenance processes were the main drivers. In addition, an analysis of our EP&L and water footprint, which includes the company's entire value chain, showed that the use of products by end consumers represents a much bigger impact than the industrial phase. We will focus our efforts on shared management with consumers to reduce this impact.

Funding for Crer para Ver (Education) program: In the quarter, in Brazil, the presence of Crer Para Ver in gifts was concentrated in Father's Day, with an expansion in the collection of houseware items. In Latam, revenue decreased due to the BRL appreciation against local currencies, with Argentina and Chile registering the highest growth. Consolidated revenue presented a downward trend compared to the prior year, due to the weaker performance of launches, despite the higher number of consultants engaged in product purchases. August marked one year since the launch of benefits sponsored by revenue from the Crer para Ver line in education for Natura Beauty Consultants in Brazil, with the number of adherences and benefits offered continuing to grow.

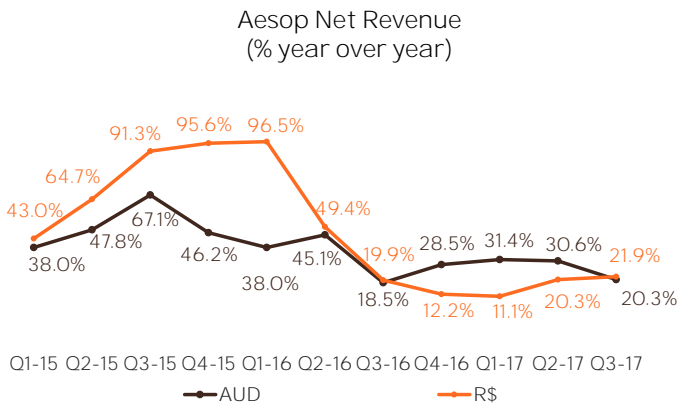
Appendices

1. net revenue

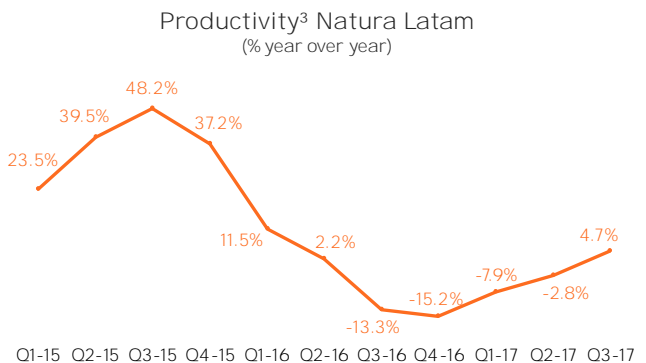
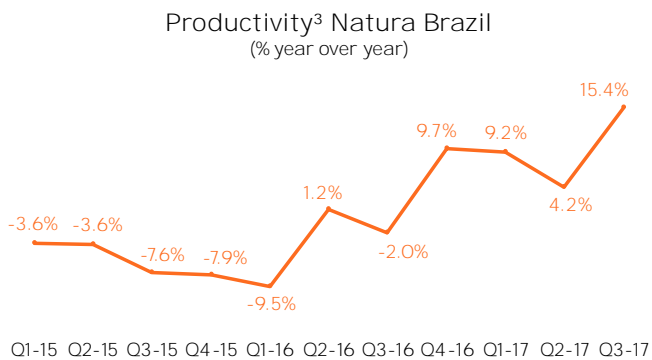
Natura Net Revenue: quarterly historical graph



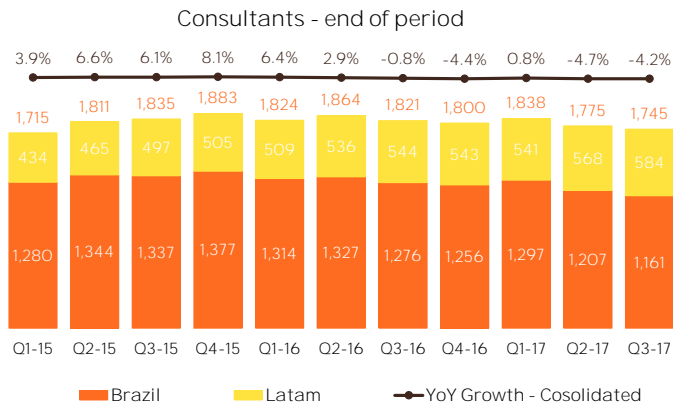
Aesop Net Revenue: quarterly historical graph



2. relationship sales



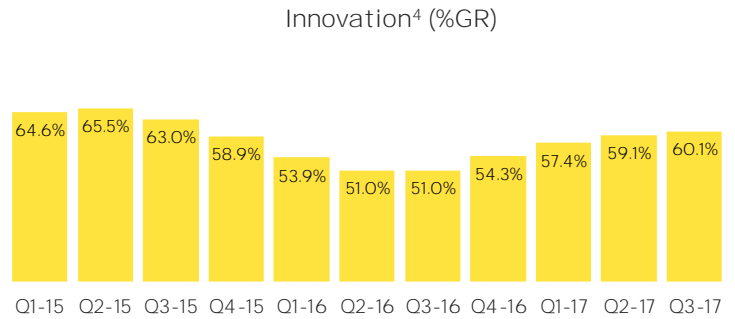
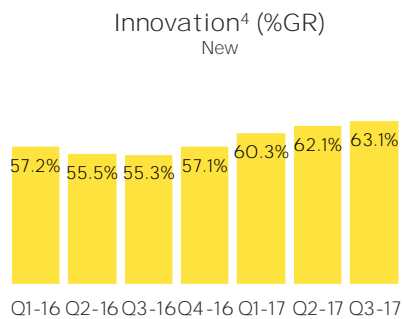
³ Productivity at retail prices = (gross revenue in the period/average number of consultants in the period) / (1 - % consultants' profit).



Natura Brazil reported growth in productivity per consultant for the 4th straight quarter, posting a 15.4% increase after the implementation of the new commercial model. This compensated the 9.0% decline in total consultants vs. Q3-16, which is in line with our plans.

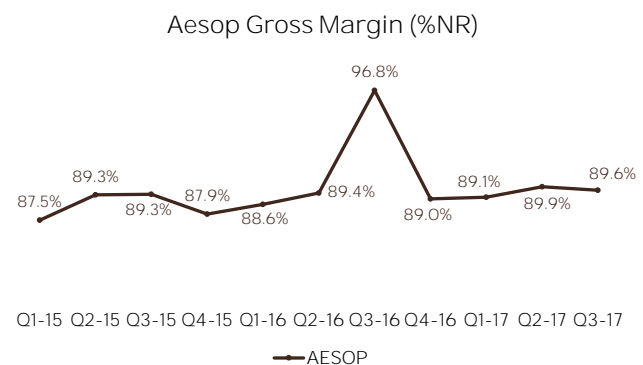
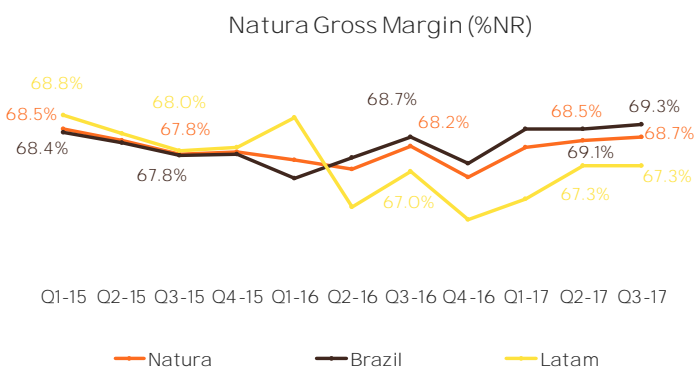
In Latam, productivity per consultant increased 4.7% while the total number of consultants increased 7.4%, totalling 584.3 thousand.

3. products and innovation



The Innovation Index stood at 63.1% in Q3-17, progressing 7.8pp from Q3-16 based on the new measurement methodology we have recently adopted, helped by the performance of strategic brands and categories, besides successful commemorative dates campaigns. According to the old measurement methodology which we still present above for comparative purposes, this was the best performing period of the last 8 quarters, with a strong 9.1pp improvement from Q3-16.

4. gross margin



Natura gross margin in Brazil was 69.3% in the quarter, on the back of a favorable category mix and the reversal of the IPI excise tax provision, while gross margin in Natura Latam was still impacted by the BRL

⁴Innovation Index: share in the last 12 months of the sale of products launched in the last 24 months.

appreciation in the period. Aesop's gross margin was impacted in Q3-16 by the one-off accounting adjustment in inventories and COGS, of R\$8.7 million.

Below we present the main components of our consolidated costs of goods sold:

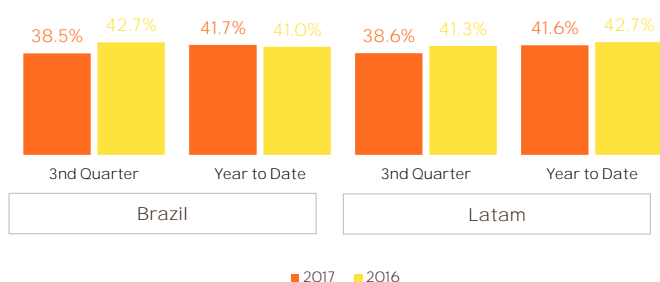
	Q3-17	Q3-16	09M17	09M16
RM / PM / FP*	80.9%	79.1%	79.7%	78.5%
Labor	9.9%	10.7%	10.7%	10.8%
Depreciation	2.5%	3.4%	2.8%	3.4%
Other	6.7%	6.8%	6.8%	7.3%
Total	100.0%	100.0%	100.0%	100.0%

(*)RawMaterial, Packaging Materiall and Finished Products

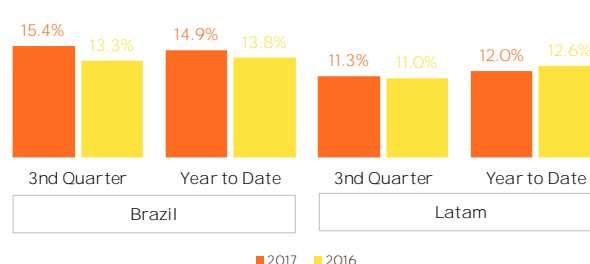
5. operating expenses

Natura's operating expenses

Selling, Marketing and Logistics Expenses (%NR)



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

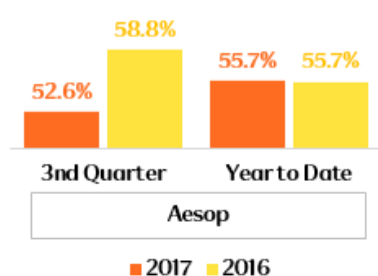


Selling, marketing and logistics expenses in Brazil fell 4.2pp in relation to net revenues from Q3-16. In Latam, such expenses dropped 2.7pp in relation to net revenues, to 38.6% from 41.3% in Q3-16.

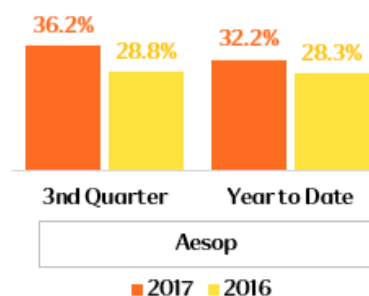
Administrative, R&D, IT and project expenses in Brazil grew 27.3% in Q3-17 vs. Q3-16, representing 15.4% of net revenues (vs. 13.3% in Q3-16) largely by the partial reversal of the employee profit sharing plan provision performed in Q3-16. In Latam such expenses increased 14.6% in Q3-17 vs. Q3-16, reaching 11.3% of net revenues (11.0% in Q3-16), mainly for the same effects in Brazil, with greater impact in the Argentine operation where the region's headquarters is located.

Aesop's operating expenses

Selling, Marketing and Logistics Expenses (%NR)



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



Selling, marketing and logistics expenses increased 9.0% in the quarter vs. Q3-16, declining 6.2pp in relation to net revenues from Q3-16. Administrative, R&D, IT and project expenses increased 53.2% since Q3-16, representing 36.2% of net revenues (vs. 28.8% in Q3-16), predominantly as a result of the new incentive plan introduced in December 2016 to the company's key executives, as well as investments in the expansion of the administrative structure necessary to support high revenue growth rates for the long-term.

6. other operating income and expenses

Net consolidated operating income was R\$89.4 million in Q3-17, a R\$81.9 million increase over Q3-16, mainly impacted by the non-recurring effects recorded by Natura in Brazil. We highlight the reversal of IPI (Decree nº 8393/2015) excise tax of R\$133.6 million, which was partially offset by the constiution of an ICMS-ST provision of R\$38.4 million, as well as the write-off of non-operating assets, amongst other less relevant non-recurring expenses.

7. financial income and expenses

The following chart demonstrates the main changes in our financial results:

(R\$ million)	Q3-17	Q3-16	Change R\$	Change (%)	Q9M17	Q9M16	Change R\$	Change (%)
Financial Result	(275.4)	(128.3)	(147.1)	114.6%	(273.9)	(525.1)	251.2	(47.8%)
1. Borrowings/Financing (B/F) and Short-Term Investments (S)	(76.9)	(64.3)	(12.6)	19.6%	(190.1)	(189.4)	(0.7)	0.4%
Average Balance of STI	1,752.8	1,896.2	(143.5)	(7.6%)	1,620.3	2,005.0	(384.7)	(19.2%)
Financial Income from STI	28.8	64.8	(35.9)	(55.5%)	111.6	197.8	(86.2)	(43.6%)
Average Interest Rate Earned on STI as % of CDI rate	101.3%	102.4%	n/a	(112.5%)	101.9%	102.1%	n/a	(21.0%)
Average Balance of Treasury Debt	(5,449.0)	(3,883.0)	(1,566.0)	40.3%	(4,317.3)	(4,007.8)	(309.5)	7.7%
Financial Expenses on B/F and Derivatives	(105.7)	(129.0)	23.3	(18.1%)	(301.7)	(387.2)	85.6	(22.1%)
Weighted Average Cost of B/F as a % of CDI rate	101.4%	94.5%	n/a	695.2%	97.1%	96.9%	n/a	18.8%
Cumulative CDI rate	2.25%	3.47%	n/a	(121.5%)	8.03%	10.42%	n/a	(239.5%)
2. Operational FX gains/(losses) - Brazil	(3.7)	(0.2)	(3.5)	n/a	(1.9)	(18.5)	16.6	(89.7%)
3. Restatement of Aesop's Put Option	(0.0)	(1.9)	1.9	(100.0%)	(0.0)	(118.2)	118.2	(100.0%)
4. Adjustment of derivatives to acquire The Body Shop	(100.2)	0.0	(100.2)	0.0%	(27.5)	0.0	(27.5)	0.0%
5. International Operations - LATAM	(0.6)	(6.1)	5.5	(90.8%)	3.0	(31.8)	34.8	(109.4%)
6. Other financial expense / income	(94.1)	(55.9)	(38.2)	68.4%	(57.4)	(167.2)	109.8	(65.7%)
Reclassification BNDES - CPC 07	(8.6)	(18.8)	10.2	(54.3%)	(26.9)	(43.9)	17.0	(38.7%)
TBS related financial expenses	(63.2)	0.0	(63.2)	0.0%	(63.2)	0.0	(63.2)	0.0%
Other	(22.3)	(37.1)	14.8	(39.9%)	32.7	(123.3)	156.0	(126.5%)

The positive change of R\$147.1 million compared to Q3-16 was mainly due to effects resulting from the quisition of TBS.

- Borrowings/financing and short-term investments in Brazil: increase of R\$12.6 million in net financial expense, primarily due to the lower average balance and lower remuneration of short-term deposits (given the reduced % of CDI interest rate). The average balance of debt already contemplates the promissory notes issued in late August for the acquisition of TBS;
- Operating currency translation in Brazil: reflects the effects from the BRL/USD exchange rate on export receivables;
- Restatement of Aesop's **put option**: reflects the restatement of liabilities related to the acquisition of Aesop's non-controlling interest in 2016;
- Adjustment of derivatives to acquire The Body Shop: refers to the adjustment of the financial derivatives contracted to hedge the amount paid for TBS acquisition;
- International operations: predominantly reflects the effects of from the BRL vs. Argentine Peso exchange rate on imports payable from Argentina (to Brazil);

- Other financial expense/income: includes financial expenses related to TBS acquisition, such as disbursements for bank financing guarantees, fund remittances and related taxes, charges and others, totalling R\$63.2 million. The rubric "other" of R\$22.3 million expense in Q3-17 includes interest on contingency balances and on tax obligations, mark-to-market impact on debt related financial derivatives, etc. The decrease in such expenses from Q3-16 is primarily due to the lower interest on contingencies, given the IPI excise tax provision reversal in Q3-17;

8. indebtedness

Another highlight in the period was the reported net-debt-to EBITDA ratio which is below the previously announced ratio projected for the year-end. On September 30, 2017 the former stood at 3.52 times EBITDA, while the later is 3.60 times EBITDA.

As seen in the chart below, the overall increase in total debt is a result of the promissory notes issued on August 23, 2017 for the acquisition of The Body Shop, in the amount of 3,700.0 million, with maturity date on February 19, 2017.

R\$ million	sep17	Share (%)	sep16	Share (%)	Change (%)
Short-Term	1,986.0	21.5	1,950.7	51.6	1.8
Long-Term	7,624.9	82.4	2,124.2	56.2	259.0
Derivatives*	15.5	0.2	(70.6)	(1.9)	122.0
Finance Leases / Others**	(376.3)	(4.1)	(221.4)	(5.9)	(70.0)
Total Debt	9,250.1		3,782.9		144.5
(-) Cash, cash equivalents and short-term investment	(3,696.4)		(1,820.0)		103.1
(=) Net Debt	5,553.7		1,962.9		182.9
Net Debt / Ebitda	3.52		1.47		
Total Debt / Ebitda	5.87		2.84		

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

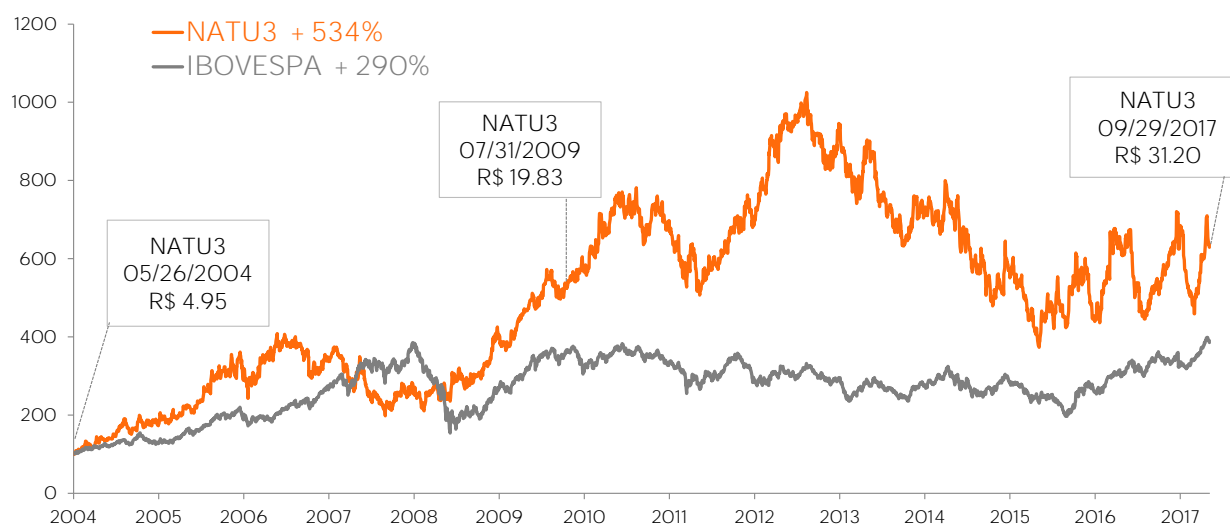
(**)Other: reclassification of expenses with interest on subsidized loans from financial result in accordance with CPC07.

9. NATU3 performance

In Q3-17, the price of Natura stock gained 36.2% from the closing quote at end-2016, while the Bovespa Index increased 23.4%.

Average daily trading volume in the quarter was R\$ 63.4 million, compared to R\$ 36.1 million in the prior-year period.

The following chart shows the performance of Natura stock since its IPO:



10. conference call and webcast

The Q3-17 Results Conference Call with Webcast will be held on November 16, 2017 (Thursday)

The call will be held in English with simultaneous translation to Portuguese

Times:

12:00 a.m. Brasilia Time

09:00 a.m. NY Time

02:00 p.m. London Time

Access Numbers:

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

Access Numbers:

USA: Toll Free + 1 888 700 0802
 UK: Toll Free + 0808 234 8680

Other Countries: +1 786 924 6977

Conference call ID: Natura

Live webcast:

www.natura.net/investidor



11. balance sheet

At September 2017 and December 2016:

(In millions of Brazilian Real – R\$)

ASSETS	sep 17	dec 16	LIABILITIES AND SHAREHOLDERS' EQUITY	sep 17	dec 16
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	2,210.4	1,091.5	Borrowings, financing and debentures	1,952.0	1,764.5
Securities	1,491.2	1,207.5	Trade and other payables	1,370.8	814.9
Trade receivables	1,269.7	1,051.9	Payroll, profit sharing and social charges	372.0	208.1
Inventories	1,458.9	835.9	Tax liabilities	509.0	977.1
Recoverable taxes	198.1	274.1	Income tax and social contribution	122.9	98.3
Income tax and social contribution	127.2	55.3	Dividends and interest on shareholders' equity payable	0.0	79.7
Other current assets	264.3	286.7	Derivative financial instruments	15.2	73.5
Total current assets	7,019.7	4,802.9	Provision for tax, civil and labor risks	17.3	0.0
			Other liabilities	355.8	161.7
NON CURRENT ASSETS			Total current liabilities	4,715.0	4,177.9
Recoverable taxes	443.9	280.6	NON CURRENT LIABILITIES		
Deferred income tax and social contribution	409.1	493.0	Borrowings, financing and debentures	7,658.9	2,625.7
Judicial deposits	321.4	303.1	Tax liabilities	188.1	237.5
Other non-current assets	50.3	23.0	Deferred income tax and social contribution	397.8	23.8
Total long term assets	1,224.8	1,099.7	Provision for tax, civil and labor risks	252.4	93.6
			Other non-current liabilities	219.3	266.7
Property, plant and equipment	2,242.5	1,734.7	Total non-current liabilities	8,716.5	3,247.3
Intangible assets	4,357.1	784.3	SHAREHOLDERS' EQUITY		
Total noncurrent assets	7,824.4	3,618.7	Capital stock	427.1	427.1
			Treasury shares	(33.4)	(37.1)
			Capital reserves	149.9	142.8
			Profit reserves	666.8	666.8
			Retained earnings	413.4	0.0
			Additional proposed dividends	0.0	29.7
			Negative goodwill on capital transactions	(92.1)	(92.1)
			Equity valuation adjustments	(119.3)	(140.7)
			Total equity attributable to owners of the Company	1,412.6	996.4
TOTAL ASSETS	14,844.1	8,421.6	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,844.1	8,421.6

12. income statement

for the periods ended September 30, 2017 and 2016:

R\$ million	Q3-17	Q3-16	O9M17	O9M16
NET REVENUE	2,365.4	1,902.6	6,119.8	5,618.0
Cost of sales	(689.3)	(566.8)	(1,814.6)	(1,726.1)
GROSS PROFIT	1,676.1	1,335.8	4,305.3	3,891.8
OPERATING (EXPENSES) INCOME				
Selling, Marketing and Logistics expenses	(985.1)	(828.5)	(2,664.1)	(2,396.7)
Administrative, R&D, IT and Project Expenses	(384.0)	(263.3)	(962.3)	(820.2)
Other operating (expenses) income, net	60.3	7.5	217.7	10.9
INCOME FROM OPERATIONS BEFORE FINANCIAL RESULT	367.3	251.4	896.6	685.7
Financial income	76.0	106.6	476.1	892.1
Financial expenses	(351.5)	(234.9)	(750.0)	(1,417.2)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	91.9	123.1	622.6	160.6
Income tax and social contribution	(30.9)	(46.9)	(209.2)	(61.2)
NET INCOME FOR THE PERIOD	61.0	76.2	413.4	99.4
Non controlling	0.0	3.1	0.0	4.5
NET INCOME ATTRIBUTABLE TO	61.0	73.1	413.4	94.9
Owners of the Company	61.0	73.1	413.4	94.9
Non controlling	0.0	3.1	0.0	4.5
	61.0	76.2	413.4	99.4

13. statement of cash flows

for the periods ended September 30, 2017 and 2016:

	R\$ million	09M17	09M16
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		413.4	99.4
Adjustments to reconcile net income for the period with net cash generated by operating activities:			
Depreciation and amortization		217.0	195.8
Provision arising from swap and forward derivative contracts		169.2	670.6
Provision for tax, civil and labor risks		110.5	10.2
Inflation adjustment of judicial deposits		(7.0)	(12.4)
Income tax and social contribution		209.3	61.2
Result from sale and write-off of property, plan and equipment and intangible assets		3.1	(3.5)
Interest and exchange variation on borrowings and financing		148.6	(247.6)
Exchange variation on other assets and liabilities		(20.4)	25.5
Provision (reversal of provision) for property, plant and equipment losses		11.2	0.3
Provision (reversal of provision) for stock option plans		11.4	7.2
Provision (reversal of provision) for doubtful accounts, net of reversals		(27.6)	6.6
Provision (reversal of provision) for net inventory losses		7.3	41.4
Provision for health medical care and carbon credit		11.8	8.3
Net income (loss) for the period attributable to non-controlling shareholders		0.0	(4.5)
Provision for acquisition of non-controlling interest		0.0	56.3
		1,258.0	914.9
(INCREASE) DECREASE IN ASSETS			
Trade receivables		2.5	(63.5)
Inventories		(145.9)	(102.0)
Recoverable taxes		(94.1)	13.3
Other assets		(43.7)	(7.4)
Subtotal		(281.2)	(159.5)
(INCREASE) DECREASE IN LIABILITIES			
Domestic and foreign trade payables		241.6	(105.9)
Payroll, profit sharing and social charges, net		78.4	36.5
Tax liabilities		(514.4)	(30.7)
Other liabilities		137.6	(35.3)
Subtotal		(56.7)	(135.3)

CASH PROVIDED BY OPERATING ACTIVITIES	920.0	620.1
OTHER CASH FLOWS FROM OPERATING ACTIVITIES		
Payments of income tax and social contribution	(65.3)	(205.2)
Accruals (payments) of judicial deposits	(3.0)	16.8
Payments related to tax, civil and labor lawsuits	(11.4)	(8.8)
Receipts (payments) of funds due to settlement of derivative transactions	(113.4)	(180.3)
Payment of interest on borrowings, financing and debentures	(237.0)	(288.3)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	490.0	(45.7)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of The Body Shop PLC, net of cash acquired	(3,862.8)	0.0
Acquisition of property, plant and equipment and intangible assets	(199.0)	(175.9)
Proceeds from sale of property, plant and equipment and intangible assets	11.7	16.1
Investment in securities	(5,063.2)	(3,813.2)
Redemption of securities	4,779.5	3,970.1
Receipts (payments) to settle derivative operations	(29.4)	(1.4)
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	(4,363.2)	(4.2)
CASH FLOW FROM FINANCING ACTIVITIES		
Amortization of borrowings, financing and debentures - principal amount	(1,419.5)	(1,392.7)
New borrowings, financing and debentures	6,600.2	574.1
Use of treasury shares to settle exercised stock options	(0.5)	0.0
Payment of dividends and interest on shareholders' equity for the previous year	(109.4)	(123.1)
Receipts (payments) to settle derivative operations	(77.3)	240.6
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,993.4	(701.1)
Effect of exchange variation on cash and cash equivalents	(1.3)	(55.8)
DECREASE IN CASH AND CASH EQUIVALENTS	1,118.9	(806.8)
Opening balance of cash and cash equivalents	1,091.5	1,591.8
Closing balance of cash and cash equivalents	2,210.4	785.0
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,118.9	(806.8)
ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS		
Non-cash items:		
Capitalization of financial lease	-	-
Hedge accounting, net of tax effects	7.9	24.6
Effect from change in equity interest of the Company in subsidiary abroad	-	-
Dividends and interest on shareholders' equity declared and not distributed	-	-
Financial lease - new administrative building	-	-
* The notes are an integral part of the interim financial statements		

14. glossary

_CDI: the overnight rate for interbank deposits.

_CFT: Cosmetics, Fragrances and Toiletries Market.

_COGS: Costs of Goods Sold

_EP&L: Environmental Profit & Loss.

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

_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.

_EBITDA: Earnings Before Interests, Tax, Depreciation and Amortization.

_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.

_PCRRC: acronym for Post-Consumer Recycled Content.

_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 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 defines 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.

_TBS: The Body Shop.

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.

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