Individual and Consolidated Interim Financial Information

Natura Cosméticos S.A.

For the quarter ended September 30, 2017

Natura Cosméticos S.A.

Individual and consolidated interim financial information
September 30, 2017

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Report on Review of Quarterly Financial Information - ITR

To the Shareholders, Board Members and Management of
Natura Cosméticos S.A.
Sao Paulo - SP

Introduction
We have reviewed the interim financial information, individual and consolidated, of Natura Cosméticos S.A. ("The Company"), contained in the Quarterly Financial Information Form (ITR) for the quarter ended September 30, 2017, comprising the balance sheet as of September 30, 2017, the respective statements of income and comprehensive income for the three and nine-month period then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement CPC 21(R1) and IAS 34 – Interim Financial Reporting, issued by International Accounting Standards Board – IASB, and for the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review
We conducted our review in accordance with the Brazilian and International Standard on Review Engagements *(NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively)*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information
Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by the IASB, applicable to the preparation of Quarterly Financial Information - ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other matters

Statements of value added

The individual and consolidated interim financial information, related to the statements of value added (DVA) for the nine-month period ended September 30, 2017, prepared under the responsibility of the Company's management, presented as supplementary information for the purposes of IAS 34, were submitted to the review procedures performed together with the review of the Quarterly Financial Information – ITR of the Company. In order to form our conclusion, we evaluated whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the statement of value added has not been prepared, in all material respects, consistent with the individual and consolidated interim financial information taken as a whole.

Prior period financial statements audited and interim financial information reviewed by another independent auditor

The corresponding amounts related to the individual and consolidated balance sheets for the year ended December 31, 2016 were previously audited by other independent auditors who issued an unqualified report dated February 22, 2017, and to the corresponding individual and consolidated statements of income and comprehensive income for the three and nine-month periods, and changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2016, originally prepared prior to the adjustments described in note 2.4, were previously reviewed by other independent auditors who issued an unqualified report dated October 26, 2016. The corresponding amounts of the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2016, originally prepared prior to the adjustments described in note 2.4, were submitted to the same review procedures by the previous independent auditors and, based on their review, nothing has come to their attention that causes them to believe that the DVA was not prepared, in all material respects, consistent with the individual and consolidated interim financial information taken as a whole.

As part of our review of the individual and consolidated interim financial information for the three and nine-month period ended September 30, 2017, we have reviewed the adjustments in the corresponding amounts of the interim financial information of 2016 and nothing has come to our attention that causes us to believe that those adjustments were not prepared, in all material respects, in an appropriate manner. We have not been engaged to audit, review or apply any other procedures on the balance sheet as of December 31, 2016 or on other interim financial information for the three and nine-month period ended September 30, 2016 and, therefore, we do not express any conclusion or any form of assurance on the interim financial information taken as a whole.

São Paulo, November 14, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Guilherme Roslindo Nunes
Accountant CRC 1SP195631/O-1

(A free translation from Portuguese into English of Individual and Consolidated Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB)

NATURA COSMÉTICOS S.A.

BALANCE SHEET AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(All amounts in thousands of Brazilian reais - R$)

		Company		Consolidated				Company		Consolidated	
ASSETS	Note	2017/09	2016/12	2017/09	2016/12	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2017/09	2016/12	2017/09	2016/12
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	6	37.379	61.431	2.210.412	1.091.470	Borrowings, financing and debentures	16	1.224.081	1.437.203	1.951.973	1.764.488
Securities	7	2.322.649	1.169.909	1.491.155	1.207.459	Trade and other payables	17	284.380	268.080	1.370.812	814.939
Trade receivables	8	799.816	828.221	1.269.715	1.051.901	Trade payables - related parties	29.1.	243.935	242.083	-	-
Inventories	9	235.990	203.358	1.458.856	835.922	Payroll, profit sharing and social charges		140.939	103.250	372.036	208.114
Recoverable taxes	10	64.392	28.054	198.128	274.093	Tax liabilities	18	428.319	636.225	509.041	977.115
Income tax and social contribution		69.411	43.791	127.159	55.316	Income tax and social contribution		54.002	50.998	122.941	98.316
Trade receivables - related parties	29.1.	953	7.972	-	-	Dividends and interest on shareholders' equity payable	21.b)	-	79.739	-	79.739
Other current assets	13	87.045	228.629	264.258	286.739	Derivative financial instruments	5.2.	20.697	69.864	15.167	73.502
Total current assets		3.617.635	2.571.365	7.019.683	4.802.900	Provision for tax, civil and labor risks	19	-	-	17.278	-
						Other liabilities		150.825	94.298	355.753	161.686
						Total current liabilities		2.547.178	2.981.740	4.715.001	4.177.899
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
Recoverable taxes	10	34.766	32.252	443.900	280.634	Borrowings, financing and debentures	16	7.260.002	2.025.484	7.658.947	2.625.683
Deferred income tax and social contribution	11.a)	252.052	278.300	409.100	492.996	Tax liabilities	18	168.068	180.490	188.095	237.513
Judicial deposits	12	264.960	249.889	321.445	303.074	Deferred income tax and social contribution	11.a)	-	-	397.762	23.775
Other non-current assets	13	4.808	15.760	50.342	23.033	Provision for tax, civil and labor risks	19	148.094	64.561	252.383	93.624
Total long-term assets		556.586	576.201	1.224.787	1.099.737	Other non-current liabilities	20	85.562	88.166	219.313	266.700
						Total non-current liabilities		7.661.726	2.358.701	8.716.500	3.247.295
Investments	14	6.252.662	2.104.217	-	-						
Property, plant and equipment	15	703.538	576.494	2.242.473	1.734.688	SHAREHOLDERS' EQUITY					
Intangible assets	15	491.038	508.549	4.357.113	784.254	Capital stock	21.a)	427.073	427.073	427.073	427.073
		7.447.238	3.189.260	6.599.586	2.518.942	Treasury shares	21.c)	(33.350)	(37.149)	(33.350)	(37.149)
Total non-current assets		8.003.824	3.765.461	7.824.373	3.618.679	Capital reserves		149.916	142.786	149.916	142.786
						Profit reserves		666.815	666.815	666.815	666.815
						Retained earnings		413.433	-	413.433	-
						Additional proposed dividends	21.b)	-	29.670	-	29.670
						Negative goodwill on capital transactions	21.g)	(92.066)	(92.066)	(92.066)	(92.066)
						Equity valuation adjustments		(119.266)	(140.744)	(119.266)	(140.744)
						Total shareholders' equity		1.412.555	996.385	1.412.555	996.385
TOTAL ASSETS		11.621.459	6.336.826	14.844.056	8.421.579	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11.621.459	6.336.826	14.844.056	8.421.579

* The notes are an integral part of the interim financial statements

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NATURA COSMÉTICOS S.A.

STATEMENT OF INCOME
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
(All amounts in thousands of Brazilian reais - R$, except for earnings per share in the period)

	Note	Company				Consolidated			
		7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016
NET REVENUE	23	1.490.568	1.332.767	4.110.195	3.958.351	2.365.422	1.902.593	6.119.848	5.617.952
Cost of products sold	24	(581.637)	(489.855)	(1.621.374)	(1.476.103)	(689.319)	(566.840)	(1.814.560)	(1.726.145)
GROSS PROFIT		908.931	842.912	2.488.821	2.482.248	1.676.103	1.335.753	4.305.288	3.891.807
OPERATING (EXPENSES) INCOME									
Selling, Marketing and Logistics expenses	24	(496.548)	(539.544)	(1.583.582)	(1.544.192)	(985.065)	(828.532)	(2.664.127)	(2.396.739)
Administrative, R&D, IT and Project expenses	24	(240.540)	(146.758)	(579.858)	(482.786)	(384.027)	(263.343)	(962.320)	(820.241)
Equity in subsidiaries	14	60.864	51.224	400.528	100.913	-	-	-	
Other operating income (expenses), net	27	83.605	(13.532)	32.658	(27.008)	60.306	7.519	217.716	10.863
OPERATING PROFIT BEFORE FINANCIAL RESULT		316.312	194.302	758.567	529.175	367.317	251.397	896.557	685.690
Financial income	26	22.992	82.943	259.088	800.702	76.041	106.555	476.085	892.128
Financial expenses	26	(285.154)	(186.830)	(618.623)	(1.213.666)	(351.464)	(234.902)	(750.002)	(1.417.204)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		54.150	90.415	399.032	116.211	91.894	123.050	622.640	160.614
Income tax and social contribution	11.b)	6.802	(17.346)	14.401	(21.298)	(30.942)	(46.882)	(209.207)	(61.194)
NET INCOME FOR THE PERIOD		60.952	73.069	413.433	94.913	60.952	76.168	413.433	99.420
ATTRIBUTABLE TO									
Controlling shareholders of the Company		60.952	73.069	413.433	94.913	60.952	73.069	413.433	94.913
Non-controlling shareholders		-	-	-	-	-	3.099	-	4.507
		60.952	73.069	413.433	94.913	60.952	76.168	413.433	99.420
EARNINGS PER SHARE - R$									
Basic	28.1.	0,1416	0,1698	0,9607	0,2206	0,1416	0,1698	0,9607	0,2206
Diluted	28.2.	0,1413	0,1697	0,9596	0,2204	0,1413	0,1697	0,9596	0,2204

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NATURA COSMÉTICOS S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
(All amounts in thousands of Brazilian reais - R$)

	Note	Company				Consolidated			
		7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016	7/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2017 to 9/30/2017	1/1/2016 to 9/30/2016
NET INCOME FOR THE PERIOD		60.952	73.069	413.433	94.913	60.952	76.168	413.433	99.420
Other comprehensive income to be reclassified to profit or loss for the year in subsequent periods:									
Gain (loss) from translation of interim financial statements of subsidiaries abroad	14	(7.708)	13.532	13.567	(105.078)	(7.708)	11.420	13.567	(100.137)
Gain (loss) from cash flow hedge operations	5.2	(7.577)	40.423	9.405	12.508	(5.793)	42.298	11.539	13.546
Tax effects on gain (loss) in cash flow hedge operations	11	2.576	(13.744)	(3.198)	(4.253)	2.265	(14.382)	(3.628)	(4.606)
Equity in gain from cash flow hedge flow operation		1.784	1.875	2.134	1.038	-	-	-	-
Equity in tax effects arising from loss from cash flow hedge operation		(311)	(638)	(430)	(353)	-	-	-	-
Comprehensive income (loss) for the period, net of tax effects		49.716	114.517	434.911	(1.225)	49.716	115.504	434.911	8.223
ATTRIBUTABLE TO									
Controlling shareholders of the Company		49.716	114.517	434.911	(1.225)	49.716	114.517	434.911	(1.225)
Non-controlling shareholders		-	-	-	-	-	987	-	9.448
		49.716	114.517	434.911	(1.225)	49.716	115.504	434.911	8.223

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NATURA COSMÉTICOS S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
(All amounts in thousands of Brazilian reais - R$)

				Capital reserves			Profit reserves						Negative goodwill on capital transactions	Equity valuation adjustments			
	Note	Capital stock	Treasury shares	Goodwill on issue/sale of shares	Tax incentive reserve Subsidy for investments	Additional capital paid	Legal	Tax incentives	Profit retention	Retained earnings	Proposed additional dividends	Reserve for acquisition of non-controlling interest	Result from operations with non-controlling shareholders	Other comprehensive income	Equity of controlling shareholders	Non-controlling interest in equity of subsidiaries	Total shareholders' equity
BALANCES AT DECEMBER 31, 2015		427.073	(37.851)	78.231	17.378	39.097	18.650	20.957	449.189	-	123.133	(79.324)	(65.159)	36.812	1.028.186	49.581	1.077.767
Net income for the period		-	-	-	-	-	-	-	-	94.913	-	-	-	-	94.913	4.507	99.420
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-	-	(96.138)	(96.138)	4.941	(91.197)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	-	94.913	-	-	-	(96.138)	(1.225)	9.448	8.223
Changes in stock option plans and restricted shares:																	
Provision for stock option plans and restricted shares		-	-	-	-	7.166	-	-	-	-	-	-	-	-	7.166	-	7.166
Exercise of stock option plans and restricted shares		-	702	(308)	-	(394)	-	-	-	-	-	-	-	-	-	-	-
Interest of non-controlling shareholders in equity of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12.307)	(12.307)
Dividends and interest on equity for the period of 2015 approved at the Annual Shareholders' Meeting held on April 15, 2016		-	-	-	-	-	-	-	-	-	(123.133)	-	-	-	(123.133)	-	(123.133)
BALANCES AT SEPTEMBER 30, 2016		427.073	(37.149)	77.923	17.378	45.869	18.650	20.957	449.189	94.913	-	(79.324)	(65.159)	(59.326)	910.994	46.722	957.716
BALANCES AT DECEMBER 31, 2016		427.073	(37.149)	77.923	17.378	47.485	18.650	20.957	627.208	-	29.670	-	(92.066)	(140.744)	996.385	-	996.385
Net income for the period		-	-	-	-	-	-	-	-	413.433	-	-	-	-	413.433	-	413.433
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-	-	21.478	21.478	-	21.478
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	-	413.433	-	-	-	21.478	434.911	-	434.911
Changes in stock option plans and restricted shares:																	
Provision for stock option plans and restricted shares	25.1.	-	-	-	-	11.439	-	-	-	-	-	-	-	-	11.439	-	11.439
Exercise of stock option plans and restricted shares		-	3.799	(1.894)	-	(2.415)	-	-	-	-	-	-	-	-	(510)	-	(510)
Dividends and interest on equity for the period of 2016 approved at the Annual Shareholders' Meeting held on April 11, 2017	21.b)	-	-	-	-	-	-	-	-	-	(29.670)	-	-	-	(29.670)	-	(29.670)
BALANCES AT SEPTEMBER 30, 2017		427.073	(33.350)	76.029	17.378	56.509	18.650	20.957	627.208	413.433	-	-	(92.066)	(119.266)	1.412.555	-	1.412.555

* The notes are an integral part of the interim financial statements

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NATURA COSMÉTICOS S.A.

STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
(All amounts in thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2017/09	2016/09 (Reclassified)	2017/09	2016/09 (Reclassified)
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the period		413.433	94.913	413.433	99.420
Adjustments to reconcile net income for the period with net cash generated by operating activities:					
Depreciation and amortization	15	82.221	72.955	217.042	195.825
Provision arising from swap and forward derivative contracts		171.795	635.802	169.179	670.608
Provision for tax, civil and labor risks	19	41.805	10.657	110.543	10.220
Inflation adjustment of judicial deposits		(6.972)	(10.814)	(6.990)	(12.399)
Income tax and social contribution	11.b)	(14.401)	21.298	209.307	61.194
Result from sale and write-off of property, plan and equipment and intangible assets		4.105	673	3.107	(3.506)
Equity in subsidiaries	14	(400.528)	(100.913)	-	-
Interest and exchange variation on borrowings and financing		82.696	(216.591)	148.626	(247.593)
Exchange variation on other assets and liabilities		1.448	(1.721)	(20.353)	25.479
Provision (reversal of provision) for property, plant and equipment losses		11.158	316	11.158	316
Provision (reversal of provision) for stock option plans		25.292	6.596	11.439	7.166
Provision (reversal of provision) for doubtful accounts, net of reversals	8	(32.550)	7.150	(27.562)	6.629
Provision (reversal of provision) for net inventory losses	9	6.504	(6.608)	7.279	41.394
Provision for health medical care and carbon credit	20.b)	10.371	8.326	11.752	8.326
Net income (loss) for the period attributable to non-controlling shareholders		-	-	-	(4.507)
Provision for acquisition of non-controlling interest	20.a)	-	56.315	-	56.315
		396.378	578.354	1.257.960	914.887
(INCREASE) DECREASE IN ASSETS					
Trade receivables		67.974	(37.418)	2.540	(63.480)
Inventories		(39.136)	3.145	(145.851)	(102.005)
Recoverable taxes		(50.876)	83.075	(94.143)	13.328
Other assets		12.873	(25.494)	(43.748)	(7.362)
Subtotal		(9.165)	23.308	(281.203)	(159.519)
(INCREASE) DECREASE IN LIABILITIES					
Domestic and foreign trade payables		17.316	(4.956)	241.642	(105.852)
Payroll, profit sharing and social charges, net		37.689	21.266	78.402	36.536
Tax liabilities		(126.441)	20.294	(514.428)	(30.663)
Other liabilities		51.052	41.244	137.641	(35.275)
Subtotal		(20.385)	77.848	(56.742)	(135.254)
CASH PROVIDED BY OPERATING ACTIVITIES		366.828	679.510	920.015	620.114
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Payments of income tax and social contribution		(8.466)	(179.200)	(65.270)	(205.200)
Accruals (payments) of judicial deposits		(2.788)	16.756	(2.992)	16.769
Payments related to tax, civil and labor lawsuits	19	(8.548)	(8.091)	(11.433)	(8.765)
Receipts (payments) of funds due to settlement of derivative transactions		(113.179)	(168.080)	(113.373)	(180.308)
Payment of interest on borrowings, financing and debentures		(195.763)	(249.471)	(236.978)	(288.311)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		38.084	91.424	489.969	(45.701)
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of The Body Shop PLC, net of cash acquired		-	-	(3.862.837)	-
Acquisition of property, plant and equipment and intangible assets	15	(75.541)	(78.895)	(198.959)	(175.863)
Proceeds from sale of property, plant and equipment and intangible assets		4.444	12.124	11.684	16.138
Investment in securities		(5.060.907)	(2.646.974)	(5.063.211)	(3.813.185)
Redemption of securities		3.908.167	3.342.615	4.779.515	3.970.053
Investments in subsidiaries		(3.801.760)	(62.737)	-	-
Receipts (payments) to settle derivative operations		(29.357)	(1.391)	(29.357)	(1.391)
Receipt of dividends from subsidiaries	14	55.261	79.739	-	-
				-	
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES		(4.999.693)	644.481	(4.363.166)	(4.248)
CASH FLOW FROM FINANCING ACTIVITIES					
Amortization of borrowings, financing and debentures - principal amount		(1.203.876)	(895.745)	(1.419.492)	(1.392.656)
New borrowings, financing and debentures		6.320.372	33.807	6.600.187	574.098
Use of treasury shares to settle exercised stock options		(510)	-	(510)	-
Payment of dividends and interest on shareholders' equity for the previous year	21.b)	(109.409)	(123.133)	(109.409)	(123.133)
Receipts (payments) to settle derivative operations		(69.021)	238.670	(77.329)	240.617
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		4.937.556	(746.401)	4.993.447	(701.074)
Effect of exchange variation on cash and cash equivalents		-	-	(1.308)	(55.808)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(24.052)	(10.496)	1.118.942	(806.831)
Opening balance of cash and cash equivalents		61.431	53.127	1.091.470	1.591.843
Closing balance of cash and cash equivalents		37.379	42.631	2.210.412	785.012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(24.052)	(10.496)	1.118.942	(806.831)
ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS					
Non-cash items:					
Hedge accounting, net of tax effects		6.207	8.940	7.911	24.621

Certain comparison amounts have been reclassified for improved presentation

* The notes are an integral part of the interim financial statements

(A free translation from Portuguese into English of Individual and Consolidated Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB)

NATURA COSMÉTICOS S.A.

STATEMENT OF ADDED VALUE
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
(All amounts in thousands of Brazilian reais - R$)

	Note	Company				Consolidated			
		2017/09		2016/09 (Restated)		2017/09		2016/09 (Restated)	
INCOME		5.690.527		5.504.677		8.630.058		7.867.666	
Sale of goods, products and services		5.625.319		5.538.835		8.384.780		7.863.432	
Provision for doubtful accounts, net of reversals	8	32.550		(7.150)		27.562		(6.629)	
Other operating income (expenses), net	27	32.658		(27.008)		217.716		10.863	
INPUTS ACQUIRED FROM THIRD PARTIES		(3.678.290)		(3.379.798)		(5.348.542)		(4.680.579)	
Cost of products and services		(1.949.011)		(1.792.935)		(3.142.440)		(2.699.836)	
Materials, energy, outsourced services and others		(1.729.279)		(1.586.863)		(2.206.102)		(1.980.743)	
GROSS VALUE ADDED		2.012.237		2.124.879		3.281.516		3.187.087	
RETENTIONS		(82.221)		(74.631)		(217.042)		(195.826)	
Depreciation and amortization	15	(82.221)		(74.631)		(217.042)		(195.826)	
VALUE ADDED PRODUCED BY THE COMPANY		1.930.016		2.050.248		3.064.474		2.991.261	
VALUE ADDED RECEIVED THROUGH TRANSFER		659.616		901.615		476.085		892.128	
Equity in subsidiaries	14	400.528		100.913		-		-	
Financial income - including inflation adjustment and exchange variation	26	259.088		800.702		476.085		892.128	
TOTAL VALUE ADDED TO DISTRIBUTE		2.589.632		2.951.863		3.540.559		3.883.389	
DISTRIBUTION OF VALUE ADDED		2.589.632	100%	2.951.863	100%	3.540.559	100%	3.883.389	100%
Payroll and social charges	25	408.911	16%	371.547	13%	1.150.705	33%	978.793	25%
Taxes, fees and contributions		1.125.101	43%	1.249.155	42%	1.189.211	34%	1.354.421	35%
Financial expenses and rentals		642.187	25%	1.236.248	42%	787.210	22%	1.450.755	37%
Non-controlling interest		-	0%	-	0%	-	0%	4.507	0%
Retained earnings		413.433	16%	94.913	3%	413.433	12%	94.913	2%

Supplemental statement of value added information:

Of the amounts registered as "Taxes, fees and contributions" in September 2017 and 2016, R$669,750 and R$624,922, respectively, refer to State Goods and Services Tax – Tax Replacement (ICMS – ST) levied on presumed profit margin determined by the State Finance Departments, obtained from sales carried out by Nature Beauty Consultants to the end consumer.

To analyze this tax impact on the statement of value added, these amounts must be deducted from those registered as "Sales of goods, products and services" and "Taxes, fees and contributions," because the revenue from sales does not include presumed profit from sales conducted by Nature Beauty Consultants, in the amount of R$3,447,833 and R$3,339,292, in September 2017 and 2016, respectively, considering the presumed profit margin of 30%.

* The notes are an integral part of the interim financial statements

1. GENERAL INFORMATION

Natura Cosméticos S.A.

Natura Cosméticos S.A. ("Group") is a publicly-traded corporation, registered in the special trading segment called "Novo Mercado" in the B3 S.A. – Brasil, Bolsa, Balcão, under the ticker "NATU3", and headquartered in São Paulo, at Alexandre Colares Avenue, 1188, Vila Jaguara, Postal Code 05106-000, state of São Paulo.

The Group's and its subsidiaries' activities (hereinafter referred to as "Companies") include the development, production, distribution and sale of cosmetics, fragrances, and hygiene products, substantially through direct sales by Natura Beauty Consultants, retail sales and e-commerce sales. The Group also holds equity interests in other companies in Brazil and abroad.

The Body Shop's share purchase agreement

On June 9, 2017, the Group announced to the shareholders and the market in general that signed, on that date, an exclusivity agreement with L'Oréal SA ("Seller") for the acquisition of 100% of the issued shares of The Body Shop International PLC ("The Body Shop") and its subsidiaries group, owned by Seller, considering an enterprise value of The Body Shop of EUR 1.0 billion. The Group also informed on that date that, after consulting the Seller's employees' council (central management committee of L'Oréal SA) in compliance with French law, the parties could enter into a purchase share agreement for acquisition by the Group, or any of its subsidiaries with operations abroad, 100% of the shares issued by The Body Shop.

On June 20, 2017, the Group announced to the shareholders and the market in general that the Seller had informed the Group on June 19, 2017 that it had favorably concluded the consultation process with its employees' council (central management committee of L'Oréal SA) with respect to the acquisition, by the Group, or one of its subsidiaries, of 100% of the shares issued by The Body Shop and their group of subsidiaries, owned by the Seller.

On June 26, 2017, the Group announced to the shareholders and the market in general that the Group (as guarantor), Natura (Brasil) International BV, a subsidiary of the Group (as purchaser) and the Seller signed on that same date a purchase and sale agreement for 100% of the shares issued by The Body Shop and their group of subsidiaries, owned by the Seller.

According to the material fact disclosed on August 10, 2017, all regulatory authorizations necessary for the approval of the operation were duly obtained, including approvals from antitrust agencies in Brazil and the USA.

On June 30, 2017, the Group maintains derivative financial instruments denominated Term Contract or Non-Deliverables Forwards ("NDF") (Notional EUR 1,0 billion Euro). These transactions were contracted with the purpose of protecting the Group's cash position against the firm commitment to purchase The Body Shop, as disclosed in note 5.2 (i), up to the acquisition closing date.

On August 7, 2017, the Group approved a funding operation through the 3rd issue of the Promissory Notes of the Group, which was carried out on August 23, 2017, for public distribution with restricted efforts, in the amount of R$3.7 billion. On September 7, 2017, the Group raised R$ 0.3 billion through its subsidiary Natura (Brasil) International B.V. Both funding operations raised a total of R$ 4.0 billion, which was used to pay for the acquisition of The Body Shop, concluded on September 7, 2017, after all the conditions precedent required for the operation were met (see note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of preparation

The interim financial information of the Group, contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, comprises the individual and consolidated interim financial information prepared in accordance with CPC 21 (R1) - Interim Financial Statements and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standard Board - IASB and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information.

The interim financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting practices.

The significant accounting practices used in the preparation of these individual and consolidated interim financial information are disclosed in Note 2 to the Group's financial statements for the year ended December 31, 2016, published on February 22, 2017.

To consolidate the new operation acquired according to note 1, the Management conducted an analysis of its accounting practices to identify possible differences and evaluate their impacts. No material differences were identified.

2.2. Consolidation

a) Subsidiaries

Subsidiaries are all entities in which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, where the Group normally owns a greater than 50% interest subsidiaries are fully consolidated from the date in which control is transferred to the Group and cease to be consolidated, when applicable, from the date that control ceases.

b) Companies include in the interim financial information

	Equity interest- %	
	2017/09	2016/12
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Comercial Ltda.	99.99	99.99
Natura Biosphera Franqueadora Ltda.	99.99	99.99
Natura Cosméticos S.A. – Chile	99.99	99.99
Natura Cosméticos C.A. – Venezuela	99.99	99.99
Natura Cosméticos S.A. – Peru	99.99	99.99
Natura Cosméticos S.A. – Argentina	99.99	99.99
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Cosméticos y Servicios de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos de México, S.A. de C.V.	99.99	99.99
Natura Distribuidora de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos Ltda, – Colombia	99.99	99.99
Natura Cosméticos España S.L. – Spain	100.00	100.00
Natura (Brasil) International B.V. – Netherlands	100.00	100.00
Natura Brazil Pty Ltd. – Australia	100.00	100.00
Essential investment fund	100.00	100.00
Indirect interest:		
Through Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda. – Brazil	99.99	99.99
Through Natura (Brasil) International B.V. – Netherlands:		
Natura Europa SAS – France	100.00	100.00
Natura Brasil Inc. – USA – Delaware	100.00	100.00
The Body Shop International PLC	100.00	-
Through Brasil Inc. – USA – Delaware		
Natura International Inc. – USA - New York	100.00	100.00
Through Natura Brazil Pty Ltd.:		
Natura Cosmetics Australia Pty Ltd. – Australia	100.00	100.00
Through Natura Cosmetics Australia Pty Ltd. – Australia:		
Emeis Holdings Pty Ltd. – Australia	100.00	100.00

The interim financial information have been prepared based on the financial statements as of the same date and consistent with the Group's accounting practices, Investments in subsidiaries have been eliminated proportionately to the investor's interests in the subsidiaries' shareholders' equity and net income or loss, intergroup balances and transactions and unrealized profits, net of taxes. Third party interest in shareholders' equity and net income of subsidiaries is reported as a component of consolidated equity and consolidated statement of income, respectively, under the caption "Noncontrolling interest".

The operations of the direct and indirect subsidiaries are as follows:

- Indústria e Comércio de Cosméticos Natura Ltda.: mainly engaged in the production and sale of Natura products to Natura Cosméticos S.A, - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia, Natura Europa SAS - France, Natura Cosméticos de Mexico S.A; de C.V and Natura International Inc. – USA.
- Natura Comercial Ltda.: engaged in the retail sale of cosmetics, fragrances in

general and toiletries, through sales in the retail market.

- Natura Biosphera Franqueadora Ltda.: grant and administration of franchise business, as well as the other activities inherent to the condition of franchisor.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the company Natura Cosméticos S.A. - Brazil.
- Natura Cosméticos C.A. - Venezuela: it is in the process of closing and there are no material investments or balances in its accounting records.
- Natura Inovação e Tecnologia de Produtos Ltda.: it is engaged in product and technology development and market research.
- Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: engaged in the provision of administrative and logistics services to companies Natura Cosméticos de Mexico, S.A. de C.V. e Natura Distribuidora de Mexico, S.A. de C.V.
- Natura Cosméticos de Mexico, S.A. de C.V.: engaged in the import and sale of cosmetics, fragrances in general, and hygiene products to Natura Distribuidora de Mexico, S.A. de C.V.
- Natura Cosméticos España S.L.: company in start-up stage and its activities will be an extension of the activities carried out by the company Natura Cosméticos S.A. - Brazil.
- Natura (Brazil) International B.V. – Netherlands: holding company of Natura Europa SAS – France, Natura Brasil Inc., Natura International Inc and The Body Shop PLC.
- Natura Logística e Serviços Ltda.: engaged of separate services, packing and mailing goods, logistic consulting, manager human resources and training in human resources.
- Natura Brazil Inc.: Holding company of Natura International Inc.
- Natura International Inc: trends capture office in design, fashion and technology, transforming them into ideas, concepts and prototypes.
- Natura Europa SAS - France: activities are concentrated in the purchase, sale, import, export and distribution of cosmetics, fragrances, and toiletries.
- Natura Brazil Pty Ltd – Holding company of Natura Cosmetics Australia Pty Ltd operations.
- Natura Cosmetics Australia Pty Ltd – Holding company of Emeis Holdings Pty Ltd.
- Emeis Holdings Pty Ltda.: holding company of entities operating under the brand name of "Aesop" whose activities focused on developing manufacturing and marketing of premium cosmetics, which operates under the brand of “Aesop”, with its products sold in retail stores and own stores.
- Essential investment fund: refers to fixed income funds of private credit.
- The Body Shop PLC: its activities include the sale of cosmetics in all continents through retail (own brick-and-mortar and franchise stores) and e-commerce

markets.

2.3. New standards and interpretations and amendments to standards

The standards and interpretations issued, but not yet adopted, up to the date of issuance of the Group's financial statements are presented below, The Group intends to adopt these standards, if applicable, when they become effective.

The project to implement the new pronouncements IFRS 9/CPC 48 - Financial Instruments, IFRS 15/CPC 47 - Revenue from contracts with clients and IFRS 16 - Leasing Companies started during 2017 with the selection and hiring of external specialists to assist the Group in identifying and measurement of the final effects on the date of initial adoption, identification of the needs for modification of the computerized systems used, design and implementation of internal controls, adequate policies and procedures to collect and disclose the information requested in these new pronouncements. The Group will disclose the effects of the new pronouncements on the financial statements for the year ending December 31, 2017.

IFRS 9/CPC 48 Financial Instruments

In July 2014, IASB issued the final version of IFRS 9/CPC 48 – Financial Instruments, which reflects all the phases of the financial instruments project and replaces IAS 39/CPC 38 – Financial Instruments: Recognition and Measurement and all the former versions of IFRS 9/CPC 48. IFRS 9/CPC 48 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9/CPC 48 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory.

For hedge accounting, the requirements are generally applied prospectively, with few exceptions.

The Group plans to adopt the new standard on the effective date of its entry into force, and a preliminary impact assessment of all three aspects of IFRS 9/CPC 48 has been initiated, which is based on the information currently available. According to the analyzes carried out by the Management, the following considerations were identified:

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity when applying the classification and measurement requirements of IFRS 9/CPC 48. It is expected to continue to measure at fair value all financial assets currently held at fair value.

Loans as well as trade accounts receivable are held to collect contractual cash flows and should give rise to cash flows that represent exclusively principal and interest payments. The Group expects these to continue to be measured at amortized cost under IFRS 9/CPC 48. However, the Group will analyze the characteristics of the contractual cash flows of these instruments in more detail before concluding that all

these instruments meet the criteria for measurement by amortized cost in accordance with IFRS 9/CPC 48.

(b) Impairment losses

The methodology for calculating the expected loss provision for the aging list model is based on the history of losses for all the aging list. Management understands that, given the information it has available, its model best reflects the loss estimate. Management has been analyzing the impacts of IFRS 9/CPC 48 and the applicability of the probabilistic model or the maintenance of the aging list model. For this purpose, Management is gathering all the necessary and available information on its internal control system, to obtain data to build a probabilistic model. If management considers that the probabilistic model better reflects the provision for expected losses, it will be necessary to change the calculation methodology and the adequacy of its internal policies and procedures.

(c) Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedge relationships will still qualify for hedge accounting under IFRS 9/CPC 48. As IFRS 9/CPC 48 does not change the general principles of how an entity accounting for effective hedges, the Group does not expect a material impact as a result of the application of IFRS 9/CPC 48. The Group will evaluate possible accounting-related changes to the value of options, time periods or the spread of the currency base in more detail in the future.

Up to the date of disclosure of these interim financial statements, management did not finalize the measurement of the effects of this new pronouncement, thus being unable to disclose such effects.

IFRS 15/CPC 47 - Revenue from contracts with customers

It establishes a model of five stages applicable to revenue from a contract with a customer, irrespective of the type of revenue transaction or industry. It applies to all revenue contracts and provides a template for the recognition and measurement of gains or losses on the disposal of certain non-financial assets that are not related to the Group's ordinary activities (for instance, disposals of properties, premises and equipment or intangible asset items), Extensive disclosures are also required by this new standard, This pronouncement shall be applied to annual periods beginning on or after January 1, 2018, of which early adoption is allowed, Early adoption, although provided by IFRS, was prohibited by regulatory entities of the Brazilian capital market.

The Group engages in the development, production, distribution, sale and exploitation of business models for cosmetics, fragrances, and hygiene products, substantially through direct sales by Natura Beauty Consultants and physical stores. The goods are sold individually under separate contracts, identified with customers, or grouped as a bundle of goods.

Up to the date of disclosure of these interim financial statements, management did not finalize the measurement of the effects of this new pronouncement, thus being unable to disclose such effects.

IFRS 16 - Leases

The new standard establishes principles for both the customer (the lessee) and the seller (lessor) on the provision of relevant information on lease, so that such operations are clearly shows the leasing operations in the financial statements. To achieve this objective, the lessor must recognize the assets and liabilities resulting from a lease. The standard includes two exemptions from recognition for tenants - leases of low-value assets and short-term leases (i.e. lease terms of 12 months or less). The Group and its subsidiaries initiated the project that will establish guidelines for the application of IFRS 16. This project includes the contracting of third-party specialists to assist the Group in identifying the most relevant effects of the standard and the relative impacts to the Group, establishing internal controls. Policies and procedures adequate and necessary to collect and disseminate the information required in this new regulation. This pronouncement should be applied for annual periods beginning on or after January 1, 2019, or after that date.

Due to the operating lease payable amounts disclosed in note 30.2, the Group expects material impacts. However, the effects for initial adoption of this pronouncement have not yet been finalized, which makes it impossible to disclose such effects.

In addition, the following new standards, amendments and interpretations were issued by IASB, however, management does not expect impacts on the Group's consolidated financial statements and/or interim consolidated financial statements upon their first-time adoption:

- Amendment to IAS 7 - These amendments are part of the initiative to improve IASB disclosures and are effective for annual periods beginning on January 1, 2017.

- Amendments to IAS 12 - These amendments clarify the accounting for deferred tax assets on unrealized losses on debt instruments measured at fair and are effective for annual periods beginning on January 1, 2017.

- Amendments to IFRS 2 - Changes addressing areas involving measurement, classification and modification of terms and / or conditions of such transactions and will be effective from annual periods beginning on January 1, 2018.

- Amendments to IFRS 4 - Changes addressing concerns about the adoption of IFRS 9 and will be effective from annual periods beginning on January 1, 2018.

The Group intends to adopt those standards when they come into force by disseminating and recognizing the impact on the Financial information that may occur when the application of such adoptions.

There are no other standards and interpretations issued but not yet adopted that, in management's opinion, have a significant impact on the income or equity issued by the Group.

2.4. Reclassification and restatement of quarterly information already presented

a) Reclassification of corresponding amounts in the statement of cash flows

The corresponding amounts in the individual and consolidated statements of cash flow for the period ended September 30, 2016, presented herein for comparison purposes, are being restated in accordance with CPC 23 and CPC 21 (R1), due to the reclassification of payments and receipts from the settlement of operations involving derivatives originally presented under cash flow from operating activities, to cash flow from financing and investing activities in the individual and consolidated statements of cash flows, as shown below:

	Company		
	Previously presented	Adjustments	Restated
Cash flow from operating activities	328,703	(237,279)	91,424
Cash flow from investing activities	645,872	(1,391)	644,481
Cash flow from financing activities	(985,071)	238,670	(746,401)
DECREASE IN CASH AND CASH EQUIVALENTS	(10,496)	-	(10,496)

	Consolidated		
	Previously presented	Adjustments	Restated
Cash flow from operating activities	193,525	(239,226)	(45,701)
Cash flow from investing activities	(2,857)	(1,391)	(4,248)
Cash flow from financing activities	(941,691)	240,617	(701,074)
DECREASE IN CASH AND CASH EQUIVALENTS	(751,023)	-	(751,023)

This reclassification does not impact the previously disclosed amounts of decrease in cash and cash equivalents of the period. There was no other impact from this restatement on other interim financial statements of the Group.

b) Restatement of corresponding amounts in the statement of added value

The amounts corresponding to the individual and consolidated statements of added value for the period ended September 30, 2016, presented herein for comparison purposes, are being restated in compliance with CPC 23 and CPC 21 (R1), due to an error in the amount disclosed under "Materials, energy, outsourced services and others," and "Retained earnings," along with all subsequent totals, as shown below:

	Company		
	Previously presented	Adjustments	Restated
INPUTS ACQUIRED FROM THIRD PARTIES	(3,126,122)	(253,676)	(3,379,798)
Materials, energy, outsourced services and others	(1,333,187)	(253,676)	(1,586,863)
GROSS VALUE ADDED	2,378,555	(253,676)	2,124,879
VALUE ADDED PRODUCED BY THE COMPANY	2,303,924	(253,676)	2,050,248
TOTAL VALUE ADDED TO DISTRIBUTE	3,205,539	(253,676)	2,951,863
DISTRIBUTION OF VALUE ADDED	3,205,539	(253,676)	2,951,863
Retained earnings	348,589	(253,676)	94,913

	Consolidated		
	Previously presented	Adjustments	Restated
INPUTS ACQUIRED FROM THIRD PARTIES	(4,425,240)	(255,339)	(4,680,579)
Materials, energy, outsourced services and others	(1,725,404)	(255,339)	(1,980,743)
GROSS VALUE ADDED	3,442,426	(255,339)	3,187,087
VALUE ADDED PRODUCED BY THE COMPANY	3,246,599	(255,338)	2,991,261
TOTAL VALUE ADDED TO DISTRIBUTE	4,138,727	(255,338)	3,883,389
DISTRIBUTION OF VALUE ADDED	4,138,727	(255,338)	3,883,389
Retained earnings	350,251	(255,338)	94,913

There was no other impact from this resubmission on other interim financial statements of the Group.

c) Reclassification of corresponding amounts in the statement of income

Some amounts added in the consolidated statement of income for the period ended September 30, 2016, presented herein for comparison purposes, are being reclassified in compliance with CPC 23 and CPC 21 (R1), for better comparability, due to the reclassification of amounts recorded in the subsidiary Emeis Holding Pty Ltd. ("Aesop") from the group "Administrative, R&D, IT and Project expenses" to "Selling, Marketing and Logistics expenses," in the total amount of R$ 167,439 for the nine-month period ended September 30, 2016 and R$ 61.258 for the three-month ended September 30, 2016. This reclassification does not impact the previously disclosed results of the period (see Note 24).

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim financial information requires the use of certain critical accounting estimates and the exercise of judgment by the Group's management in the process of application of accounting policies.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant in the circumstances, Actual results may differ from those estimates. The effects resulting from the revision of accounting estimates are recognized in the revision period.

There were no significant changes in the accounting policies of the interim financial information of September 30, 2017, as well as the calculation methods used compared to those presented in the financial statements for the year ended December 31, 2016. Thus, the present interim financial information would be read together to the annual financial statements.

4. BUSINESS COMBINATION

Acquisition of The Body Shop International PLC.

On September 7, 2017, Natura (Brazil) International B.V. – Netherlands ("Natura Netherlands"), subsidiary of the Group, concluded the acquisition of 100% of the shares issued by The Body Shop International PLC. ("The Body Shop") held by L´Oréal S.A. ("Seller"), for R$ 4,005,359, as detailed below:

Purchase price of 100% of shares	3.485.575
Royalties on intellectual property	8.236
Payables between related parties (The Body Shop with L'Oreal)	493.730
Tax	17.818
	4.005.359

Thus, the operation was concluded and formalized through an agreement to purchase the shares issued by The Body Shop entered into between the Seller and Natura Netherlands on June 26, 2017.

The purpose of The Body Shop, a company domiciled, registered and established under the laws of England, is to develop, distribute and sell cosmetics and beauty products. It operates under the "The Body Shop" brand in Africa, Asia, North America, South America, Europe and Oceania. The products are sold through own stores, as well e-commerce and franchise stores.

The Group acquired The Body Shop in order to expand its operations in the international market and in the retail market, since the acquisition adds approximately 3,000 stores, including own and franchise stores, across all continents.

The following table shows the preliminary fair value of identifiable assets and liabilities on the acquisition date, obtained from the Purchase Allocation Method report prepared by independent consultants:

Assets	9/7/2017
Cash and cash equivalents	142,522
Trade accounts receivable	192,792
Inventories	484,362
Recoverable taxes	51,475
Derivative financial instruments	4,016
Other receivables	109,999
Deferred income tax and social contribution	19,702
Property, plant and equipment (ii)	409,951
Intangible assets:	
Other intangible assets (iii)	702,603
Brand (iv)	1,718,267
Relationship with franchisees (v)	456,707
Relationship with sub-franchisees (v)	18,718
Total assets	4,311,114

Liabilities	9/7/2017
Trade payables	(302,247)
Borrowings and financing	(33,728)
Taxes payable	(11,990)
Operating lease	(33,018)
Income tax and social contribution	(4,543)
Deferred income tax and social contribution	(378,792)
Social security obligations and payroll charges	(85,520)
Derivative financial instruments	(8,100)
Provision for contingencies	(22,892)
Other accounts payable	(92,511)
Total liabilities	(973,341)
Total net identifiable assets	3,337,773
Total consideration	4,005,359
Preliminary goodwill	667,586

(i) Average useful lives in accordance with Note 14

(ii) Refers mainly to software, key money and goodwill for future profitability already existing in the opening balance sheet of The Body Shop.

(iii) Brand with indefinite useful life

(iv) Definite useful life of 15 years

According to information obtained on facts and circumstances existing on the acquisition date, adjustments may occur in the allocation of intangible assets and goodwill.

This analysis will be concluded within twelve months from the acquisition date.

Goodwill of R$ 667,586 comprises future economic benefits from synergies resulting from the acquisition. The goodwill amount will not be deductible for tax purposes.

Net Deferred Income Tax Liability based on the assumptions of CPC 32 – Tax on Profit used the rate of 17% applicable in the United Kingdom starting from 2020, since the operation of the main identifiable assets is located there, with long-term appropriation.

The fair value of the consideration was R$ 4,005,359, fully paid in cash.

The Group may be indemnified by the Seller within six months from the acquisition date, if the liabilities generated between December 31, 2016 and September 7, 2017 are not registered in the balance sheet prepared on the acquisition date.

On the date of its acquisition, The Body Shop PLC had recorded R$ 493,730 relating to "Related parties with L'Oreal," settled through part of the purchase price.

Acquisition costs incurred until September 30, 2017, totaling R$ 64,157, were recognized in the Company and Consolidated income statement as Other operating expenses.

From the acquisition date to September 30, 2017, The Body Shop has provided the Group with Net revenue of R$ 245,516 and Net income of R$ 1,037. In case the acquisition had been concluded on January 1, 2017, the Group estimates that consolidated Net revenue would have been R$ 2,089,960 and Net loss would have been of R$ 65,301.

On September 7, 2017, the subsidiary The Body Shop International PLC hired a series of transitional services from L'Óreal SA ("Seller"), to be provided from September 2017 to February 2019, to ensure the continuity of its activities during the period of integration into the Group. The total minimum supply payments, according to the agreement, are provided herein in Note 30.3.

5. FINANCIAL RISK MANAGEMENT

5.1. General considerations and policies

Risks and the financial instruments are managed through the definition of policies and strategies and implementation of control systems, defined by the Group's Treasury Committee and approved by the Board of Directors. The compliance of the treasury area's positions in financial instruments, including derivatives, in relation to these policies, is presented and assessed on a monthly basis by the Group's Treasury Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

Risk management of Natura operations (Brazil, Latam, USA and France) is performed by the Group's general treasury function, which is also responsible for approving the short-term investments and loan transactions. Risk management of the subsidiaries Aesop and The Body Shop is conducted independent of the Group's Central Treasury.

5.2. Financial risk factors

The activities of the Group and its subsidiaries expose them to several financial risks: market risk (including currency and interest risks), credit risk and liquidity risk. The Group's overall risk management program is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance, using derivatives to protect certain risk exposures.

a) Market risk

The Group and its subsidiaries are exposed to Market risks arising from their business activities. These risks mainly comprise possible fluctuations in exchange and interest rates.

The following derivative financial instruments are used by Group as protection to market risks:

	Company		Consolidated	
	Fair Value – Gain (Loss) (Level 2)		Fair Value – Gain (Loss) (Level 2)	
Description	2017/09	2016/12	2017/09	2016/12
Financial derivatives	(20,599)	(69,864)	(16,662)	(73,360)
Operating derivatives	-	-	1,593	-
Others derivative financial instruments	(98)	-	(98)	-
Derivatives "swap" interest rate	-	-	-	(142)
Total	(20,697)	(69,864)	(15,167)	(73,502)

Company

	Note	Carrying amount: Designated at fair value	Carrying amount: Loans and receivables	Carrying amount: Total	Fair value: Level 2
Financial assets measured at fair value					
Judicial deposits	12	264,960	-	264,960	264,960
Financial assets not measured at fair value					
Certificate of Bank Deposits de Depósitos Bancários	6 and 7	24,052	-	24,052	24,052
Exclusive investment funds	7	2,299,901	-	2,299,901	2,299,901
Trade and related-part receivables	8 and 29	-	800,769	800,769	800,769
Cash and cash equivalents	6	-	36,075	36,075	36,075
		2,323,953	**836,844**	**3,160,797**	**3,160,797**
Total		**2,588,913**	**836,844**	**3,425,757**	**3,425,757**

	Note	Carrying amount: Designated at fair value	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 2
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging purposes	5	(98)	-	(98)	(98)
Interest rate swap contracts - CDI vs. Dolar	5	(20,599)	-	(20,599)	(20,599)
		(20,697)	**-**	**(20,697)**	**(20,697)**
Financial liabilities not measured at fair value					
Subsidized loans	16	-	(40,819)	(40,819)	(40,819)
Issue of debts in domestic currency	16	-	(7,404,557)	(7,404,557)	(7,405,323)
Issue of other debts in foreign currency	16	-	(699,154)	(699,154)	(699,154)
Finance lease liabilities	16	-	(348,483)	(348,483)	(348,483)
Trade and related-party payables	17 and 29	-	(528,315)	(528,315)	(528,315)
		-	**(9,021,328)**	**(9,021,328)**	**(9,022,094)**

Consolidated

	Note	Carrying amount			Fair value
		Designated at fair value	Loans and receivables	Total	Level 2
Financial assets measured at fair value					
Judicial deposits	*12*	321,445	-	321,445	321,445
Forward exchange contracts used for hedging purposes	*5*	2,334	-	2,334	2,334
		323,779	**-**	**323,779**	**323,779**
Financial assets not measured at fair value		-	-	-	-
Government bonds	7	699,676	-	699,676	699,676
Treasury bill	7	588,216	-	588,216	588,216
Certificate of Bank Deposit (a)	6 and 7	138,197	-	138,196	138,196
Repurchase operations	6	1,837,206	-	1,837,206	1,837,206
Loan investment fund	7	180,515	-	180,515	180,515
Trade receivables	8	-	1,269,715	1,269,715	1,269,715
Cash and cash equivalents	6	-	257,757	257,757	257,757
		3,443,810	**1,527,472**	**4,971,281**	**4,971,281**

	Note	Carrying Amount			Fair value
		Designated at fair value	Amortized cost	Total	Level 2
Financial liabilities measured at fair value					
Interest rate swap contracts - CDI vs. Dolar	5	(17,501)	-	(17,501)	(17,501)
		(17,402)	**-**	**(17,402)**	**(17,501)**
Financial liabilities not measuured at fair value					
Overdrawn bank account	16	-	(243,435)	(243,435)	(243,435)
Subsidized loans	16	-	(624,652)	(624,652)	(624,652)
Issue of debts in domestic currency	16	-	(7,600,491)	(7,600,491)	(7,601,598)
Issue of other debts in foreign currency	16	-	(714,203)	(714,203)	(714,203)
Finance lease liabilities	16	-	(452,118)	(452,118)	(452,118)
Trade payables	17	-	(1,370,812)	(1,370,812)	(1,370,812)
		-	**(11,005,711)**	**(11,005,711)**	**(11,006,818)**

The characteristics of these instruments and the risks which they are linked are described below:

i) Foreign exchange risk

The Group and its subsidiaries are exposed to the foreign exchange risk arising from financial instruments denominated in currencies different from their functional currencies. To reduce this exposure, the Group implemented policies to hedge against the

foreign exchange risk that establish exposure limits linked to this risk.

The treasury area's procedures defined based on the current policy include monthly projection and assessment of the Group's and its subsidiaries' foreign exchange exposure, on which management's decision-making is based.

The Group's exchange rate hedging policy considers the values of foreign currency receivables and Payables balances of commitments already made and recorded in the financial statements from the operations of the Group and its subsidiaries, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

The Body Shop has a specific foreign exchange hedging policy that covers foreign currency loans among the group companies, as well as future purchase and sale operations of goods, for a maximum period of 12 months.

As of September 30, 2017, and December 31, 2016, the Group and its subsidiaries are basically exposed to the risk of fluctuation of the US dollar, euro and pound sterling. In order to hedge foreign exchange exposures in relation to foreign currency, the Group and its subsidiaries enter into transactions with derivative financial instruments such as "swap" and "Forward Delinquency" ("NonDeliverable Forward - NDF"). Pursuant to the Foreign Exchange Protection Policy, the derivatives contracted by the Group or its subsidiaries must limit the loss related to the exchange devaluation in relation to the net income projected for the current year, given a certain estimate of exchange rate devaluation against the US dollar. This limitation defines the ceiling or maximum exchange exposure permitted to the Group and its subsidiaries in relation to the US dollar and Euro.

As of September 30, 2017, the company and consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$699,154 and R$714,203, respectively (as of December, 31, 2016, R$1,596,651 and R$1,658,689, respectively). These accounts consist of borrowings and financing, 100% hedged with swap derivatives.

Derivatives to hedge foreign exchange risk

The Group classifies derivatives into "financial", "operating" and "others derivatives financial instruments", "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings and financing, "Operating" derivatives include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows. Instruments classified as "others derivative financial instruments" are "forwards" derivatives contracted to hedge against foreign exchange risk on Group's cash in connection with the firm commitment to purchase additional ownership interest in a foreign subsidiary (USA).

Outstanding swap and forward contracts, with maturities between October 2017 and July 2021 were entered into the counterparties represented by the banks Bank of America (75%) and Banco de Tokyo (25%). Currency forward contracts against the pound sterling mature within 12 months and were executed with counterparties represented by HSBC. On September 30, 2017, the balances of financial derivatives were:

Financial derivatives – company

Type of transaction	Principal (notional) amount		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	899,218	1,614,877	698,976	1,596,181	695,521	1,591,783	(3,455)	(4,398)
Liability position:								
CDI floating rate:								
Short position in CDI	899,218	1,614,877	718,119	1,655,051	716,120	1,661,647	(1,999)	6,596
Total net financial derivatives:	-	-	(19,143)	(58,870)	(20,599)	(69,864)	(1,456)	(10,994)

Financial derivatives - Consolidated

Type of transaction	Principal (notional) amount		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	913,368	1,679,243	714,120	1,658,714	709,869	1,652,797	(4,251)	(5,917)
Liability position:								
CDI floating rate:								
Short position in CDI	913,368	1,679,243	729,471	1,719,899	727,370	1,726,156	(2,101)	6,257
Forward contracts (2)								
Net exchange position vs. GBP	129,156	-	831	-	838	-	7	-
Total net financial derivatives:	129,156	-	(14,520)	(61,185)	(16,662)	(73,360)	(2,147)	(12,175)

(1) Swap transactions consist of swapping the exchange rate fluctuation for a percentage of the floating rate Interbank Deposit Rate (CDI).

(2) Financial forward operations consist of hedging against exchange variation through operations involving various currencies against the pound sterling.

The notional amount represents the amounts of the contracted derivatives. Fair value refers to the value of outstanding contracted derivatives recognized in balance sheets.

For derivatives maintained by the Group and its subsidiaries as of September 30, 2017 and December 31, 2016, due to the fact contracts are directly entered into with the financial institutions and not through B3, there are no margin calls deposited as guarantee of the related transactions.

Consolidated operational derivatives

On September 30, 2017, the Group holds derivative instruments called Non-Deliverable Forwards (NDF) with HSBC in order to hedge against exchange risk on import and export operations of the subsidiary The Body Shop against pound sterling and U.S. dollar. The Company does not have any operational derivative contract in the period.

These derivatives are measured at fair value, with gains and losses recognized in the group of costs of products sold and are broken down as follows:

	Principal (notional) amount		Fair value	
Description	2017/09	2016/12	2017/09	2016/12
Cash flow hedge with hedge accounting:				
Net position - GBP and USD	126,548	-	1,761	-
Cash flow hedge without hedge accounting:				
Forwards Contracts	3,812	-	(168)	-
Total derivative instruments, net:	130,360	-	1,593	-

Other derivative financial instruments – company and consolidated:

As of September 30, 2017, the Group maintains with the Bank of America derivative financial instruments denominated Fixed Term Contract or Non-Deliverables Forwards ("NDF") (Notional US$ 1.1 million). This transaction was contracted with the purpose of protecting the cash of the Group regarding the commitment of future investment (capital payment) in subsidiaries abroad. These derivatives are measured at fair value, which gains and losses are recognized in the financial results group.

These derivatives are measured at fair value, which gain and loss are recognized in the financial results group and it's composed as follows:

	Company and Consolidated							
	Principal (notional) amount		Curve value		Fair value		Gain (loss) on MtM adjustment	
	2017/09	2017/12	2017/09	2017/12	2017/09	2017/12	2017/09	2017/12
Long position - USD vs. BRL								
USD	3,556	-	(75)	-	(98)	-	(23)	-
Total net	3,556		(75)		(98)	-	(23)	-

Sensitivity analysis

For the sensitivity analysis of the risk of foreign exchange exposure, the Group's Management understands it is necessary to consider in addition to the assets and liabilities, with exposure to the fluctuation of exchange rates recorded in the balance sheet, the value of the curve of the financial instruments contracted by the Group For the protection of certain exposures as of September 30, 2017, as shown in the table below:

Loans and financing registered in Brazil in foreign currency (note 16)	(699,154)	(714,203)
Receivables registered in Brazil in foreign currency	-	7,520
Accounts payable registered in Brazil in foreign currencies (note 17)	(2,233)	(5,116)
Value of the others derivatives	-	(98)
Value of the "financial" derivatives	698,976	714,951
Net exposure	(2,411)	3,054

The tables below show the gain that would have been recognized in the subsequent period, assuming that the current net foreign exchange exposure remains static, based on the following scenarios:

	Company			
Description	Group´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Appreciation of the US dollar	13	328	644

	Consolidated			
Description	Group´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Appreciation of the US dollar	54	1,366	2,678

The probable scenario considers future U.S. dollar rates obtained at B3 for the maturity dates of the financial instruments exposed to foreign exchange risks that ranging from (R$3.20/ US$1.00) to (R$4.80/US$1.00). Scenarios II and III consider a 25% (R$4.00/US$1.00) and 50% (R$4.80/US$1.00), appreciation of U.S. dollar, respectively, Probable scenarios II and III are presented as required by CVM Instruction 475/08. In assessing possible changes in exchange rates, management uses the probable scenario, which is being presented for compliance with IFRS 7/CPC 40 – Financial Instruments: Disclosures.

Net exposure of The Body Shop is very close to zero due to the effectiveness of derivative instruments.

The Group and its subsidiaries do not use derivative financial instruments for speculative purposes.

Derivative instruments designated for hedge accounting

The Group performed formal designation of its operations subject to hedge accounting for derivative financial instruments for hedging loans denominated in foreign currency and operating cash flows resulting from the purchase and sale denominated in foreign currency of The Body Shop, documenting:

- The hedge relationship;
- The Group’s objective and risk management strategy in taking out the hedge transaction;
- Identification of the financial instrument;

- The hedged item or hedge transaction;
- The nature of the risk to be hedged;
- Description of the hedge relationship;
- The statement of correlation between hedge and hedged item, where applicable; and
- The prospective statement of hedge effectiveness,

The positions of derivative financial instruments designated as outstanding cash flow hedge on September 30, 2017 as set out below:

Instrument Designated as Cash Flow Hedge – company

						Others comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair value (1)	Accumulated gain (loss)	Gain (loss) in the 9-month period
Swap of currency - US$/R$	Currency	BRL	891,819	(22,087)	(23,230)	(1,143)	9,405

Instrument Designated as Cash Flow Hedge – Consolidated

						Others comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair value (1)	Accumulated gain (loss)	Gain (loss) in the 9-month period
Swap of currency - US$/R$	Currency	BRL	891,819	(22,087)	(23,230)	(1,143)	9,755
Forward contract	Currency	GBP	126,548	1,684	1,760	1,760	1,784

(1) The method used by the Group to determine fair value consists in calculating the future value based on the contracted conditions and determines present value based on market curves extracted from B3.

The Group designates as cash flow hedge derivative financial instruments used to offset variations from exposure to exchange rate, in the market value of contracted debts not in the functional currency.

On September 30, 2017, the instruments designated as cash flow hedge totaled US$ 282,083 and £ 29,633 of notional amount R$891,819 and R$ 126,548, respectively. A gain of R$11,539 (R$7,911 net of tax effects) and a gain of R$ 13,546 (R$ 8,940 net of tax effects) were recognized in "other comprehensive income" in the periods ended September 30, 2017 and 2016, respectively, which refer in their entirety as effective.

ii) Interest rate risk

The interest rate risk arises from investments and loans, Financial instruments issued at floating rates expose the Group and its subsidiaries to cash flow risks associated with the interest rate, Financial instruments issued at fixed rates expose the Group to fair value risks associated with the interest rate.

The Group's cash flow risk associated with the interest rate arises from investments and short- and long-term loans and financing issued at floating rates. The Group's Management adopts the policy of maintaining its rates of exposure to asset and liability interest rates

pegged to floating rates, Short-term investments are adjusted by the Interbank Deposit Rate (CDI) whereas borrowings and financing are adjusted based on the Long-term Interest Rate (TJLP), CDI and fixed rates, according to the contracts made with the related financial institutions, and trading securities with investors in this market.

The Group and its subsidiaries contract swap derivatives with the purpose of mitigating the risks of loans and financing contracted at fixed rates.

On September 30, 2017, consolidated balance sheet does not include loans issued at higher fixed rates level TJLP (R$ 5,046 as of December 31, 2016). Such funding submitted as of June 30, 2017 was settled on the date agreed in the contract, August 18, 2017, in the amount of R$5,125.

Derivative instruments to hedge the risk of interest rate

On August 18, 2017, the Group settled a swap contract that was executed with counterparty represented by Banco Santander and is composed in the fiscal year 2016 as follows:

Swap derivatives – company and consolidated

	Principal (notional) amount		Curve value		Fair value		Gain (loss) from MTM adjustment	
Description	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12	2017/09	2016/12
Swap contracts (1): Long position:								
Position purchased at fixed rate	-	5,000	-	5,045	-	4,935	-	(110)
Short position: variable CDI rate:								
Short position at the CDI	-	5,000	-	5,077	-	5,077	-	-
Total net Derivative Financial Instruments:	-	-	-	(32)	-	(142)	-	(110)

(1) The operations of financial "swap" involving the exchange of an interest rate pre-set by a related to a percentage of the variation of the Interbank Deposit Correction - postfix CDI.

Sensitivity analysis

On September 30, 2017, there are loans and financing denominated in foreign currency and issued at fixed rates under contract "swap ", changing the indexation of the liability to CDI fluctuation, The Group is, therefore, exposed to CDI fluctuation. The table below presents the exposure to interest rate risks of transactions pegged to CDI, including derivative transactions:

	Company	Consolidated
Total borrowings and financing - in local currency (note 16)	(7.784.929)	(8.896.717)
Operations in foreign currency with derivatives pegged to CDI (*)	(698.976)	(714.120)
Short-term investments (notes 5 and 6)	2.323.953	3.443.810
Net exposure	(6.159.952)	(6.167.027)

(*) This refers to transactions involving CDI-backed derivatives to hedge the loans and financing arrangements raised in foreign currency in Brazil.

The sensitivity analysis considers the exposure of borrowings and financing pegged to CDI and TJLP rates, net of short-term investments, also pegged to the CDI rate (notes 6 and 7).

The tables below set out projected incremental gain (loss) that will be recognized in income statement for the subsequent year, assuming that the current net liability exposure will remain unaltered and the following scenarios:

	Company			
Description Net liabilities	Group's risk	Probable scenario	Scenario II	Scenario III
Interest rate increase		37,702	(78,649)	(194,999)

	Consolidated			
Description Net liabilities	Group's risk	Probable scenario	Scenario II	Scenario III
Interest rate increase		36,030	(75,162)	(186,354)

The probable scenario considers future interest rates obtained at B3 for the maturity dates of the financial instruments exposed to interest rate risks. Scenarios II and III consider an increase in the interest rate of 25% (9.4% per year) and 50% (11.3% per year), respectively, on the CDI rate of 7.5% per year.

b) Credit risk

Credit risk refers to risk of a counterparty not complying with its contract obligations, which would result in financial losses for the Group, Sales of the Group and its subsidiaries are made to a high number of Natura Beauty Consultants and this risk is managed through a strict credit granting process. The result of this management is reflected in the 'Allowance for doubtful accounts', as explained in note 8.

The Group and its subsidiaries are also subject to credit risks related to financial instruments contracted for the management of its business, primarily represented by cash and cash equivalents, short-term investments and derivative instruments.

The Group believes that the credit risk of transactions with financial institutions is low, as these are considered by the market as prime banks.

The Policy for Short-term Investments adopted by the Group's management establishes the financial institutions with which the Group can do business and defines fund allocation limits and the amounts that may be invested in each of these financial institutions.

c) Liquidity risk

Effectively managing liquidity risk implies to maintain enough cash and marketable securities, funds available through credit facilities used and the ability to settle market positions.

Management monitors the Group's consolidated liquidity level considering the expected

cash flows against unused credit facilities.

The process of rollover and extension of terms of borrowings and financing, which began last quarter, recovered the positive working capital balances, as shown below:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Total current assets	3,617,635	2,571,365	7,019,683	4,802,900
Total current liabilities	(2,547,178)	(2,981,740)	(4,715,001)	(4,177,899)
Total of net Working Capital	1,070,457	(410,375)	2,304,682	625,001

The consolidated carrying amounts of financial liabilities, measured at amortized cost, and their corresponding maturities are as follows:

Company at September 30, 2017	Less than one year	One to two years	Two to five years	More than five years	Total expected cash flow	Interest to incur/MTM	Carrying amount
Current:							
Borrowings and financing	1,210,299	-	-	-	1,210,299	13,782	1,224,081
Trade payables - related parties, Trade and other payables	528,315	-	-	-	528,315	-	528,315
Derivatives	22,176	-	-	-	22,176	(1,479)	20,697
Noncurrent:							
Borrowings and financing	-	3,687,902	2,949,566	331,072	6,968,540	291,462	7,260,002

Consolidated at September 30, 2017	Less than one year	One to two years	Two to five years	More than five years	Total expected cash flow	Interest to incur/MTM	Carrying amount
Current:							
Borrowings and financing	1,904,020	-	-	-	1,904,020	47,953	1,951,973
Trade and other payables	1,370,812	-	-	-	1,370,812	-	1,370,812
Derivatives	14,908	-	-	-	14,908	259	15,167
Noncurrent:							
Borrowings and financing		3,668,505	3,121,291	448,474	7,238,270	420,677	7,658,947

5.3. Capital management

The Group's objectives in managing its capital are to ensure that the Group is continuously capable of offering return to its shareholders and benefits to other stakeholders, and maintain an optimal capital structure to reduce this cost.

The Group monitors capital based on the financial leverage ratios. This ratio corresponds to the net debt divided by the total equity. The net debt corresponds to total borrowings and financings (including short- and long-term borrowings, as shown in the consolidated balance sheet), deducted from cash and cash equivalents and short term investments. Net debt as shown below includes adjustments of derivative contracts to mitigate the foreign exchange risk.

The consolidated financial leverage ratios as of September 30, 2017 and December 31, 2016 are as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	201612
Short- and long-term borrowings and financing (note 16)	8,484,083	3,462,687	9,610,920	4,390,171
Financial derivatives, swap derivatives of interest rate and other derivative financial instruments	20,697	69,864	15,167	73,502
Cash and cash equivalents and securities (note 6 and 7, except Certificates of Bank Deposits (CDB) Crer para Ver)	(2,337,280)	(1,210,999)	(3,673,694)	(2,278,588)
Net debt	6,167,500	2,321,552	5,954,629	2,185,085
Shareholders' equity	1,412,555	996,385	1,412,555	996,385
Financial leverage ratio	436.62%	233.00%	421.55%	219.30%

5.4 Fair Value Estimate

Financial instruments that are measured at fair value at the end of the reporting period as prescribed by IFRS 7/CPC 40 – Financial Instruments: Disclosures follow the hierarchy below:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities, A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- Level 2: Used for financial instruments that are not traded in active markets (for example, over-the-counter derivatives) and whose fair value is determined using valuation techniques that, in addition to the quoted prices, included in Level 1, use other inputs adopted by the market for assets or liabilities, whether directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on the data adopted by the market (i.e. unobservable inputs).

As of September 30, 2017 and December 31, 2016, the measurement of all the Group's and its subsidiaries' derivatives falls under the Level 2 characteristics and there was no changes in levels in the period. The fair value of exchange rate derivatives (swap and forwards) is determined based on the exchange rate at the end of the reporting period, with the resulting amount being discounted to present value.

Fair values of financial instruments measured at amortized cost (Level 2)

Short-term investments

The carrying amounts of the short-term investments approximate their fair values as transactions are conducted at floating interest rates.

Borrowings, financing and debentures

The carrying amounts of borrowings and financing, except those pegged to a fixed rate, approximate their fair values as they are pegged to a floating rate, the CDI fluctuation. The carrying amounts of financing pegged to TJLP approximate their fair values as the TJLP is also pegged to CDI and is a floating rate.

The fair value of borrowings and financing contracted at fixed interest rates does not have significant variation related to the book value disclosed in note 16.

Trade receivables and payables

It is estimated that the carrying amounts of trade receivables and trade payables approximate their fair values in view of the short term of the transactions conducted.

The Companies do not have any guarantee for overdue bonds.

6. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Cash and banks	36,075	60,229	257,757	203,010
Bank certificates of deposit – CDB (a)	1,304	1,202	115,449	119,274
Repurchase agreements (b)	-	-	1,837,206	769,186
	37,379	61,431	2,210,412	1,091,470

(a) On September 30, 2017, Investments in Bank Deposit Certificates are remunerated at an average rate of 101.2% of CDI (101.2% of CDI as of December 31, 2016) with daily maturities redeemable with the issuer itself, without significant loss of value.

(b) Repurchase agreements are securities issued by banks with a commitment by the bank to repurchase the security, and by the client to resell the security, at a fixed price (rate of interest) and within a predetermined term, which are backed by public or private securities (depending on the bank) and are registered with the CETIP. On September 30, 2017, repurchase operations are remunerated at an average rate of 101.7% of the CDI (100.1% of the CDI on December 31, 2016).

7. SHORT TERM INVESTMENTS

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Investments funds exclusive	2,299,901	1,149,568	-	-
Investments funds	-	-	180,515	151,363
Certificates of deposits CDB (a)	22,748	20,341	22,748	20,341
Financial letters	-	-	588,216	743,047
Government security	-	-	699,676	292,708
	2,322,649	1,169,909	1,491,155	1,207,459

(a) Investment in Bank Deposit Certificates are restated with yield interest of 89.59% of CDI and are referring to the amounts that will be given to Instituto Natura due to the sales of the Crer para Ver products (94.2% of the CDI at December 31, 2016).

The Group concentrates most of investments in an exclusive fund investment. On September 30, 2017 the companies Natura Cosméticos S.A , Natura Inovação e Tecnologia de Produtos Ltda, Natura Logística e Serviços Ltda, Indústria e Comércio de Cosméticos Natura Ltda., Natura Comercial Ltda. and Natura Biosphera Franqueadora Ltda. have interest in shares of the Fund Essential Investment and the value recorded is valued at fair value through profit or loss.

The amount of shares held by the Group is disclosed under "Investment Fund Exclusive" in the Company. The financial statements of the Investment Funds, which the group has an exclusive interest (100 % of the shares), were consolidated and the values of their portfolio were segregated by type of investment and classified as cash equivalents or short term investments, according to the accounting practices adopted by the Group.

The exclusive fund is as follows:

The Essential Investment Fund is a fund fixed income credit private management, administration and custody of Banco Itaú Unibanco S.A. Eligible assets in the portfolio are: government securities, CDB, financial letters and repurchase agreements. There is no grace period for redemption of shares that may be redeemed at any time yield.

Breakdown of the exclusive fund portfolio on September 30, 2017 and December 31, 2016 is as follows:

	2017/09	2016/12
Floating rate bank certificates of deposits (CDBs)	114,183	118,127
Repurchase agreements	1,837,206	769,186
Treasury bills	588,216	743,047
Government bonds (LFT)	699,676	292,708
	3,239,281	1,923,068

8. TRADE RECEIVABLES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Trade receivables	882,884	943,839	1,395,446	1,194,846
Allowance for doubtful accounts	(83,068)	(115,618)	(125,731)	(142,945)
	799,816	828,221	1,269,715	1,051,901

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Current	723,255	777,278	1,117,773	962,643
Past due:				
Up to 30 days	61,112	60,704	114,520	97,867
31 to 60 days	23,289	24,529	37,472	34,263
61 to 90 days	18,709	17,198	24,954	22,550
91 to 180 days	56,519	64,130	100,727	77,523
Allowance for doubtful accounts	(83,068)	(115,618)	(125,731)	(142,945)
	799,816	828,221	1,269,715	1,051,901

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 65% of the outstanding balance as of September 30, 2017 (81% as of December 31, 2016), refers to real-denominated transactions. The remaining balance is denominated in several currencies and refers to sales of foreign subsidiaries.

The changes in the allowance for doubtful accounts for the period of ended September 30, 2017 and December 31, 2016 are as follows:

Company				Consolidated				
Balance at 2016/12	Additions (a)	Write-offs (b)	Balance at 2017/09	Balance at 2016/12	Additions (a)	Write-offs (b)	Acquisition of subsidiary (c)	Balance at 2017/09
(115,618)	(103,844)	136,394	(83,068)	(142,945)	(153,271)	180,833	(10,348)	(125,731)

(a) Allowance recognized according to note 2.7. Disclosed in note 2 to the Group's annual financial statements for the year ended December 31, 2016, disclosed on February 22, 2017.

(b) Refers to accounts overdue for more than 180 days which were written off due to uncollectible amounts.

(c) Opening balance of provision for losses The Body Shop.

The expense on the recognition of the allowance for doubtful accounts was recorded in 'Selling expenses' in the income statement. When recovery of additional cash is less than probable, the amounts credited to line item 'Allowance for doubtful accounts' are in general reversed against the definite write-off of the receivable and is recorded in net income or loss.

Maximum exposure to credit risk at the reporting date is the carrying amount of each aging range, net of the allowance for doubtful accounts, as shown in the aging list above. The Group and its subsidiaries do not have any guarantee for past-due receivables.

9. INVENTORIES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Finished products	229,837	195,653	1,278,064	676,835
Raw materials and packaging	-	-	219,322	182,778
Promotional material	23,152	18,200	100,454	94,630
Work in progress	-	-	21,533	13,293
Allowance for losses	(16,999)	(10,495)	(160,517)	(131,614)
	235,990	203,358	1,458,856	835,922

The changes in the allowance for inventory losses for the nine-month period ended September 30, 2017 and December 31, 2016 are as follows:

Company				Consolidated				
Balance at 2016/12	(Additions) (a)	Write-off (b)	Balance at 2017/09	Balance at 2016/12	Acquisition of subsidiary (c)	Additions (a)	Write-offs (b)	Balance at 2017/09
(10,495)	(16,441)	9,937	(16,999)	(131,614)	(21,624)	(56,861)	49,582	(160,517)

(a) Refer to the recognition of the allowance for losses due to discontinuation, expiration and quality, to cover expected losses on the realization of inventories, pursuant to the Group's and its subsidiaries' policy.

(b) Consist of write-offs of products discarded by the Group and its subsidiaries.

(c) Opening balance of provision for losses The Body Shop.

10. RECOVERABLE TAXES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
ICMS on purchases of goods (a)	3,562	2,411	447,780	409,710
Taxes on purchase of goods (International Oper.)	-	-	41,837	26,548
ICMS recoverable on tax incentives - Sponsorship	-	96	-	96
Taxes - foreign subsidiaries	-	-	385	1,906
ICMS on purchases of fixed assets	2,132	3,001	13,014	19,188
PIS and COFINS on purchases of fixed assets	33,720	31,055	63,357	37,046
PIS and COFINS on purchase of goods	51,198	21,586	53,087	21,590
PIS and COFINS resulting from win on a lawsuit (b)	-	-	-	7,670
PIS, COFINS and CSLL - withheld at source	162	42	2,180	2,682
IPI recoverable	8,384	2,115	20,388	28,291
	99,158	60,306	642,028	554,727
Current	64,392	28,054	198,128	274,093
Noncurrent	34,766	32,252	443,900	280,634

(a) Accumulated ICMS credit generated substantially by average rates of entry, higher than the average

exit rates, and by the increase in exports. Credits are accumulated in the state of São Paulo and the Group's Management already has a plan for short- and long-term recovery.

(b) The amount shown relates to the recognition of tax credits of Social Integration Program - PIS and Contribution to Social Security Financing - COFINS the lawsuit challenging the constitutionality and legality of the tax base for calculating contributions cited, established by Law No. 9,718/98. The Group obtained authorization from the Federal Revenue of Brazil to offset credits of subsidiaries after the trial in March 2017.

11. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) result from temporary differences in the company and in its subsidiaries. For certain subsidiaries and the Group, the balance of deferred taxes on tax losses and tax loss carryforwards was also recognized. These credits are kept recorded in noncurrent assets, the amounts are as follows:

Breakdown of deferred income tax and social contribution – Net Assets:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Tax loss carryforwards and negative basis of social contribution tax	38,831	43,161	58,395	68,052
Allowance for doubtful accounts (note 8)	28,243	39,310	38,283	51,867
Allowance for losses on inventories (note 9)	5,780	3,568	45,904	45,884
Provision for tax, civil and labor contingencies (note 19)	50,352	21,951	80,362	34,307
Non-inclusion of ICMS in the PIS and COFINS basis (note 18.a)	-	845	-	101,054
Effect of changes in fair value of derivative instruments , including hedge accounting transactions (note 5.2.)	7,037	23,754	4,340	24,992
Provision for ICMS – ST (note 18.b)	51,177	56,608	51,177	56,608
Allowances for losses on advances to suppliers	2,063	1,875	2,063	1,875
Accrued benefits sharing and partnerships	14,600	14,057	15,831	14,574
Provision for profit sharing	16,799	13,156	37,784	22,348
Depreciation rate adjustment – useful life	(75,226)	(59,335)	(127,867)	(97,511)
Provision for Income Tax/Social Contribution on interest – injunction (Interest – Beauty Consultant)	32,752	28,643	32,752	28,643
Provision carbon credits	3,349	1,422	3,349	1,422
Profit on effects not eliminated in inventories	-	-	23,130	23,071
Provision for losses – property and intangible (note 15)	4,622	828	7,762	3,968
INSS with Suspended Liability (note 18)	3,734	2,854	10,803	8,820
IPI – Decree n° 8393/2015 (note 18)	-	48,364	-	50,169
Others expenses provision (a)	38,545	20,604	53,557	39,379
Other temporary differences	29,394	16,635	71,475	13,474
	252,052	278,300	409,100	492,996

(a) This refers to recognition of a provision in line with the accrual basis of accounting to reflect actual expenses incurred over the year, but still unbilled by suppliers.

Some comparison balances were reclassified interline for better disclosure.

Breakdown of deferred income tax and social contribution – Liabilities:

	Consolidated	
	2017/09	2016/12
Goodwill and fair value of identifiable assets (Emeis Holding Pty Ltd. and The Body Shop) (b)	397,762	23,775

(b) Refers to goodwill on business combination with Emeis Holding Pty Ltd. and on the fair value of identifiable assets of The Body Shop.

Management, based on projections of future taxable income, estimates that the recorded tax credits will be fully realized within five years.

Management expectative is that tax credits will be realized as follows:

	Company	Consolidated
As from October 2017	113,995	141,902
2018	104,181	209,864
2019	28,352	42,648
2020 onwards	5,524	14,686
	252,052	409,100

With respect to the foreign subsidiaries, listed below do not record tax credits on tax loss carry forwards and temporary differences in their financial statements due to the absence of a history of taxable income and taxable income projections for the coming fiscal years.

As of September 30, 2017, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carry forwards:

	R$
Natura Mexico	220,154
Natura Brazil PTY (Aesop – Substantially by operations in the US and Brazil)	18,892
Natura Innovation France (France)	280,248
The Body Shop (Operations in the U.S., Brazil and France)	441,285
	960,579

Except for Mexico, tax credits on tax loss carry forwards generated by the subsidiaries can be carried forward indefinitely. For this subsidiary, the tax loss carry forwards has the following expire date:

	Mexico - R$
As of October 2018	10,501
2019	29,743
2020 to 2022	179,910
	220,154

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Income before income tax and social contribution	399,032	116,211	622,640	160,614
Income tax and social contribution at the rate of 34%	(135,671)	(39,512)	(211,698)	(54,609)
Technological research and innovation benefit - Law 11.196/05 (a)	12,071	12,149	11,418	12,149
Equity in investees (note 14)	136,180	34,310	-	-
Tax impact generated by the difference of rates of subsidiary abroad	-	-	259	2,059
Unrecognized tax loss in the period	-	-	(89)	(12,800)
Tax Benefits of interest on equity (IOE)	1,904	5,916	1,904	5,916
Fair value of restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.(b)	-	(19,147)	-	(19,147)
Other permanent differences	(83)	(15,014)	(11,001)	5,237
Income tax and social contribution expenses	14,401	(21,298)	(209,207)	(61,194)
Income tax and social contribution – current	37,451	(222,509)	(115,263)	(303,772)
Income tax and social contribution – deferred	(23,050)	201,211	(93,944)	242,578
Effective rate - %	-3.6	18.3	33.6	38.1

(a) Refers to the tax benefit established by Law 11.196/05, which allows for the direct deduction from the calculation of taxable income and the social contribution tax basis of the amount corresponding to 60% of the total expenses on technological research and innovation, observing the rules established in said Law.

(b) This refers to the permanent tax effect on restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.

The changes in income tax and social contribution for the period of nine-month period ended September 30, 2017 and 2016 were as follows:

Company				Consolidated				
2016/12	(Debit)/ Credit to profit or loss	(Debit)/ Credit Other comprehensive income	2017/09	2016/12	Acquisition of subsidiary (a)	(Debit)/ Credit to profit or loss	(Debit)/Credit Other comprehensive income	2017/09
278,300	(23,050)	(3,198)	252,052	492,996	14,576	(94,844)	(3,628)	409,100

The changes in deferred income tax and social contribution liabilities for the nine-month period ended September 30, 2017 in consolidated figures were as follows:

Consolidated				
2016/12	(Debit)/ Credit to profit or loss	Acquisition of subsidiary (a)	(Debit)/Credit Other comprehensive income of exchange variation	2017/09
(23,775)	900	(373,666)	(1,221)	(397,762)

(a) Opening balance of deferred income tax assets and liabilities arising from the fair value of acquisition of net assets of The Body Shop.

12. JUDICIAL DEPOSITS

Represent the restricted assets of the Group and its subsidiaries related to amounts deposited and held by the courts until the litigation to which they are linked is resolved.

The judicial deposits of the Group and its subsidiaries as of September 30, 2017 and December 31, 2016 are as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Unaccrued tax lawsuits(i)	152,550	155,575	197,527	161,833
Accrued tax lawsuits (ii) (note 18 and 19)	100,300	84,620	108,745	128,727
Unaccrued civil lawsuits	1,110	1,287	1,566	1,591
Accrued civil lawsuits (note 19)	686	757	812	882
Unaccrued labor lawsuits	3,960	3,663	5,473	5,035
Accrued labor lawsuits note 19)	6,354	3,987	7,322	5,006
Total judicial deposits	264,960	249,889	321,445	303,074

(i) The proceedings related to these judicial deposits basically refer to the sum of amounts disclosed in ICMS – ST, note 19 (a) - loss reasonably.

(ii) The proceedings related to these judicial deposits basically refer to the sum of amounts disclosed in note 18, item (a), (b) and the amount accrued in the note 19.

13. OTHER CURRENT AND NON-CURRENT ASSETS

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Marketing and advertising advances	50,738	84,480	52,621	99,977
Supplier advances (d)	6,939	141,546	27,676	144,377
Employee advances	3,955	2,698	8,118	5,602
Rent advances (c)	-	-	111,951	19,205
Insurance	4,716	4,241	11,148	7,240
Customs broker advances - Import taxes	-	-	10,873	8,523
Assets held for sale (a)	160	160	160	160
Carbon credits (b)	10,735	8,998	10,735	8,998
Other	14,610	2,266	81,318	15,690
	91,853	244,389	314,600	309,772
Current	87,045	228,629	264,258	286,739
Non-current	4,808	15,760	50,342	23,033

(a) This balance refers to assets which the Group intends to sell one of the next 12 months as IPFRS 5/CPC 31-non-current assets held for sale. These assets are measured at the lower value between the carrying amount and fair value less costs to sell. The Group classifies these assets under this heading by considering selling highly probable and the assets are available for immediate sale in its present condition. Once classified as intended for sale, the assets are not depreciated or amortized.

(b) Carbon Neutral program (note 2.9), disclosed in note 2 to the Group's annual financial statements for the year ended December 31, 2016, disclosed on February 22, 2017.

(c) Mainly refers to advances of rental of properties where certain stores of the subsidiary “The Body Shop” are located.

(d) In 2017, the amounts related to capitalized charges arising from lease agreements were reclassified, as detailed in note 15, item (h).

14. INVESTMENTS

	Company	
	2017/09	2016/12
Investments in subsidiaries	6,252,662	2,104,217

Information and changes in the balances for the period of three months ended September 30, 2017 and for the year ended in December 31, 2016:

	Indústria e Comércio de Cosméticos Natura Ltda. (*)	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Natura Inovação e Tecnologia de Produtos Ltda	Natura Cosméticos d e México S.A. (*)	Natura Cosméticos Ltda. - Colômbia	Natura (Brasil) International B.V. - Holanda (*)	Natura Cosméticos España S.L.	Natura Biosphera Franqueadora Ltda.	Natura Comercial Ltda.	Natura Brazil Pty Ltd (*)	Total
Percentage of interest	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	100.00%	100.00%	99.99%	99.99%	100.00%	
Stockholders' equity of subsidiaries	1,664,751	112,821	11,471	243,504	223	24,472	15,830	47,134	3,819,153	132	7,375	33,014	309,628	6,289,508
Share in shareholders' equity	1,627,954	112,810	11,470	243,480	223	24,470	15,828	47,129	3,819,153	132	7,374	33,011	309,628	6,252,662
Net income for the period of subsidiaries	314,213	14,391	(3,330)	76,337	-	17,330	4,508	6,689	3,747	(16)	2,608	(3,031)	(32,875)	400,571
Balance as of December 31, 2015	1,251,225	111,453	7,970	219,273	436	77,649	(21,519)	26,170	14,298	603	6,398	-	285,757	1,979,713
Equity in results	65,059	35,367	9,181	45,003	-	35,628	5,202	18,787	(36,380)	-	(5,832)	(58)	44,225	216,182
Exchange variation and other adjustments in the conversion of investments of subsidiaries abroad	8	(15,272)	(2,223)	(71,594)	(207)	(1,251)	2,840	(3,771)	(1,588)	-	-	-	(67,662)	(160,720)
Contribution of the company to share option plans granted to executives of subsidiaries and other reserves	1,207	-	-	-	-	(482)	-	-	-	-	-	-	-	725
Actuarial gains (losses)	9,517	-	-	-	-	(942)	-	-	-	-	-	-	-	8,575
Effect on net hedge of tax effects	(147)	-	-	-	-	-	-	-	-	-	-	-	-	(147)
Effect of change of interest in indirect subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(207,983)	(207,983)
Effect of change in the Group's interest in the fair value of the net assets acquired from Emeis Holding Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	11,672	11,672
Distribution of dividends	-	(7,063)	-	-	-	(72,676)	-	-	-	-	-	-	-	(79,739)
Increase in capital	-	-	-	-	-	-	24,081	-	32,309	-	4,200	16,100	259,249	335,939
Balances as of December 31, 2016	1,326,869	124,485	14,928	192,682	229	37,926	10,604	41,186	8,639	603	4,766	16,042	325,258	2,104,217
Equity in results	314,182	14,390	(3,330)	76,329	-	17,328	4,508	6,688	3,747	(16)	2,608	(3,031)	(32,875)	400,528
Exchange variation and other adjustments in the conversion of investments of subsidiaries abroad	(24)	(1,039)	(128)	(25,531)	(6)	-	716	(745)	23,534	(455)	-	-	17,245	13,567
Contribution of the company to share option plans granted to executives of subsidiaries and other reserves	(13,304)	-	-	-	-	(549)	-	-	-	-	-	-	-	(13,853)
Effect on net hedge of tax effects	231	-	-	-	-	-	-	-	1,473	-	-	-	-	1,704
Distribution of dividends	-	(25,026)	-	-	-	(30,235)	-	-	-	-	-	-	-	(55,261)
Increase in capital	-	-	-	-	-	-	-	-	3,781,760	-	-	20,000	-	3,801,760
Balances as of September 30, 2017	1,627,954	112,810	11,470	243,480	223	24,470	15,828	47,129	3,819,153	132	7,374	33,011	309,628	6,252,662

(*) Consolidated information of the following companies:

Indústria e Comércio de Cosméticos Natura Ltda. - Indústria e Comércio de Cosméticos Natura Ltda. and Natura Logística e Serviços Ltda.

Natura Cosméticos de México S.A: Natura Cosméticos y Servicios de México, S.A. de C.V., Natura Cosméticos de Mexico, S.A. de C.V. e Natura Distribuidora de Mexico, S.A. de C.V.

Natura (Brazil) International B.V. - Netherlands: Natura (Brazil) International B.V. (Netherlands), Natura Brasil Inc. (USA – Delaware), Natura International Inc. (USA – New York), Natura Europa SAS (France) and The Body Shop International PLC.

Natura Brazil Pty. Ltd.: Natura Brazil Pty. Ltd., Natura Cosmetics Australia Pty. Ltd. and Emeis Holdings Pty. Ltd.

15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment

	Company						
	Weighted average annual depreciation rate - %	2016/12	Additions	Write-offs	Transfers (fixed assets)	Other changes	2017/09
Cost Value:							
Vehicles	33	39,960	7,084	(7,842)	-	(192)	39,010
Machinery and equipment	7	180,785	37	(127)	697	(112)	181,280
Leasehold improvements(a)	10	67,365	77	(5,312)	23,199	(1,212)	84,117
Buildings	3	331,823	8,739	-	136,532	-	477,094
Furniture and fixtures	7	13,153	192	(622)	8,767	-	21,490
Land	-	4,413	-	-	-	-	4,413
IT equipment	20	123,978	2,041	(136)	(3,083)	207	123,007
Projects in progress	-	21,763	17,804	(2)	(37,062)	1,325	3,828
Provision for losses	-	(2,436)	-	-	-	-	(2,436)
Total cost value		780,804	35,974	(14,041)	129,050	16	931,803
Depreciation Value:							-
Vehicles		(18,015)	(5,647)	4,091	-	(81)	(19,652)
Machinery and equipment		(55,880)	(6,752)	98	-	-	(62,534)
Leasehold improvements(a)		(22,042)	(3,471)	837	-	-	(24,676)
Buildings		(24,878)	(5,327)	-	-	-	(30,205)
Furniture and fixtures		(3,865)	(643)	333	-	-	(4,175)
IT equipment		(79,630)	(8,763)	133	1,237	-	(87,023)
Total depreciation		(204,310)	(30,603)	5,492	1,237	(81)	(228,265)
Overall total		576,494	5,371	(8,549)	130,287	(65)	703,538

	Consolidated							
	Weighted average annual depreciation rate - %	2016/12	Acquisition of subsidiary	Additions	Write-offs	Transfers	Other changes including exchange variation	2017/09
Cost value:								
Vehicles	20	76,214	-	14,929	(12,925)	30	(1,316)	76,932
Templates	10	219,676	-	5,639	(5,856)	134	(13)	219,580
Tools and accessories	7	2,975	-	269	(10)	2,050	(8)	5,276
Facilities	5	285,083	-	1,898	(143)	7,620	(1,863)	292,595
Machinery and equipment	6	801,540	747	2,136	(16,203)	7,992	(2,418)	793,794
Leasehold improvements (a)	20	210,410	348,378	17,449	(12,318)	47,111	17,845	628,875
Buildings	2	758,892	51,756	8,739	(23)	136,532	3,000	958,896
Furniture and fixture	3	66,725	690,498	9,837	(11,480)	16,731	17,152	789,463
Land	-	30,525	-	-	-	-	-	30,525
IT equipment	13	175,238	98,739	10,593	(1,761)	(2,233)	4,474	285,050
Projects in progress	-	79,569	21,440	68,243	(565)	(91,126)	5,686	83,247
Provision for losses	-	(11,672)	-	-	1,275	-	(19,447)	(29,844)
Total cost value		2,695,175	1,211,558	139,732	(60,009)	124,841	23,092	4,134,389
Depreciation value:								
Vehicles		(31,446)	-	(11,443)	7,243	-	517	(35,129)
Templates		(184,000)	-	(16,479)	5,784	-	3	(194,692)
Tools and accessories		(1,985)	-	(176)	2	-	2	(2,157)
Facilities		(113,894)	-	(10,556)	23	-	5	(124,422)
Machinery and equipment		(289,475)	(316)	(35,920)	11,240	-	329	(314,142)
Leasehold improvements (a)		(84,136)	(246,676)	(31,593)	7,288	10	(10,098)	(365,205)
Buildings		(123,895)	(10,301)	(13,115)	-	-	464	(146,847)
Furniture and fixture		(24,690)	(465,980)	(15,409)	10,916	239	(11,196)	(506,120)
IT equipment		(106,966)	(78,334)	(17,685)	1,588	1,126	(2,931)	(203,202)
Total depreciation		(960,487)	(801,607)	(152,376)	44,084	1,375	(22,905)	(1,891,916)
Overall total		1,734,688	409,951	(12,644)	(15,925)	126,216	187	2,242,473

Intangible assets

	Company						
	Weighted average annual amortization rate - %	2016/12	Additions	Write-offs	Transfers	Other changes	2017/09
Cost value:							
Software and others	10	732,329	39,567	-	7,480	8,485	787,862
Provision for losses	-	-	-	-	-	(11,158)	(11,158)
Total cost value		732,329	39,567	-	7,480	(2,673)	776,704
Amortization value:							
Software and others		(223,780)	(51,618)	-	(1,235)	(9,032)	(285,666)
Total amortization value		(223,780)	(51,618)	-	(1,235)	(9,032)	(285,666)
Overall total		508,549	(12,051)	-	6,245	(11,705)	491,038

	Consolidated							
	Weighted average annual amortization rate - %	2016/12	Acquisition of subsidiary	Additions	Write-offs	Transfers	Other changes including exchange variation	2017/09
Cost value:								
Software and other	7	877,771	247,716	48,953	(225)	11,475	6,449	1,192,139
Trademarks and patents	1	99,470	1,732,131	313	-	-	5,720	1,837,634
Goodwill Emeis Brazil Pty Ltd. (b)	-	83,401		-	-	35	13,165	96,601
Relationship with retail clients	10	1,498	-	-	-	-	79	1,577
Key money (d)	-	16,910	137,876	9,961	(818)	220	(1,860)	162,289
Relationship with franchisees and sub-franchisees (e)	7	-	475,425	-	-	-	-	475,425
Goodwill The Body Shop PLC (f)		-	1,185,776	-	-	-	-	667,587
Provision for losses		-	-	-	-	-	(11,158)	(11,158)
Total cost value		1,079,050	3,778,924	59,227	(1,043)	11,730	12,395	4,940,283
Amortization value:								
Software e and other		(275,202)	(157,189)	(61,422)	173	(1,134)	(6,586)	(501,360)
Trademarks and patents		(17,323)	(5,629)	(2,027)	1,187	-	(2,031)	(25,823)
Amortization - Key money		(1,622)	(52,223)	(1,103)	817	(280)	(758)	(55,169)
Relationship with retail clients		(649)	-	(114)	-	-	(55)	(818)
Total amortization		(294,796)	(215,041)	(64,666)	2,177	(1,414)	(9,430)	(583,170)
Overall total		784,254	3,563,883	(5,439)	1,134	10,316	2,965	4,357,113

(a) The depreciation rates take into consideration the lease terms of leased properties, which range from three to fifteen years.

(b) Goodwill on Emeis Holdings Pty Ltd. acquisition. On December 31, 2016 management evaluated the recoverability of the book value of goodwill recorded, using the discounted cash flow methodology, with no impairment loss identified. During the nine-month period ended September 30, 2017, management did not identify any trigger event for the intangible assets.

(c) Balance refers to the key money of Natura Comercial and the key money generated by the acquisition of Natura Europa SAS - France, characterized, by an appraisal report issued by independent appraisers, as intangible, marketable asset, the value of which does not decrease over time.

(d) Balance refers to the key money of the indirect subsidiary Emeis Holding Pty Ltd, characterized by: (i) defined intangible assets, amortized over the term of the contract for

certain stores in France, Japan, Germany, United Kingdom, United States and Italy; (ii) intangible assets with an indefinite useful life, without loss of value, for 7 stores in France, Switzerland and Denmark.

(e) The balance refers to identifiable intangible assets from relationship with The Body Shop franchisees, with estimated useful life of 15 years.

(f) The balance refers to goodwill arising from the acquisition of The Body Shop, classified as a result of expected future profitability, totaling R$ 667,586 (see note 4). It does not have defined useful life and is subject to annual impairment tests. The balance refers to goodwill on expected future profitability that The Body Shop reported in the balance sheet prepared on the acquisition date, totaling R$ 518,189.

Additional information on property, plant and equipment:

(g) Assets pledged as collateral

As of September 30, 2017, the Group and its subsidiaries had property, plant and equipment as an attachment in defense of lawsuits in the amount of R$ 100, composed substantially of molds and land.

(h) Leases

As of September 30, 2017, the amount recorder under “Buildings” arising from lease transactions totaling R$697,875 (Consolidated) (R$371,828 as of December 31, 2016 – Consolidated) and the balance of lease payables, classified in line item “Borrowings and financing” (note 16) totals R$452,118 (Consolidated) (R$437,274 as of December 31, 2016 – Consolidated).

On March 31, 2017, the caption "Other assets" to "Buildings" was capitalized in the amount of R$ 139,663 (Company and Consolidated).

As of June 30, 2017, were capitalized costs of leasing operations in the amount of R$7,120 (Company and Consolidated). In addition to the update of the PIS/COFINS credits about the considerations of this leasing in the amount of (R$13,596) (Company and Consolidated).

On September 30, 2017, charges on leases were capitalized in the amount of R$3,807 (Company and Consolidated), and PIS/COFINS credits on considerations of these leases were adjusted for inflation in the amount of (R$462) (Company and Consolidated).

16. BORROWINGS AND FINANCING

	Company		Consolidated		
	2017/09	2016/12	2017/09	2016/12	Reference
Local Currency					
Financing Agency for Studies and Projects (FINEP)	-	-	153,205	149,916	A
Debentures (a)	3,705,862	1,461,237	3,705,862	1,461,237	B
Promissory Notes	3,698,695	-	3,698,695	-	C
BNDES	31,196	37,944	75,784	118,497	D
BNDES EXIM	-	-	366,879	298,011	E
Working capital / NCE	-	-	-	40,502	F
BNDES – FINAME	693	1,126	4,805	8,313	G
Finance leases (note 15.h)	348,483	365,729	452,118	437,274	H
Working capital - International Operation - Peru	-	-	34,966	48,392	I
Working capital - International Operation - Mexico	-	-	64,458	64,661	J
Working capital - International Operation - Australia	-	-	66,687	67,123	K
Working capital - International Operation - Colombia	-	-	27,292	37,556	L
Working capital - International Operation - Netherlands	-	-	243,435	-	M
Working capital - International Operation - The Body Shop	-	-	2,531	-	N
Total in local currency	7,784,929	1,866,036	8,896,717	2,731,482	
Foreign Currency					
BNDES	8,930	12,629	23,979	31,985	O
Resolution 4131/62	690,224	1,584,022	690,224	1,626,704	P
Total in foreign currency	699,154	1,596,651	714,203	1,658,689	
Overall total	8,484,083	3,462,687	9,610,920	4,390,171	
Current	1,224,081	1,437,203	1,951,973	1,764,488	
Noncurrent	7,260,002	2,025,484	7,658,947	2,625,683	

(a) Debentures classified as current and noncurrent on 30, 2017 are as follows:

	Parent Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Debentures				
Current	505,862	262,430	505,862	262,430
Noncurrent	3,200,000	1,198,807	3,200,000	1,198,807

Reference	Currency	Maturity	Charges	Guarantees
A	Real	May 2019 and June 2023	Interest of 5% p.a. for the installment maturing in 2019 and 3.5% p.a. for the installment maturing in June 2023	Guarantee of Natura Cosméticos S.A.
B	Real	September 2021	Interest of 107% to 109% of the CDI and 1.4% + CDI and 1.75% + CDI, maturing in February 2018, March 2018, February 2019, March 2019, March 2020, September 2020 and September 2021.	None
C	Real	February 2018	108% of the CDI	Guarantee of Indústria e Comércio de Cosméticos Natura S.A. and Natura Inovação e Tecnologia de Produtos Ltda.
D	Real	Through September 2021	TJLP + interest of 0.5% p.a. to 3.96% p.a. and fixed-rate contracts of 3.5% p.a. to 5% p.a. (PSI) (d)	Bank-issued guarantee letter
E	Real	November 2018	For 30% of the credit facility, SELIC + 0.4% p.a., for 70% of the facility, TJLP. Both facilities further include BNDES basic remuneration (2% p.a.) and Intermediary Bank remuneration.	Guarantee of Natura Cosméticos S.A.
F	Real	Through August 2017	Interest of 8% p.a. (c) and interest of 107% of the CDI (c)	Guarantee of Natura Cosméticos S.A.
G	Real	Through March 2021	Interest of 4.5% p.a. + TJLP for contracts up to 2012 and for contracts executed as of 2013 fixed rate of 3% p.a. (PSI) (d); Contracts in August 2014 overpaid in 2016 at fixed rate of 6% p.a. to 10.5% p.a.	Fiduciary sale of Natura Cosméticos S.A. and promissory notes
H	Real	Through August 2026	Interest of 9% p.a. + IPCA (b)	Fiduciary sale os assets object of lease agreements
I	Novo sol	December 2017 and January 2018	Interest of 5.3% p.a.	Guarantee of Natura Cosméticos S.A.
J	Mexican Peso	May 2018	Interest of 0.98% p.a. to 1.2% p.a. + TIIE (e)	Guarantee of Natura Cosméticos S.A.
K	Australian Dollar	August 2018	BBSY + interest of 1% and Libor + interest of 1% (f)	Bank-issued guarantee letter
L	Colombian Peso	December2017	Interest of 8.3% p.a.	Guarantee of Natura Cosméticos S.A.
M	Euro	January 2018	Interest of 2% p.a.	N/A
N	CLP	September 2018	Interest of 0.33% p.m.	N/A
O	U.S. Dollar	October 2020	Exchange variation + interest of 1.8% p.a. 2.3% p.a. + Resolution 635 (a)	Guarantee of Natura Cosméticos S.A. and bank-issued guarantee letter
P	U.S. Dollar	Through May 2018	Exchange variation + Libor + Over Libor of 1.32% p.a. to 2.9% p.a. (a)	Guarantee of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda.

(a) Loans and financing for which swap contracts (CDI) were entered into. These loans and financing are not being shown net of their derivatives.

(b) IPCA – Consumer price index expanded

(c) Loans for which the financial instruments of the type "swap" with the exchange of fixed rate for CDI were hired. These loans and financing are not being shown net of their derivatives.

(d) PSI-Investment Support Program.

(e) TIIE-interest rate of interbank equilibrium Mexico

(f) BBSY - Bank Bill Swap Bid Rate

Maturities of non-current liabilities are as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
From October 2018	12,310	719,139	190,294	1,109,594
2019	4,233,137	1,039,265	4,273,010	1,071,855
2020	967,929	43,459	1,003,423	101,995
2021 onwads	2,046,626	223,621	2,192,220	342,239
	7,260,002	2,025,484	7,658,947	2,625,683

A description of the outstanding bank loan agreements is as follows:

a) Description on bank loans

1. Financing agreement with the BNDES (National Bank for Economic and Social Development)

   The Group and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda. and Natura Inovação e Tecnologia de Produtos Ltda. have credit facility agreements with the BNDES to facilitate direct investments in the Group and its subsidiaries, in order to, for example, improvement of certain product lines, capacity building in the area of research and development, capacity building of the industrial park and distribution centers, as well as projects associated with the accessibility.

2. Export Financing - BNDES Exim

   The Group benefits from a credit facility taken out from BNDES known as BNDES Exim, a loan to finance production of goods and services for export under pre-shipment mode. The loaned amount is transferred through credit granting to subsidiary Indústria e Comércio de Cosméticos Natura Ltda., generating receiving rights to the financial institution accredited as financial agent, in this case, Banco Alfa de Investimentos S.A. and Banco Santander S.A. These financing transactions engaged referred to banks and subsidiary Indústria e Comércio de Cosméticos Natura Ltda. The contracts executed are secured by the Group collateral signatures. In addition, the Group and its subsidiaries undertook to comply with the provisions applicable to BNDES contracts.

3. Financing agreement with the FINEP

   The subsidiary Natura Inovação e Tecnologia de Produtos Ltda. has innovation programs aimed at the development and acquisition of new technologies by means of partnerships with universities and research centers in Brazil and abroad. These innovation programs have the support of FINEP's research and technological development incentive programs, which facilitates and/or co-finances equipment, scientific grants and research material for the participating universities.

4. Machinery and Equipment Financing - FINAME

   The Group benefits from a credit facility with the BNDES, related to FINAME onlendings, intended to finance the purchase of new machinery and equipment manufactured in Brazil. Said onlending is carried out by granting credit to subsidiary Indústria e Comércio de Cosméticos Natura Ltda., granting rights to receivables to the financial institution accredited as a financing agent, usually Banco Itaú Unibanco S.A.

and Banco do Brasil S.A., which enters into such said financing with Indústria e Comércio de Cosméticos Natura Ltda.

These agreements are collateralized by assigning the fiduciary ownership of the assets described in the related agreements. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is the trustee and the Group is the guarantor of these assets. In addition, the Group and its subsidiaries are required to meet the Provisions Applicable to BNDES Agreements and the General Regulatory Terms and Conditions of FINAME-related Transactions.

5. Resolution nº 4,131/62

   The Group maintains operations of Bank Credit Note - Onlending of funds raised abroad under law nº 4,131/62, through financial institutions due to rates which under favorable under the circumstances. Funds raised in this operation aim at increasing Group working capital.

6. NCE

   Export Note ("Nota de Crédito à Exportação") – Funds for use as working capital for export purposes.

7. Debentures

   On February 25, 2014, the CIA conducted the 5th issue of simple debentures, not convertible into shares, nominative and, unsecured, Natura Cosmetics SA, amounting to R$ 600 million. A total of 60,000 debentures were issued, of which 20,000 debentures allotted in the 1st series, due on February 24, 2017, in the amount of R$214,385 thousand, 20,000 debentures allocated in the 2nd series, due on February 25, 2018, and 20,000 debentures allocated in the 3rd series, due on February 25, 2019, with remuneration corresponding to 107.00%, 107.5% and 108% of the accumulated variation of the average daily Interbank Deposits - DI, respectively.

   On March 16, 2015, the Group issued the 6th series of junior unsecured, registered debentures, not convertible into shares of Natura Cosméticos S.A., amounting to R$ 800 million. The Group issued 80,000 debentures, 40,000 (forty thousand) of which were allocated in the 1st series, maturing on March 16, 2018, 25,000 (twenty-five thousand) of which were allocated in the 2nd series, maturing on March 16, 2019, and 15,000 (fifteen thousand) of which were allocated in the 3rd series, maturing on March 16, 2020, remunerated at 107%, 108.25% and 109% respectively, of the accumulated variation of the average daily rate of Interbank Deposits (DI).

   On September 28, 2017, the Group carried out the 7th issue of registered, book-entry, non-convertible, unsecured debentures of Natura Cosméticos S.A. in the total amount of R$ 2.6 billion. A total of 260,000 debentures were issued, of which two hundred thousand (200,000) were allocated in the 1st series, with maturity on September 28, 2020, and one hundred sixty thousand (60,000) allocated in the 2nd series, with maturity on September 28, 2021, remunerated at CDI rate + 1.4% p.a. and CDI rate + 1.75% p.a., respectively.

   On September 28, 2017, the Group carried out the optional acquisition of 9,950 debentures of the second series of the 5th issue of debentures, in compliance with clause 4.14 of the "Private Indenture of the 5th Issue of Non-Convertible, Unsecured Debentures in Three Series, for Public Distribution with Restricted Placement Efforts,"

of Natura Cosméticos S.A., maintaining these debentures in Treasury, according to said clause.

The appropriation of costs related to the issue of debentures in the period ended September 30, 2017 was R$ 635 thousand, recorded on a monthly basis under Financial expenses, in accordance with the term of the respective issues. Issue costs totaled R$ 7,852.

8. Promissory Note

On August 2, 2017, the Group carried out the 3rd issue of commercial promissory note in a single series, in the total amount of R$ 3.7 billion for public distribution with restricted efforts, according to CVM Instruction 566 of July 31, 2015. Seventy-four (74) promissory notes were issued, with maturity on February 19, 2018, and remuneration corresponding to 108% of the accumulated variation of daily average rates of Interfinancial Deposits (DI). The proceeds obtained by the Group from the issue were used to pay for the acquisition of The Body Shop, and to pay any other costs and expenses in the context of said acquisition. There already exists a guarantee of replacing this debt by the issue of Debentures maturing in 18 months from the maturity of the Promissory Notes. Moreover, in this period, the Group should structure other transactions in order to extend this debt.

The appropriation of costs related to the issue of promissory notes in the period ended September 30, 2017 was R$ 9,525, recorded on a monthly basis under Financial expenses, in accordance with the term of the respective promissory notes. Issue costs totaled R$ 44,855.

b) Finance lease obligations

Financial obligations are broken down as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Gross finance lease obligations - minimum lease payments:				
Less than one year	56.313	52.820	71.495	65.090
More than one year and less than five years	250.503	237.897	338.057	292.663
More than five years	349.439	402.991	456.108	522.959
	656.255	693.708	865.660	880.712
Future financing charges on finance leases	(307.772)	(327.979)	(413.542)	(443.438)
Finance lease obligations - carrying amount	348.483	365.729	452.118	437.274
Carrying amount of property, plant and equipment (note 15.h)	452.237	312.632	697.875	371.828

c) Contract Covenants

BNDES

Up to June 30, 2017, only the loans and financing held by the Group with BNDES had restrictive covenants establishing the following financial indicators:

- EBITDA margin exceeding 15%; and

- Net debt / EBITDA less than or equal to 2.5 (two point five decimal).

On September 30, 2017, all covenants of borrowing and financing agreements with BNDES were replaced by bank suretyships contracted from Banco Itaú.

Debentures

On September 28, 2017, the Group carried out the 7th issue of registered, book-entry, non-convertible, unsecured debentures of Natura Cosméticos S.A. in the total amount of R$ 2.6 billion.

The covenants of this issue will only be evaluated based on the balances in the years/periods as shown in the table below.

These clauses will establish the following financial indicators:

12-month period ended:	Financial Index *
December 30, 2017 June 30, 2018	3.75 (three point seven five)
December 30, 2018 June 30, 2019	3.50 (three point five)
December 30, 2019 June 30, 2020	3.25 (three point two five)
December 30, 2020 June 30, 2021	3.00 (three point zero)

* Financial index resulting from division of Net Debt by EBITDA, which must be equal to or lower than the number established in the table above.

17. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Domestic trade payables	262,573	249,087	952,155	703,473
Foreign trade payables (a)	2,233	2,128	302,007	4,429
"Forfait" operation (b)	19,574	16,865	116,650	107,037
	284,380	268,080	1,370,812	814,939

(a) Refer mostly to amounts in US dollar and pounds sterling, which are valued by the rate order.

(b) The Group and its subsidiaries have entered into contracts with Banco Itaú Unibanco S.A. for structuring, together with its major suppliers, the so-called “forfait” operation, wherein suppliers transfer the right to receive their trade notes to the Bank, which, in its turn, will become the creditor of the operation. This operation did not significantly change the previously agreed-upon terms, prices and conditions, and it does not affect the Group with financial charges practiced by the financial institution, on performing a thorough analysis of suppliers by category. As such, the Group and its subsidiaries disclose this operation under the heading Trade and other payables.

18. TAX PAYABLES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Taxes on revenue (PIS/COFINS) (judicial measure) (a)	-	2,484	-	297,216
Ordinary ICMS	102,881	129,504	103,561	129,975
ICMS ST provision (b)	159,111	175,086	159,111	175,086
IRPJ and CSLL (injunction) (c)	311,525	342,288	311,525	342,289
Taxes on invoicing payable – (International Oper.)	-	-	42,802	32,000
IPI (injunction) (d)	-	142,246	-	147,556
INSS – suspension of the enforceability	10,984	8,393	31,011	25,178
Withholding tax withheld	11,413	16,316	42,765	56,754
Other Taxes payable - foreign subsidiaries	-	-	3,394	209
Service tax (ISS) and Social Security tax (INSS)	473	398	2,967	3,359
	596,387	816,715	697,136	1,209,622
Judicial deposits (note 12)	(71,494)	(71,209)	(79,146)	(114,559)
Current	428,319	636,225	509,041	977,115
Non-current	168,068	180,490	188,095	237,513

(a) The Group and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the inclusion of ICMS in the tax basis of Integration Program Tax on Revenue (PIS) and Social Security Funding Tax on Revenue (COFINS). Since 2007, the Group and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in their tax basis. The balances recorded as of December 31, 2016 referred to the unpaid amounts of PIS and COFINS, whose liability was fully suspended, plus an update by the SELIC rate. On March 31, 2017, the Group, based on the conclusion of the trial by the Plenary of the Federal Supreme Court, Extraordinary Appeal, which was defined, in the general repercussion system, by the unconstitutionality of the inclusion of ICMS on the basis of Calculation of PIS and COFINS, decided to reverse the provision made. The Group's decision is based on the position of its legal advisors who consider that the Supreme Court's judgment may be applicable immediately to all taxpayers and, therefore, the risk classification of the respective lawsuits has been changed to a remote one. As a reflection of the reversal, the Group recognized in the "Other operating income" the amount of R$ 197,229 (Consolidated), related to the principal amount of the discussion and in the "Financial result", the result of the monetary restatement of the period, in the amount of R$ 104,424 (Consolidated). Part of the balance, in the updated amount of R$ 42,688 (Consolidated) is deposited in court. The Group awaits the position of the lower courts for the collection of judicial deposits.

(b) The Group has been discussing the illegality of changes in the state legislation for the payment of ICMS – ST (VAT – Tax substitution). Part of the unpaid amount has been discussed in court by the Group and, in certain cases, the amounts have been deposited with the courts, as mentioned in Note 12.

(c) On February 4, 2009, the Group filed for a preliminary injunction, later on confirmed by a decision that suspended enforceability of income and social contribution taxes levied on any amounts received as arrears interest on late payment of contractual liabilities in connection with sales operations to Natura Beauty Consultants. This amount was included in the Special Tax Regularization Program (PERT), established by Law 13496/17, as discussed in Note 33.

(d) The Group and its subsidiary, Indústria e Comércio de Cosméticos Natura Ltda., in the operations in which it acts exclusively as distributor, judicially discuss the condition brought by Decree No. 8.393/2015, which equated the industrial, for purposes of tax incidence on Industrialized Products - IPI, interdependent wholesale establishments that market products

provided for in said legal provision. After the delivery of judgments in favor of the Group, as well as the currently favorable jurisprudence on the issue, the Group, supported by the opinion of its legal counsel, revaluated the probability of loss as possible, with a higher chance of favorable outcome, thereby reversing the balance of R$ 209,993 recorded as Tax liability under Consolidated on September 30, 2017. As a result of this reversal, the Group recognized R$ 133,594 in "Other operating income" related to the principal amount of the lawsuit, and R$ 26,609, as discussed in Note 19.

19. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Group and its subsidiaries are parties to tax, labor and civil lawsuits. Management believes, based on the opinion of its legal counsel, that the provision for tax, civil and labor contingencies are sufficient to cover potential losses. This provision is broken down as follows:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Tax	101,286	34,542	187,667	47,044
Civil	8,932	11,457	27,115	14,321
Labor	37,876	18,562	54,879	32,259
Total	148,094	64,561	269,661	93,624
Judicial deposits (note 12)	(35,846)	(18,155)	(37,733)	(20,056)
Current	-	-	17,278	-
Non-current	148,094	64,561	252,383	93,624

Tax contingencies

The provision for tax risks is broken down as follows:

	Company					
	2016/12	Additions	Reversals	Transfer of tax liabilities (c)	Inflation adjustment	2017/09
Legal fees (a)	19,780	7,067	(4,859)	-	1,462	23,450
CSLL deductibility (Law 9316/96) (b)	4,444	919	-	-	177	5,540
Payment of ICMS-ST	3,094	13,400	-	44,966	1,556	63,016
Other	7,224	1,959	(442)	-	539	9,280
Total provision for tax risk	34,542	23,345	(5,301)	44,966	3,734	101,286
Judicial deposits (note 12)	(13,411)	(15,661)	907	-	(641)	(28,806)

	Consolidated						
	2016/12	Acquisition of subsidiary	Additions	Reversals	Transfer of tax liabilities (c)	Inflation adjustment	2017/09
Legal fees (a)	31,446		20,746	(14,654)	-	2,187	39,725
CSLL deductibility (Law 9316/96) (b)	4,444		919	-	-	177	5,540
Payment of ICMS-ST	-		59,350	-	44,966	-	104,316
Other	11,154	9,247	16,855	(1,773)	-	2,603	38,086
Total provision for tax risk	47,044	9,247	97,870	(16,427)	44,966	4,967	187,667
Judicial deposits (note 12)	(14,168)	-	(15,661)	907	-	(677)	(29,599)

(a) Refer to lawyer fees in connection with tax proceedings, among which we highlight the following:

(i) Tax assessments notices issued against the Group in August 2003, December 2006 and December 2007, by Brazilian IRS, claiming IRPJ and CSLL debts related to deductibility of yield of debentures issued by the Group, in 1999, 2001 and 2002, respectively.

Tax assessments had the final decision on the administrative level, in which it was held, in part, the charging of IRPJ and CSLL collection full. In relation to the assessment recorded against the Group in August 2003, after the admission of the lawsuit, was rendered judgment in favor of the Group. It was ratified by the Federal Regional Court 3rd region. Currently, the analysis of the admissibility of the appeal brought by Special Federal Union. In relation to the violation notices issued against the Group in December 2006 and December 2007, the Group joined with actions in the judicial sphere in order to cancel the remaining portion of the IRPJ and CSLL and currently awaits the outcome of the discussions. The legal advisors have assessed that the case involves remote loss.

(ii) Tax assessments notices in connection with IRPJ and CSLL, issued on September 30, 2009 and August 30, 2013, questioning deductibility for tax purposes of goodwill amortization, resulting from incorporation of shares of Natura Empreendimentos by Natura Participações S.A. and subsequent merger of both companies with Natura Cosméticos S.A. In December 2012, a decision was handed down by ABTA on the proceeding referring to tax assessment notice of 2009, which was partially in favor of the Group to reduce the updated fine. The Group is awaiting formalization of the decision in order to file an appeal with the Higher Board of Tax Appeals (ABTA). In relation to the tax assessment notice of 2013, on October 4, 2017, the Special Appeal filed by the Group was denied, by majority vote, to maintain the tax assessment notice. The Group awaits formalization of decision to take the appropriate measures. In the opinion of the Group's lawyers, the operation, as structured, and its tax effects are defensible, reason why the risk of loss is assessed as remote.

(iii) IPI tax assessment notice drawn up against the subsidiary Indústria e Comércio de Natura Cosmetics Ltda., in December 2012, referring to facts occurred in the calendar year of 2008 generators, on the grounds that the subsidiary would have practiced incorrect prices on sales for the Company. Currently, await the judgment of the appeal brought by the voluntary Group. In the opinion of the legal counsel of the Group, as it was structured and their tax effects are defensible, reason for which the risk of loss is classified as remote.

(iv) Legal actions in which the Group and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., Have been discussing in court, since April 2007, the non-inclusion of ICMS in the calculation basis of the PIS and COFINS contributions and the reimbursement of contributions amounts Paid on the value of ICMS in the period from March 2004 to March 2007 (See note 18 (a)).

(b) Refers to the writ of mandamus that discusses the constitutionality of Law 9,316/96, which prohibited the deductibility of CSLL from its own calculation basis and from the IRPJ calculation basis. On August 25, 2014, in order to take advantage of the benefits of the Federal Government's installment program, the Group filed a petition with no further action. Currently, it is expected to formalize the adhesion and the conversion of judicial deposit into income in favor of the Union. The amount deposited judicially is R$ 7,791 (R$ 7,533 as of December 31, 2016).

(c) The Group has administrative and judicial actions that discuss the illegality of changes in State law for recovery of ICMS-ST. It is the transfer of the provision previously incorporated in Note 18 (b) ICMS - ST Provisions in the amount of R$ 44,966.

Civil risk

	Company					
	2016/12	Additions	Reversals	Payments	Inflation adjustment	2017/09
Several civil lawsuits (a)	6,911	10,755	(5,774)	(5,952)	50	5,990
Attorney fees - environmental civil lawsuit (b)	2,884	-	(382)	-	52	2,554
Attorney fees - IBAMA lawsuits (c)	-	-	-	-	-	-
Civil lawsuits and attorney fees - Nova Flora Participações Ltda. (d)	1,662	35	(1,334)	-	25	388
Total provision for civil risk	11,457	10,790	(7,490)	(5,952)	127	8,932
		-	-	-	-	-
Judicial deposits (note 12)	(757)	(417)	528	-	(40)	(686)

	Consolidated						
	2016/12	Acquisition of subsidiary	Additions	Reversals	Payments	Inflation adjustment	2017/09
Several civil lawsuits (a)	8,680	13,154	14,119	(8,466)	(6,083)	1,614	23,018
Attorney fees - environmental civil lawsuit (b)	2,885		-	(382)	-	52	2,555
Attorney fees - IBAMA lawsuits (c)	1,095		427	-	-	20	1,542
Civil lawsuits and attorney fees - Nova Flora Participações Ltda. (d)	1,661		35	(1,721)	-	25	-
Total provision for civil risk	14,321	13,154	14,581	(10,569)	(6,083)	1,711	27,115
Judicial deposits (note 12)	(882)	-	(421)	537	-	(46)	(812)

(a) As of September 30, 2017, the Group and its subsidiaries are parties approximately to 3,100 civil lawsuits (2,800 as of December 31, 2016), of which 2,915 were filed with civil courts, special civil courts and the consumer protection agency (PROCON) by Natura Beauty Consultants, consumers, suppliers and former employees, most of which claiming compensation for damages. The balance deposited with the courts for the tax assessments notices above amounts to R$812 (R$ 1,260 December 31, 2016). Provisions are reviewed periodically based on the evolution of the lawsuits and the history of losses on civil claims in order to reflect the best current estimate.

Labor risks

(a) As of September 30, 2017, the Group and its subsidiaries are parties to approximately 2,000 labor lawsuits filed by former employees and third parties (approximately 1,600 as of December 31, 2016), claiming the payment of severance amounts, possible occupational disease, salary premiums, overtime and other amounts due, as a result of joint liability, and

discussion about the recognition of possible employment relationship. The provision is periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

	Company					
	2016/12	Additions	Reversals	Payments	Inflation adjustment	2017/09
Total provision for labor risk	18,562	29,810	(9,349)	(2,596)	1,449	37,876
Judicial deposits (note 12)	(3,987)	(3,198)	1,007	-	(176)	(6,354)

	Consolidated						
	2016/12	Acquisition of subsidiary	Additions	Reversals	Payments	Inflation adjustment	2017/09
Total provision for labor risk	32,259	491	35,076	(9,988)	(5,350)	2,391	54,879
Judicial deposits (note 12)	(5,006)	-	(3,593)	1,571	-	(294)	(7,322)

Contingent liabilities – possible risk

The Group and its subsidiaries are parties to tax, civil and labor proceedings for which no provision has been set up because they involve possible risk of loss as assessed by management and its legal advisors.

On September 30, 2017, contingent liabilities comprise 437 cases (748 at December 31, 2016), as under:

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Tax	862,021	618,680	2,012,491	1,489,961
Civil	13,747	14,571	30,559	23,579
Labor	50,280	62,258	129,553	138,702
Total contingent liabilities not recorded in provision	926,048	695,509	2,172,603	1,652,242
Judicial deposits (note 12)	(125,404)	(135,555)	(159,303)	(139,713)

The tax cases comprise the following main proceedings:

(a) The Group and its subsidiary are parties to administrative and judicial proceedings questioning lawfulness of amendments to state legislation related to ICMS-ST collection. The amount being disputed totals R$532,151 (R$527,473 as of December 31, 2016) and R$100,554 (R$106,534 as of December 31, 2016) being deposited with the courts.

(b) Notices served by the Brazilian IRS claiming IPI debts arising from the tariff classification adopted by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. for certain products. A decision is expected at the administrative level. The total amount under dispute on September 30, 2017 is R$127,343 (R$119,997 as of December 31, 2016).

(c) Tax assessment issued by the São Paulo State Finance Department against the business unit branch of subsidiary Indústria e Comércio de Cosméticos Natura Ltda., seeking collection of State VAT (ICMS) under the tax substitution (ST), which was fully collected by the recipient of the goods, the company, his distributor establishment, Natura Cosméticos S/A. It is awaits a decision. The total amount in dispute as of September 30, 2017 is R$469,563 (R$446,899 as of December 31, 2016).

(d) The Group has other amounts deposited with the courts in connection with proceedings assessed as involving remote chances of loss, which aggregate R$32,215 (R$24,970 as of December 31, 2016) company and R$45,263 (R$28,746 as of December 31, 2016) Consolidated, as explained in Note 12 – Judicial deposits.

(e) The Group and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., in the operations in which it operates exclusively as distributor, are legally challenging the condition brought by Decree no. 8393/2015, which classified as industrial, for the purposes of collection of Tax on Manufactured Products (IPI), interdependent wholesale establishments that sell products envisaged in said decree. After the delivery of judgments in favor of the Group, as well as the currently favorable jurisprudence on the issue, the Group, supported by the opinion of its legal counsel, revaluated the probability of loss as possible, with a higher chance of favorable outcome, thereby including in this base, on September 30, 2017, the balance of R$ 209,993 previously recorded as Consolidated tax liability (see note 18 d).

Contingent assets

The Group and its subsidiaries have active processes whose expectation of gain is probable according to the evaluation of their legal advisors, among which we highlight the following:

a) The Group and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. claim the restitution of the PIS and COFINS installments collected with the inclusion of ICMS in its calculation bases from March 2004 to March 2007. The amount involved in the requests, updated through September 30, 2017, is R$ 193,560.

The Group and its subsidiaries do not recognize in their assets the contingent assets listed above, in accordance with CPC 25 - Provisions, contingent liabilities and contingent assets.

20. OTHER NONCURRENT LIABILITIES

	Company		Consolidated	
	2017/09	2016/12	2017/09	2016/12
Government subvention (*i*)	4,700	12,203	75,807	160,060
Retirees' healthcare plan (*ii*)	58,406	51,993	71,915	65,190
Carbon credit	7,135	6,070	7,135	6,070
Exclusivity contract (*iii*)	8,400	12,000	8,400	12,000
Other provisions	6,921	5,900	56,056	23,380
Total	85,562	88,166	219,313	266,700

(*i*) Refers to long-term borrowings and financing (subsidized borrowings – BNDES; BNDES EXIM; FINAME and FINEP) that reflect the government grant, in the extension of the terms of these borrowing and financing agreements, for the period ended September 30, 2017 and

December 31, 2016, which were shown under this heading for better disclosure to the requirements of CPC 07 Subsidies and Government Assistance and IAS 20.

(*ii*) The actuarial liability for the healthcare plan of the Group and its subsidiaries refers to their current and former employees who made fixed contributions for funding the healthcare plan up to April 30, 2010, when the healthcare plan design was changed and fixed contributions were eliminated. Those who contributed to the plan for ten years or more are ensured the right to remain as a beneficiary for an indefinite term (lifetime), and those who contributed for a period of less than ten years are ensured the right to remain as a beneficiary at the rate of one year for each year in which fixed contributions were made.

This group of current employees, in the event of retirement, may opt to remain in the plan in accordance with applicable legislation. In this case, the retiree will be responsible for making full payment of the monthly plan fee charged by the healthcare plan operators. However, this monthly plan fee does not necessarily represent the total cost of the user. The actuarial liability of the Group and its subsidiaries will be determined as the difference between cost and contributions of their current and future retirees. Actuarial gains and losses are recognized in Other Comprehensive Income (OCI) as mentioned in Note 2.25, disclosed in note 2 to the Group's annual financial statements for the year ended December 31, 2016, disclosed on February 22, 2017. As of December 31, 2016, weighted average time was 16 years.

The population of active employees eligible to the healthcare plan upon their retirement is closed for new inclusions. For the calculation, as of December 31, 2016, the following numbers were considered for the quarter of 2017:

- 1,398 active employees of the Companies, 931 of which are company's employees.
- 89 retirees and dependents of the Companies, 67 of which are from the company.

Actuarial liabilities were calculated as of December 31, 2016 by an independent actuary, considering the main assumptions below:

	2016	2015
Financial discount rate	10.80%	12.25%
Medical inflation rate - first year	11.67%	11.50%
Long-term inflation	4.85%	5.00%
Final medical inflation rate - after 10 years	5.90%	6.00%
Rate of growth of medical costs for aging costs	3.50%	3.50%
Rate of growth of medical costs for aging contributions	0.00%	0.00%
Retirement plan membership percentage	72.00%	72.00%
Invalidity table	Wyatt 85 Class 1	Wyatt 85 Class 1
General mortality table	RP2000	RP2000
Turnover table	T-9 service table	T-9 service table

During the nine-month period ended September 30, 2017, the Group did not identify any material changes that required a recalculation.

The changes in actuarial liabilities for the years ended September 30, 2017 are as follows:

	Company	Consolidated
Balance at December 31, 2016	(51,993)	(65,190)
Cost of Company's current service - recognized in income	(1,176)	(1,503)
Interest cost - recognized in income	(5,237)	(5,222)
Balance at September 30, 2017	(58,406)	(71,915)

(*iii*) Refers to the consideration of the exclusivity granted by the Group to a financial agent for the bank settlement service related to employees' payroll. It will be recognized in the statement of income on a straight-line basis over the contractual period, which will start validity from April, 2017.

21. SHAREHOLDER'S EQUITY

a) Issued Capital

As on September 30, 2017, the Group's capital was R$427,073 (R$427,073 as on December 31, 2016).

For the nine-month period ended on September 30, 2017 there was no change in capital, which is made up of 431,239,264 subscribed and paid-up common registered shares. (431,239,264 subscribed and paid-up common registered shares for the period ended on December 31, 2016). The Group is authorized to increase its capital, irrespective of an amendment to the articles of incorporation, up to the limit of 441,310,125 (for hundred and forty-one million, three hundred and ten thousand, one hundred and twenty-five) common shares with no par value by resolution by the Board of Directors, which will lay down the issuance conditions, including price and deadline for payment.

b) Dividend and interest on capital payment policy

The shareholders are entitled to receive every year a mandatory minimum dividend of 30% of net income, considering principally the following adjustments:

- Increase in the amounts resulting from the reversal, in the period, of previously recognized reserves for contingencies.
- Decrease in the amounts intended for the recognition, in the period, of the legal reserve and reserve for contingencies.

The bylaws allow the Group to prepare half-year or interim balance sheets based on which the Board of Directors may authorize the payment of interim dividends.

On April 20, 2017, dividends and interest on capital were paid in the amounts of R$ 51,276 and R$ 5,600 (R$ 4,760 net of IRRF), respectively, as recommended by the Board of Directors on February 22, 2017 and Ratified at the Annual Shareholders' Meeting held on April 11, 2017, referring to the net income for the year 2016; Which together with R$ 61,804 (R$ 52,533 net of IRRF) paid on February 10, 2017 correspond to payment of approximately 40% of the net income recorded in 2016.

c) Treasury shares

As of September 30, 2017, and December 31, 2016, line item 'Treasury shares' is broken down as follows:

	Number of shares	R$ (thousands)	Average price per share - R$
Balance at December 31, 2016	936,884	37,149	39.65
Utilized	(118,429)	(4,690)	39.60
Acquisition	31,219	891	28.54
Balance at September 30, 2017	849,674	33,350	39.25

The minimum and maximum cost of the balance of treasury shares in the period ended September 30, 2017 is R$ 31.49 and R$ 45.13, respectively.

d) Share Premium/ Sale of shares

Refers to the premium generated on the issuance of 3,299 common shares resulting from the capitalization of debentures totaling R$100,000, occurred on March 2, 2004.

e) Legal reserve

Since the balance of legal reserve plus capital reserves, addressed by article 182, paragraph 1, of Law 6,404/76, exceeded 30% of the capital, the Group decided, in accordance with article 193 of the same Law, not to recognize a legal reserve on net income earned from the year in which such limit was reached.

f) Retained earnings reserve

The Retained Earnings Reserve is composed of the cumulative balance of allocations in the capital budgets approved by the Annual Shareholders Meetings.

At the Ordinary and Extraordinary Shareholders' Meeting held on April 11, 2017, the constitution of the profit reserve was made up of the equivalent of approximately 60% of the total income earned in the year 2016 in the amount of R$ 178,019 under the terms of article 196 of Law no. 6,404/76.

g) Goodwill/ Bargain purchase – results from operations with non-controlling shareholders

Refers to the effect of changes in ownership interest in the acquisition of the remaining portion of non-controlling shareholders when the Group already has control.

h) Other comprehensive income

The Group records in this account the effect of exchange variation on investments in foreign subsidiaries, actuarial gains and losses from the retirees' healthcare plan result from cash flow hedge. For exchange variation, the accumulated effect will be reversed in P&L for the year as gain or loss only in the case of investment disposal or write-off. For actuarial gains and losses, the amounts will be recognized upon actuarial liability revaluation. The cash flow hedge transactions will be transferred to P&L for the year when an ineffective portion is identified and/or upon termination of the relationship.

22. SEGMENT INFORMATION

The determination of Group's operating segments is based on its Corporate Governance structure, which divides the business into the following segments, for purposes of decision making and managerial analyses: Natura ("Natura Brazil Operation" and "Natura LATAM Operation", includes Corporate LATAM), Aesop (includes P&L of the Holdings Natura Brazil Pty Ltd. and Natura Cosmetics Australia Pty Ltd.), The Body Shop (operation of "The Body Shop" retail stores in all continents) and Others (includes P&L of France, Natura (Brazil) International B.V. – the Netherlands, Natura Brasil Inc. – USA).

In addition to analyses by segment, the Group's Management also analyzes its P&L at various levels, mainly through sales channels: direct sales, retail market, e-commerce and franchise. However, the segregation by this type of operation is still not considered significant for disclosure by the Management.

Net revenue by segment is as follows in the period ended on September, 30 2017:

- Natura Brasil Operation: 64.0%
- Natura LATAM Operation: 24.4%
- Aesop: 7.5%
- The Body Shop: 4%
- Others: 0.1%

The accounting practices for each segment are described in Note 2 of the annual financial statements of the Group for the year ended December 31, 2016, issued on February 22, 2017. Moreover, information on the disclosure of the new "The Body Shop" segment relating to the acquisition of The Body Shop International PLC in the third quarter of 2017 was included, to be evaluated by the senior management on an individual basis, thereby complementing the current analysis.

Performance of the Group´s segments was assessed based on net operating revenue and net income for the year, excluding effects of interest, income and social contribution taxes, depreciation and amortization.

The tables below present summarized financial information for the segments and the geographic distribution of commercial operations of the Group as of September 30, 2017 and December 31, 2016. The figures provided to the Executive Committee with respect to income and total assets are consistent with the balances recorded in the interim financial information, as well as the accounting policies adopted.

Operating segments

	2017/09					
	Net revenue	Net profit (loss)	Depreciation and amortization	Financial income	Financial expenses	Income tax
Natura Brasil	3.919.328	408.763	(154.019)	428.978	(726.298)	(104.413)
Natura LATAM	1.494.225	98.593	(15.086)	23.654	(20.713)	(67.734)
Natura others	4.537	2.710	(515)	21.355	-	-
Aesop	456.242	(32.875)	(34.409)	-	(2.991)	(37.385)
The Body Shop (a)	245.516	1.037	(13.013)	2.098	-	325
Corporate expenses (b)	-	(64.795)	-	-	-	-
Consolidated (attributable to controlling shareholders of the Company)	6.119.848	413.433	(217.042)	476.085	(750.002)	(209.207)

	2016/09					
	Net revenue	Net profit (loss)	Depreciation and amortization	Financial income	Financial expenses	Income tax
Natura Brasil	3.780.578	20.232	(151.884)	819.138	(1.314.011)	(8.158)
Natura LATAM	1.439.934	79.687	(14.268)	70.678	(102.456)	(43.613)
Natura others	10.049	(22.747)	(613)	-	-	-
Aesop	387.391	17.741	(29.061)	2.312	(736)	(9.423)
Consolidated (attributable to controlling shareholders of the Company)	5.617.952	94.913	(195.826)	892.128	(1.417.204)	(61.194)

(a) The results disclosed by The Body Shop refer to the period from its acquisition through September 2017.

(b) Corporate expenses refer substantially to the acquisition costs of The Body Shop for the period ended September 30, 2017.

	2017/09			2016/12		
	Non-current assets	Current liabilities	Total assets	Non-current assets	Current liabilities	Total assets
Natura Brasil	3.251.390	3.231.515	8.247.924	3.133.219	3.543.273	6.988.043
Natura LATAM	150.004	553.260	986.474	165.693	516.310	901.414
Aesop	7.590	313.120	16.364	6.387	14.494	23.755
The Body Shop	358.479	106.659	546.416	313.380	103.822	508.367
Others (a)	4.056.910	510.447	5.046.878	-	-	-
Consolidated	7.824.373	4.715.001	14.844.056	3.618.679	4.177.899	8.421.579

Net revenue by geographic region

	Net revenue
	2017/09
Asia	160,293
North America	114,719
South America	5,477,793
Europe	194,199
Oceania	172,844
Consolidated	6,119,848

In terms of net revenue by country, Brazil accounts for 52% of total net revenue, while other countries are fragmented, individually not representing more than 10% .

The Group has predominantly a class of products sold by Natura Beauty Consultants, denominated as “Cosmetics”. In the case of the subsidiaries Emeis Holding Pty Ltd. (“Aesop”) and The Body Shop PLC (“The Body Shop”), cosmetics are sold through a wholesale structure, both in own stores as in department stores, franchises and e-commerce.

No individual or aggregate customer (economic group) represents more than 10% of the Company's Net Revenues.

23. NET REVENUE

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Gross revenue:				
Domestic market	5,528,609	5,452,662	5,556,990	5,463,276
Foreign market	-	-	2,839,783	2,330,159
Other sales	213	3	3,984	1,043
	5,528,822	5,452,665	8,400,757	7,794,478
Returns and cancellations	(18,365)	(16,828)	(35,387)	(34,044)
Commercial discounts and rebates	-	-	(79,587)	-
Taxes on sales	(1,400,262)	(1,477,486)	(2,165,935)	(2,142,482)
Net revenue	4,110,195	3,958,351	6,119,848	5,617,952

24. OPERATING EXPENSES AND COST OF SALES

(a) Breakdown of operating expenses and cost of sales by function:

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Cost of sales	1,621,374	1,476,103	1,814,560	1,726,145
Selling, marketing and logistics expenses	1,583,582	1,544,192	2,664,127	2,396,739
Administrative, R&D, IT and project expenses	579,858	482,786	962,320	820,241
Total	3,790,211	3,503,081	5,441,007	4,943,125

(b) Breakdown of operating expenses and cost of sales by nature:

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Cost of sales	1,621,374	1,476,103	1,814,560	1,726,145
Raw material/packaging material/resale	1,621,374	1,476,103	1,446,580	1,354,477
Personnel expenses	-	-	193,322	187,216
Depreciation and amortization	-	-	51,771	58,383
Others	-	-	122,887	126,069
Selling, marketing and logistics expenses	1,583,583	1,544,192	2,664,126	2,396,740
Logistics costs	284,240	286,745	446,746	430,182
Personnel expenses	295,774	295,994	589,745	507,991
Marketing, sales force and other selling expenses	983,757	941,767	1,565,480	1,410,154
Depreciation and amortization	19,812	19,686	62,155	48,413
Administrative, R&D, IT and project expenses	579,858	482,786	962,321	820,240
Investments in innovation	-	-	48,643	58,205
Personnel expenses	179,379	140,447	476,639	391,595
Other administrative expenses	338,070	287,393	333,923	281,410
Depreciation and amortization	62,409	54,946	103,116	89,030
Total	3,784,815	3,503,081	5,441,007	4,943,125

Certain comparison amounts have been reclassified to improve presentation, due to the breakdown of the personnel expenses and logistics expenses lines. Moreover, amounts related to Emeis Holding Pty Ltd. (“Aesop”) were also reclassified from the group “Administrative, R&D, IT and Project expenses” to “Selling, Marketing and Logistics expenses” in the total amount of R$ 167,439 for the nine-month period ended September 30, 2016 and R$ 61.258 for the three-month ended September 30, 2016. This reclassification does not impact the previously disclosed results of the period.

25. PERSONNEL EXPENSES

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Payroll, profit sharing and bonuses	306,852	272,666	917,822	760,610
Pension Plan (note 25.2)	1,039	1,920	4,718	2,656
Share-based compensation (note 25.1)	11,486	6,177	12,293	7,166
Charges on restricted stock (note 25.1)	3,840	2,114	4,857	3,070
Taxes and social contributions	22,455	18,849	67,686	60,835
Health medical care, food, transportation and other benefits	63,239	69,821	143,329	144,456
	408,911	371,547	1,150,705	978,793
INSS (a)	66,242	64,894	109,003	108,009
Total	475,153	436,441	1,259,708	1,086,802

(a) INSS expenses were included in said note for better presentation of personnel expenses.

25.1. Stock-based compensation

The Board of Directors, upon granting of options, meets annually in order to establish the option granting plan for the current year, on the basis approved by the Management and

employees, indicating the directors and managers who may receive stock options to purchase or subscribe to shares of the Group and the total number to be distributed.

From 2009 to 2014, the plans vested for exercise of 100% of options at the end of the fourth year after grant date, with the possibility of early maturity after the third year, conditioned to cancellation of 50% of the options granted in the plans. The Group established a maximum term of four years for option exercise as from the end of the fourth year after vesting.

At the Special Shareholders' Meeting held on February 06, 2015, Group shareholders approved a new Stock Option Plan and a Restricted Stock Option. On March 16, 2015, the Group Board of Directors approved these plans ("Plans of 2015"). The Board Meeting held on April 10, 2015, grant to the eligible employees and managing directors who joined the 2015 Plans was ratified. As such, the provision will begin to be recorded as from April 2015.

At the Special General Meeting (SGM) held on July 27, 2015, the Group's shareholders approved a Stock Option or Subscription of Shares Program for Strategy Acceleration, and adjustments to the Restricted Stock Option Program, approved at the SGM held on February 6, 2015. On July 28, 2015, the Group's Board of Directors approved the Stock Option or Subscription of Shares Program denominated "Strategy Acceleration Plan" for 2015, and on August 14, 2015, the Group's Board of Directors ratified the list of employees eligible to the Restricted Stock Option Plan.

On March 16, 2016, the Group´s Board of Directors approved the Stock Option or Share Subscription Plan and the restricted stock option plan for 2016 ("2016 Plans"). Stock options granted to eligible managing officers and employees who joined the 2016 Plans were approved at the Board Meeting held on April 14, 2016 and, as such, provision will begin to be recorded as from April 2016. Additionally, on July 4, 2016, the Group's Board of Directors approved the inclusion / exclusion of beneficiaries and also revisited the amount of Restricted Stock Option Plan of actions for the year 2016.

On July 11, 2016, the Group's Board of Directors approved the Stock Option Plan Option or Share Subscription Strategy for Acceleration for the year 2016. This month began the necessary provisions.

On March 10, 2017, the Group's Board of Directors approved the Stock Option Plan Option or Share Subscription and the restricted stock option plan for 2017. This month began the necessary provisions.

The Stock Option Plan effective for 2017, 2016 and 2015 sets out that options may be exercised over three years, one third each year, as from the second year.

The Stock Option Plan Option or Share Subscription termed as "Strategy Acceleration Plan" valid for 2015, 2016 and 2017 provides that 50% of the options may be exercised in the fourth year anniversary and the rest in the fifth year.

The Restricted Stock Option Plan implemented in 2015 consists in the grant of Group common shares to a group of managing officers and employees. The rights of the participants referring to restricted shares will only be fully vested to the extent that the participant remains linked to the Group as a managing officer or employee, in the period between grant date and the following dates, in these proportions:

(a) 1/3 (one third) as from the 2nd anniversary of the grant date;

(b) 2/3 (two thirds) as from the 3rd anniversary of the grant date; and

(c) 100% as from the 4th anniversary of the grant date.

In the Restricted Stock Option Plan, there will be no financial disbursement by Group employee or managing officer upon end of the vesting period.

The changes in the number of outstanding stock options and their related weighted-average prices, as well as variations in the amount of restricted stock are as follows:

	Stock Option Plan and Strategy Acceleration Plan			
	2017/09		2016/12	
	Average exercise price per shares- R$	Options (thousands)	Average exercise price per shares- R$	Options (thousands)
Balance at beginning of year	36.17	6,381	37.91	6,234
Granted	26.07	1,699	24.43	2,566
Cancelled	44.81	(850)	47.32	(2,419)
Exercised	28.09	(10)	-	-
Balance at end of period	32.99	7,221	36.17	6,381

	Restricted stock (thousands)	
	2017/09	2016/12
Balance at beginning of year	875	510
Granted	453	512
Cancelled	(116)	(129)
Exercised	(108)	(18)
Balance at end of period	1,104	875

Of the 7,221 outstanding options as of September 30, 2017 (6,381 outstanding options as of December 31, 2016), 1,612 outstanding options are vested (1,692 outstanding options as of December 31, 2016). The options exercised during the nine-month period ended September 30, 2017 resulted in the use of 10 thousand Treasury shares (no options exercised during the nine-month period ended September 30, 2016).

The expense relating to the fair value of stock options and restricted stock, including charges on restricted stock, recognized in the period of nine-month period ended September 30, 2017, according to the period elapsed for entitlement to exercise the options and restricted shares, was of R$15,327 and R$17,149 company and consolidated, respectively. On September 30, 2016, reversal of expenses totaled R$8,291 and R$10,236 company and consolidated, respectively.

The stock options outstanding and the restricted stock at the end of the period have the following vesting dates and exercise prices:

As of September 30, 2017 –Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
March 19, 2010	53,88	10,82	287.155	0,7	287.155
March 23, 2011	62,88	16,45	422.472	1,7	422.472
March 18, 2013	68,71	12,10	401.125	3,8	401.125
March 17, 2014	45,97	8,54	531.309	4,8	265.655
March 16, 2015 (24 months - vesting)	28,09	9,70	236.017	5,5	236.017
March 16, 2015 (36 months - vesting)	28,09	10,10	237.705	5,5	-
March 16, 2015 (48 months - vesting)	28,09	10,57	237.705	5,5	-
July 28, 2015 (Strategy Acceleration Program - 48 months - vesting)	26,68	12,46	632.500	5,9	-
July 28, 2015 (Strategy Acceleration Program - 60 months - vesting)	26,68	12,40	632.500	5,9	-
March 15, 2016 (24 months - vesting)	26,55	14,31	129.995	6,6	-
March 15, 2016 (36 months - vesting)	26,55	14,65	117.067	6,6	-
March 15, 2016 (48 months - vesting)	26,55	14,85	117.067	6,6	-
July 11, 2016 (Strategy Acceleration Program - 48 months - vesting)	23,70	26,96	770.000	6,9	-
July 11, 2016 (Strategy Acceleration Program - 60 months - vesting)	23,70	26,96	770.000	6,9	-
March 10, 2017 (24 months - vesting)	26,07	13,31	197.722	7,6	-
March 10, 2017 (36 months - vesting)	26,07	13,35	552.500	7,6	-
March 10, 2017 (48 months - vesting)	26,07	13,35	552.500	7,6	-
March 10, 2017 - Strategy Acceleration Program (48 months - vesting)	26,07	13,78	197.693	7,6	-
March 10, 2017 - Strategy Acceleration Program (60 months - vesting)	26,07	13,73	197.721	7,6	-
			7.220.752		1.612.424

As of September 30, 2017 – restricted stock

Grant date	Existing stock	Fair value	Remaining contractual life (years)	Vested stock
March 16, 2015 (24 months - vesting)	-	22.27	-	-
March 16, 2015 (36 months - vesting)	151,875	21.33	5.5	17,700
March 16, 2015 (48 months - vesting)	134,116	20.42	5.5	-
March 15, 2016 (24 months - vesting)	126,744	25.70	6.6	-
March 15, 2016 (36 months - vesting)	126,744	24.82	6.6	-
March 15, 2016 (48 months - vesting)	126,744	23.97	6.6	-
March 10, 2017 (24 months - vesting)	148,907	25.02	7.6	8,740
March 10, 2017 (36 months - vesting)	148,907	24.19	7.6	-
March 10, 2017 (48 months - vesting)	140,167	23.39	7.6	-
	1,104,202		-	26,440

As of December 31, 2016 – Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
April 22, 2009	36,07	7,83	291.689	0,57	291.689
March 19, 2010	52,93	10,82	414.432	1,49	414.432
March 23, 2011	61,77	16,45	504.121	2,49	504.121
March 18, 2013	67,50	12,10	481.332	4,53	481.332
March 17, 2014	45,12	8,54	682.814	5,54	-
March 16, 2015 (24 months - vesting)	28,22	9,70	265.401	6,29	-
March 16, 2015 (36 months - vesting)	28,22	10,10	265.401	6,29	-
March 16, 2015 (48 months - vesting)	28,22	10,57	265.401	6,29	-
July 28, 2015 (Strategy Acceleration Program - 48 months - vesting)	26,81	12,46	632.500	6,67	-
July 28, 2015 (Strategy Acceleration Program - 60 months - vesting)	26,81	12,40	632.500	6,67	-
March 15, 2016 (24 months - vesting)	26,69	14,31	143.790	7,31	-
March 15, 2016 (36 months - vesting)	26,69	14,65	130.863	7,31	-
March 15, 2016 (48 months - vesting)	26,69	14,85	130.863	7,31	-
July 11, 2016 (Strategy Acceleration Program - 48 months - vesting)	23,84	26,96	770.000	7,64	-
July 11, 2016 (Strategy Acceleration Program - 60 months - vesting)	23,84	26,96	770.000	7,64	-
			6.381.107		1.691.574

As of December 31, 2016 – restricted stock

Grant date	Existing stock	Fair value	Remaining contractual life (years)	Vested stock
March 16, 2015 (24 months - vesting)	145,444	22.27	6.29	-
March 16, 2015 (36 months - vesting)	163,144	21.33	6.29	-
March 16, 2015 (48 months - vesting)	145,444	20.42	6.29	-
March 15, 2016 (24 months - vesting)	140,410	25.70	7.31	-
March 15, 2016 (36 months - vesting)	140,410	24.82	7.31	-
March 15, 2016 (48 months - vesting)	140,410	23.97	7.31	-
	875,262			

On September 30, 2017, the market price was R$ 31.20 (R$ 23.02 as of December 31, 2016) per share.

The pricing of stock options and restricted stock was based on the binomial model and significant data included in the fair value pricing model of the stock options and restricted stock granted on September 30, 2017 were:

	Stock option plan					Restricted stock		
	March 10, 2017							
	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)	(Strategy Acceleration Program - 48 months - vesting)	(Strategy Acceleration Program - 60 months - vesting)	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)
Volatility	41.00%	41.00%	41.00%	41.10%	41.10%	41.00%	41.00%	41.00%
Dividend yield	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
Expected option life for the year	2 years	3 years	4 years	4 years	5 years	2 years	3 years	4 years
Risk-free annual interest rate	9.40%	9.50%	9.60%	9.60%	9.60%	9.40%	9.50%	9.60%

The pricing of stock options and restricted stock was based on the binomial model and significant data included in the fair value pricing model of the stock options and restricted stock granted in 2016 were:

	Stock option plan					Restricted stock		
	March 15, 2016			July 11, 2016		March 15, 2016		
	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)	(Strategy Acceleration Program - 48 mmonths - vesting)	(Strategy Acceleration Program - 60 months - vesting)	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)
Volatility	37.20%	37.20%	37.20%	39.40%	39.40%	37.20%	37.20%	37.20%
Dividend yield	3.40%	3.40%	3.40%	4.60%	4.60%	3.40%	3.40%	3.40%
Expected optin life for the year	2 years	3 years	4 years	4 years	5 years	2 years	3 years	4 years
Risk-free annual interest rate	12.90%	13.20%	13.20%	11.50%	11.50%	12.90%	13.20%	13.20%

The pricing of stock options and restricted stock was based on the binomial model and significant data included in the fair value pricing model of the stock options and restricted stock granted in 2015 were:

	Stock option plan					Restricted stock		
	March 16, 2015			July 28, 2015		March 16, 2015		
	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)	(Strategy Acceleration Program - 48 months - vesting)	(Strategy Acceleration Program - 60 months - vesting)	(24 months - vesting)	(36 months - vesting)	(48 months - vesting)
Volatility	30.40%	30.40%	30.40%	32.00%	32.00%	30.40%	30.40%	30.40%
Dividend yield	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%
Expected option life for the year	2 years	3 years	4 years	4 years	5 years	2 years	3 years	4 years
Risk-free annual interest rate	12.60%	12.60%	12.60%	12.20%	12.20%	12.60%	12.60%	12.60%

25.2. Pension plan

The Group and its subsidiaries sponsor two employees' benefit plans: a pension plan, through a private pension fund managed by Brasilprev Seguros e Previdência S.A., and an extension of healthcare plans to retired employees.

The defined contribution pension plan was created on August 1, 2004 and all employees hired from that date are eligible to it. Under this plan, the cost is shared between the employer and the employees so that the Group's share is equivalent to 60% of the employee's contribution according to a contribution scale based on salary ranges from 1% to 5% of the employee's monthly compensation.

As of September 30, 2017, and December 31, 2016, did not have actuarial liabilities there were no actuarial liabilities on behalf of the Group and its subsidiaries arising from the supplementary pension plan.

The contributions made by the Group and its subsidiaries totaled R$1,039 (company) and R$2,007 (consolidated) in the nine-month period ended September 30, 2017 (R$1,920 company and R$2,656 (consolidated) in the nine-month period ended September 30, 2016), and were recorded as expenses in the period.

26. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Financial income:				
Interest on short-term investments	46,037	151,651	111,608	198,648
Inflation adjustment and foreign exchange gains (a)	145,845	600,852	177,318	638,850
Gains on swap and forward transactions (c)	24,305	33,933	35,073	35,666
Gains on fair value adjustment of swap and forward derivatives	101	-	454	-
Reversal of inflation adjustment of provision for tax risks and tax liabilties	26,707	-	129,770	-
Other financial income	16,093	14,266	21,862	18,964
	259,088	**800,702**	**476,085**	**892,128**
Financial expenses:				
Interest on financing	(173,184)	(205,733)	(209,575)	(243,173)
Inflation adjustment and foreign exchange losses (b)	(87,251)	(189,310)	(113,357)	(254,156)
Losses on swap and forward transactions (d)	(168,069)	(591,954)	(177,099)	(631,807)
Loss on fair value adjustment of swap and forward derivatives	-	(12,533)	-	(10,272)
Inflation adjustment of provision for acquisition of non-controlling interest	-	(56,315)	-	(56,315)
(Forward) derivative instruments engaged to hedge the provision for acquisition of non-controlling interest, including mark-to-market (MTM) adjustment	-	(61,858)	-	(61,858)
(NDF) derivative instruments engaged to hedge the transaction to acquire The Body Shop, including mark-to-market (MTM) adjustment	(27,400)	-	(27,400)	-
Inflation adjustment of provision for tax, civil and labor risks and tax liabilities	(53,134)	(61,763)	(81,290)	(83,694)
Effect of reclassification of government subsidy (CPC07)	(1,588)	(6,888)	(26,926)	(43,917)
IOF on remittance of funds abroad for acquisition of non-controlling interest	(14,218)	-	(14,218)	-
Debt structuring expenses for acquisition of non-controlling interest (e)	(60,919)	-	(60,919)	-
Other financial expenses	(32,860)	(27,312)	(39,218)	(32,012)
	(618,623)	**(1,213,666)**	**(750,002)**	**(1,417,204)**
Financial income (expenses)	**(359,535)**	**(412,964)**	**(273,917)**	**(525,076)**

The objective of the breakdowns below is to explain more clearly the foreign exchange hedging transactions contracted by the Group and the related balancing items in the income statement shown in the previous table:

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
(a) Inflation adjustment and foreign exchange gains	145.845	600.852	177.318	638.850
Gains on exchange variation on loans	145.698	599.816	155.713	638.308
Exchange variation on imports	147	1.036	266	542
Exchange variation on export receivables	-	-	-	-
Exchange variation on accounts payable to subsidiaries abroad	-	-	21.339	-
(b) Inflation adjustment and foreign exchange losses	(87.251)	(189.310)	(113.357)	(254.156)
Losses on exchange variation on loans	(87.134)	(189.049)	(97.383)	(199.815)
Exchange variation on export receivables	(20)	-	(2.205)	(18.699)
Exchange variation on accounts payable to subsidiaries abroad	-	-	-	(30.202)
Exchange variation on financing	(97)	(261)	(13.769)	(5.440)
			-	
(c) Gains on swap and forward transactions	24.305	33.933	35.073	35.666
Revenue from swap exchange coupons	24.305	33.933	24.523	35.666
Gains on exchange variation on swap instruments	-	-	10.550	-
(d) Losses on swap and forward transactions	(168.069)	(591.954)	(177.099)	(631.807)
Losses on exchange variation on swap instruments	(59.285)	(408.652)	(66.214)	(436.015)
Financial costs of swap instruments	(108.784)	(183.302)	(110.790)	(194.378)
Losses on swap of interest rate	-	-	(95)	(1.414)
			-	
(e) Other financial expenses	(60.919)	-	(60.919)	-
Expenses to structure debt for the acquisition of non-controlling interest, due to the change of financing agent providing the credit facility	(60.919)	-	(60.919)	-

27. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Result on write-off of property, plant and equipment	(15,585)	(673)	(17,803)	3,506
ICMS credit (a)	7,785	6,245	7,785	6,245
BNDES, FINAME and FINEP subsidy (b)	1,588	6,888	26,926	43,917
Crer para ver line (c)	(13,378)	(24,955)	(17,364)	(24,955)
ICMS-ST (d)	(30,102)	(14,318)	(30,119)	(14,318)
Sale of customer portfolio (e)	18,900	-	18,900	-
Exclusion of ICMS based on PIS/COFINS (f)	1,248	-	197,230	-
Acquisition costs - “The Body Shop”(g)	(64,086)	-	(64,086)	-
Reversal of IPI - commercial equality (h)	129,061		133,595	
Other operating income (expenses)	(2,773)	(195)	(37,348)	(3,532)
Other operating income (expenses), net	32,658	(27,008)	217,716	10,863

(a) The balance above includes ICMS tax credits recognized from refund as a result of tax substitution.

(b) Refers to the reclassification of the subsidized loans interest expense as a result of the financial accounting pronouncement CPC07 - Accounting for Government Grants and Disclosure of Government Assistance aligned with IAS 20.

(c) Allocation of operating profit from sales of "Crer para Ver" line of non-cosmetic products to Natura Institute, specifically directed to social projects for developing the quality of education.

(d) Refers to the requirement of ICMS tax substitution, for different states, see details in note 19 (c).

(e) Refers to the revenue from the sale of securities portfolio of customers overcome over 180 days, which began in the last quarter of 2016, which is no longer made up the balance of trade accounts receivable of the Group on the date of the transfer of the risks and benefits. On March 31, 2017 and September 30, 2017, was held new sale for invoices that have completed 180 days and had the same characteristics of the portfolio previously sold by the end of 2016. It is worth noting that the Group has the policy perform the write-off of invoices above 180 days. It is noteworthy that this sale was made without the right of return and with credit risk transfer to buyer.

(f) See details in note nº 18(a).

(g) Refer to the initial transaction costs of acquisition of "The Body Shop", with consultants, lawyers, and others.

(h) See details in note 18(d).

28. EARNING PER SHARE

28.1. Basic

Basic earnings per share are calculated by dividing the net income attributable to the owners of the Group by the weighted average of common in outstanding shares, less common shares bought back by the Group and held as treasury shares.

	2017/09	2016/09
Net income attributable to owners of the Group	413,433	94,913
Weighted average of common outstanding shares	431,239,264	431,239,264
Weighted average of treasury shares	(877,317)	(953,125)
Weighted average of outstanding common shares	430,361,947	430,286,139
Basic earnings per share - R$	0.9607	0.2206

28.2. Diluted

Diluted earnings per share is calculated by adjusting the weighted average outstanding common shares supposing that all potential common shares that would cause dilution are converted. The Group has only one category of common shares that would potentially cause dilution: the stock options, restricted actions and strategy acceleration.

	2017/09	2016/09
Net income attributable to owners of the Group	413,433	94,913
Weighted average of outstanding common shares	430,361,947	430,286,139

Adjustment for stock options	474,144	413,576
Weighted average number of common shares for diluted earnings per share calculation purposes	430,836,091	430,699,715
Diluted earnings per share - R$	0.9596	0.2204

At September 30, 2017, a total of 7,220,752 existing options (5,958,809 at September 30, 2016), were not considered in the calculation of diluted earnings per share due to the fact that the exercise price is higher than average market price of the common shares during the period ended on those dates, therefore there was no dilution effect.

29. RELATED-PARTY TRANSACTIONS

29.1. Receivables from and payables to related parties are as follows:

	Company	
	2017/09	2016/12
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	-	1,527
Natura Logística e Serviços Ltda. (b)	23	438
Indústria e Comércio de Cosméticos Natura Ltda. (c)	-	4,126
Natura Biosphera Franqueadora Ltda.	100	185
Aesop Brasil Comércio de Cosméticos Ltda. (subsidiária da Emeis Holdings Pty Ltd.)	215	922
Natura Comercial Ltda.	615	774
	953	7,972
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	226,868	217,980
Natura Logística e Serviços Ltda. (d)	4	741
Natura Inovação e Tecnologia de Produtos Ltda. (e)	17,063	23,362
	243,935	242,083

Related-party transactions are as follows:

	Company			
	Sale of products		Purchase of products	
	2017/09	2016/09	2017/09	2016/09
Aesop Brasil Comércio de Cosméticos Ltda. (subsidiary of Emeis Holdings Pty Ltd.)	21	2,288	-	-
Natura Comercial Ltda.	7,985	975	-	-
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	2,000,717	1,893,004
	8,006	3,263	2,000,717	1,893,004

	Consolidated			
	Sale of products		Purchase of products	
	2017/09	2016/09	2017/09	2016/09
Natura Cosméticos S.A. - Brasil	8,006	3,263		
Aesop Brasil Comércio de Cosméticos Ltda. (subsidiary of Emeis Holdings Pty Ltd.)			21	2,288
Natura Comercial Ltda.			7,985	975
Indústria e Comércio de Cosméticos Natura Ltda.	2,344,078	2,272,898	-	-
Natura Cosméticos S.A. - Brasil	-	-	2,000,717	1,893,004
Natura Cosméticos S.A. - Peru	-	-	39,288	48,469
Natura Cosméticos S.A. - Argentina	-	-	115,509	128,847
Natura Cosméticos S.A. - Chile	-	-	52,303	60,013
Natura Cosméticos S.A. - México	-	-	80,567	83,266
Natura Cosméticos Ltda. - Colômbia	-	-	51,594	55,585
Natura Europa SAS - França	-	-	1,056	2,470
Natura International Inc.-EUA	-	-	34	227
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	853	1,017
Natura Comercial Ltda.			2,157	
	2,352,084	2,276,161	2,352,084	2,276,161

	Services provided		Services received	
	2017/09	2016/09	2017/09	2016/09
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	5,688	12,697	-	-
Natura Cosméticos S.A. - Brasil	-	-	3,450	7,384
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	1,524	3,747
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	672	1,504
Natura Biosphera Franqueadora Ltda.	-	-	42	62
	5,688	12,697	5,688	12,697
Product and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	157,901	157,518	-	-
Natura Cosméticos S.A. – Brasil	-	-	157,901	157,518
	157,901	157,518	157,901	157,518
Researches and testing “in vitro”: (h)				
Natura Innovation et Technologie de Produits SAS - França	-	133	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	-	133
	-	133	-	133
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	5,390	6,020	-	-
Natura Logística e Serviços Ltda.	-	-	3,550	4,294
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,840	1,726
	5,390	6,020	5,390	6,020
Total sale or purchase of products and services	2,521,063	2,452,529	2,521,063	2,452,529

The Company holds 100% interest in the Investment Fund Essencial, which refers to the exclusive private credit fixed-income investment fund, whose breakdown is presented below (see Note 7):

	Company		Consolidated	
	2017/09	2016/09	2017/09	2016/09
Certificate of time deposits	81,072	70,618	114,183	118,127
Repurchase agreement	1,304,452	459,828	1,837,206	769,186
Treasury bills	417,645	444,202	588,216	743,047
Government bonds (LFT)	496,783	174,984	699,676	292,708
Other	(51)	(64)	(65)	(108)
	2,299,901	1,149,568	3,239,216	1,922,960

(a) Advanced granted for provision of product and technology development and market research services.

(b) Advances granted for provision of product separation, packaging for transportation and mailing services, logistics advisory, human resources management and human resources training.

(c) Payables for the purchase of products.

(d) Payables for services described in item (f).

(e) Payables for services described in item (g).

(f) Services of separate, packing and mailing goods, logistic consulting, manager human resources and training in human resources

(g) Product and technology development and market research services.

(h) Provision of "in vitro" research and testing services.

(i) Lease of part of the industrial complex located in Cajamar, SP.

The main intercompany balances as of September 30, 2017 and December 31, 2016, as well as the intercompany transactions that affected the period then ended in those dates, refer to operations conducted between the Group and its subsidiaries.

The prices, terms and other conditions of transactions between the Group, subsidiaries and other related parties were agreed in contracts between the parties.

Due to the Group's and subsidiaries' operational model, as well as the channel chosen to distribute products, direct sales via Natura Beauty Consultants, a substantial portion of sales is made by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. to the Company Natura Cosméticos S.A. in Brazil and to its foreign subsidiaries.

There is no allowance for doubtful accounts recognized for intercompany receivables on September 30, 2017 and December 31, 2016 since there are no past-due receivables with risk of default.

According to note 16, the Group companies usually grant each other pledges and collaterals to guarantee bank loans and financing.

On June 5, 2012, an agreement was entered into, still present, between Indústria e Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., ("Bres Itupeva"), for the construction and lease of processing, distribution, storage (HUB), in the city of Itupeva / SP a distribution center (HUB), in the city of Itupeva/SP. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, members of the group of controlling shareholders of Natura Cosméticos S.A., indirectly hold controlling interests in Bres Itupeva. The amount involved in the registered transaction is "Buildings" in the amount of R$ 54,823 (R$ 59,195 as of December 31, 2016).

In September 2014, Natura Cosméticos S.A. entered into with Dédalus Administração e Participações Ltda.("Dédalus") and Homagus Administração and Participações Ltda.("Homagus") an aircraft assignment agreement, still present for use thereof. Under the agreement, upon aircraft use by Natura Cosméticos S.A., the amount charged will be that established in the Brazilian Code of Aeronautics. Dédalus and Homagus are the property of Messrs. Guilherme Peirão Leal and Antonio Luiz Seabra, both belonging to the group of controlling shareholders of Natura Cosméticos S.A.

Natura Cosméticos S.A. and Raia Drogasil S.A. entered into a purchase and sale agreement and other covenants for selling products in Raia and Drogasil. Mr. Antonio Luiz da Cunha Seabra, Mr. Guilherme Peirão Leal and Mr. Pedro Luiz Barreiros Passos, members of the Natura Cosméticos S.A. control block, indirectly hold shareholding interest in Raia Drogasil S.A.

29.2. Key management personnel compensation

The total compensation of the Group's Management is as follows:

	2017/09			2016/09		
	Compensation			Compensation		
	Fixed (a)	Variable (b)	Total	Fixed (a)	Variable (b)	Total
Board of Directors	6,962	2,981	9,943	3,735	1,060	4,795
Officers	21,396	6,362	27,758	13,387	10,564	23,951
	28,358	9,343	37,701	17,122	11,624	28,746
Executives	23,789	12,622	36,411	24,243	14,045	38,288

(a) In the item Officers (statutory) it is included the amount of R$ 3,527 referred to the amortization of the Confidentiality and Non-Compete Agreement, during the in the six month period ended September 30, 2017.

(b) Refers to profit sharing, on an accrual basis, net of reversals, regarding the Restricted Share Program and Strategy Acceleration Program, including charges, as applicable, to be determined in the year. The amounts include additions to and/or reversals of provisions made in the previous year, due to final assessment of the targets established for board members and officers, statutory and non-statutory, in relation to profit sharing.

As a result of an agreement signed by Management with the Group's former director, at the Annual and Extraordinary Shareholders' Meeting to be held on April 11, 2017,

a matter will be put to the vote regarding the transfer of restricted shares to the participant of the Restricted Stock Plans granted in the Years of 2015 and 2016 that was not vested on the date of his resignation from the Group. For this reason, the caption "Statutory Directors" includes the cost of the restricted shares granted to such participant, maintaining all other terms and conditions of the Restricted Stock Plans granted in 2015 and 2016 applicable to such restricted shares, including vesting schedules.

For this reason, the caption "Statutory Executive Officers" includes the cost of restricted shares granted to such former director, except for the amount corresponding to the first batch of restricted shares that became vested on March 16, 2017 (referring to 33.33% of the restricted shares granted under the Restricted Stock Plan of 2015), which was paid to him through financial compensation, after approval at said meetings.

29.3. Share-based payments

Breakdown of Group officers and executives' compensation:

	Grant of options					
	2017/09			2016/09		
	Stock option balance (number) (a)	Average fair value stock option	Average Exercise price - R$ (b)	Stock option balance (number) (a)	Average fair value stock option	Average Exercise price - R$ (b)
Officers	2,925,116	12.54	32.99	3,268,244	12.43	35.72
Executives	3,693,833	12.65	32.99	3,382,344	12.36	35.72

	Restricted stock			
	2017/09		2016/09	
	Stock balance (number) (a)	Average exercise price – R$ (b)	Stock balance (number) (a)	Average exercise price – R$ (b)
Officers	90,667	23.72	222,062	22.55
Executives	511,713	23.76	396,700	23.18

(a) Refers to the balance of the options and restricted shares ripe ("vested") and mature ("unvested"), not carried out, at the balance sheet dates.

(b) Refers to the weighted-average exercise price of the option at the time of the stock option plans, adjusted for inflation based on the Extended Consumer Price Index (IPCA) through the end of the reporting period. The new Stock Option Plan and Restricted Stock Option Plan, both implemented in 2015, include no restatement.

30. COMMITMENTS ASSUMED

30.1. Inputs supply contracts

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. entered into a contract for the supply of electric power to its manufacturing activities, as follows:

(a) agreement effective until 2017, whereby a minimum monthly volume of 3.6 Megawatts shall be purchased, equivalent to R$ 373;

(b) agreement effective until 2018, whereby a minimum monthly volume of 0.8 Megawatts shall be purchased, equivalent to R$ 110,

As of September 30, 2017, the subsidiary was in compliance with this agreement's commitments.

The amounts are carried based on electric power consumption estimates in accordance with the contract period, whose prices are based on volumes, also estimated, resulting from the subsidiary's continuous operations.

Total minimum supply payments, measured at nominal value, according to the contract, are:

	2017/09	2016/12
Less than one year	1,288	1,253
More than one year and less than five years	1,389	5,781
Total	2,677	7,034

30.2. Operating lease transactions

The Group and its subsidiaries have commitments arising from real estate operating leases where the following are located: some of its foreign subsidiaries, administrative offices, distribution centers in Brazil and properties, where there are shops abroad and in Brazil, of subsidiaries Emeis Holdings Pty Ltd. and The Body Shop International PLC, as well as properties where shops in Brazil of its subsidiary Natura Comercial Ltda. are located.

Contracts have lease terms of one to ten years and no purchase option clause when terminated; however, renewal is permitted under the market conditions where they are entered into.

As of September 30, 2017, and December 31, 2016, the commitment made for future payments of these operating leases had the following maturities:

	Company		Consolidate	
	2017/09	2016/12	2017/09	2016/12
Less than one year	13,833	13,883	428,212	71,265
More than one year and less than five years	20,067	29,795	914,339	200,549
More than five years	-	-	316,032	71,847
Total	33,900	43,678	1,658,583	343,661

30.3. Obligations resulting from service transition agreement

On September 7, 2017, the subsidiary The Body Shop International PLC hired a series of transitional services to be provided by L'Óreal SA ("Seller") from September 2017 to February 2019, to ensure the continuity of activities during the period of integration into the Group. The agreement envisages the current services described in the table below and services with previously negotiated amounts that are provided on demand according to the needs of the business. The amounts negotiated in the agreement are compatible with those practiced in the services and consulting market. Total minimum supply payments, measured at nominal value, according to the agreement, are provided herein by type of service:

Type of service	Less than one year	More than one year and less than five years
TD, licenses, infrastructure and spaces	10.246	79
HR management (payroll and benefit management)	2.987	867
Product research and development	2.955	-
Accounting and financial processes	1.126	-
Logistics and sale operations	798	-
Other	161	-
Total	18.273	946

31. INSURANCE

The Group and its subsidiaries have an insurance policy that considers principally risk concentration and materiality, and insurance is obtained at amounts considered by management to be sufficient, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of September 30, 2017, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/inventories	Any damages to buildings, facilities, and machinery and equipment	2,719,154
Vehicles	Fire, theft and collision for 995 vehicles	52,933
Loss of profits	No loss of profits due to material damages to facilities buildings and production machinery and equipment	1,409,278
Marine transport	Damages to products in maritime transit	4,271

32. APPROVAL OF FINANCIAL STATEMENTS

The individual and consolidated interim financial statements of the Group were approved by the Board of Directors and authorized for issue at the meeting held on November 13, 2017.

33. EVENTS AFTER THE REPORTING PERIOD

On October 25, 2017, the Group joined the Tax Regularization Program (PERT), established by Law 13,496/17, to settle on October 26, 2017, the tax dues that are the subject of a lawsuit regarding the non-levy of income tax and social contribution on amounts received as interest arising from the delay in performing contractual obligations of sales operations to Natura Beauty Consultants, whose enforceability was suspended by legal authorization since February 4, 2009. The adjusted amount of the due was R$ 312,902, with interest reduction totaling R$ 70,348 (see note 18).