EARNINGS RELEASE 1Q17

natura

São Paulo, April 26, 2017 – Natura Cosméticos S.A. (BM&FBovespa: NATU3) reports today its results for the first quarter of 2017 (1Q17). Except where stated otherwise, the financial and operating information in this release is presented on a consolidated basis, in accordance with International Financial Reporting Standards (IFRS).

Contents

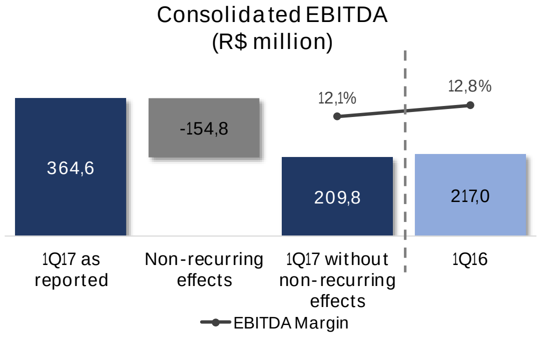
Introduction

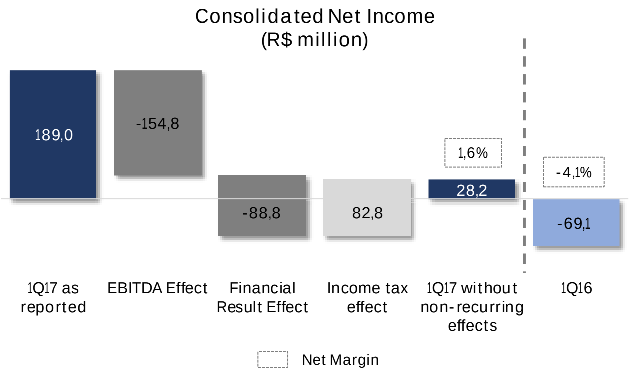
In the first quarter of 2017, consolidated gross revenue amounted to R$2,395.9 million (+3.3% vs. 1Q16). Consolidated EBITDA was R$364.6 million (+68.0% vs. 1Q16), net income was R$189.0 million (up R$258.1 million vs. 1Q16) and free cash flow was R$16.5 million (compared to cash burn of R$167.7 million in 1Q16).

All operations posted gross revenue growth. In Brazil, the second straight quarter of positive growth cautiously suggests the start of a stabilization phase, though with volatility expected in the near term. In Latam, we continue to post healthy growth (23.3% in local currency), with the results in Brazilian real affected by currency translation.

The period results also were affected by non-recurring effects in Brazil, in particular the reversal of the provision for PIS and Cofins taxes payable (due to the inclusion of ICMS tax in the PIS and Cofins calculation base) and the accrual of new provisions for other taxes payable.

Excluding these non-recurring effects, consolidated EBITDA stood at R$209.8 million, down 3.3% from 1Q16, predominately due to tax impacts and higher marketing investments in Brazil. Adjusted on the same basis, net income was R$28.2 million, increasing R$97.3 million on the prior period. These effects are shown below:





Our consolidated results are summarized below:

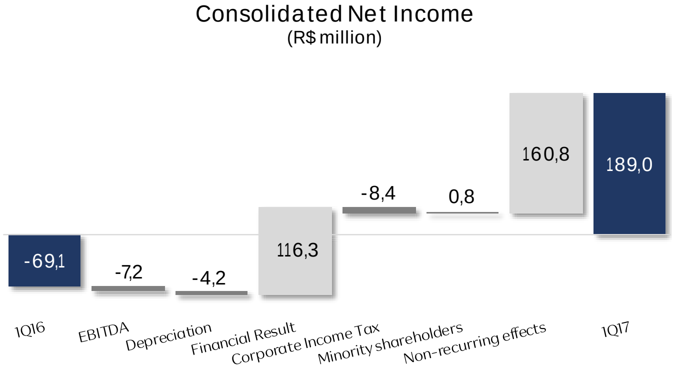
R$ million	Pro-Forma 1Q17	1Q16	Change (%)
Brazil Gross Revenue	1.682,8	1.611,7	*4,4*
International Gross Revenue	713,2	708,3	*0,7*
Consolidated Gross Revenue	2.395,9	2.320,0	*3,3*
Brazil Net Revenue	1.159,0	1.121,7	*3,3*
International Net Revenue	569,6	568,0	*0,3*
Consolidated Net Revenue	1.728,6	1.689,7	*2,3*
% Share International Net Revenue	*33,0%*	*33,6%*	*(0,7) pp*
Brazil EBITDA	318,9	156,3	*104,0*
% Brazil EBITDA Margin	*27,5%*	*13,9%*	*13,6 pp*
International EBITDA	45,7	60,7	*(24,7)*
% International EBITDA Margin	*8,0%*	*10,7%*	*(2,7) pp*
Consolidated EBITDA	364,6	217,0	*68,0*
% Consolidated EBITDA Margin	*21,1%*	*12,8%*	*8,2 pp*
Consolidated Net Income	189,0	(69,1)	*(373,4)*
% Consolidated Net Margin	*10,9%*	*(4,1)%*	*15,1 pp*
Internal cash generation	291,6	1,6	*n/a*
Free cash flow	16,5	(167,7)	*109,8*
Net Debt / EBITDA	*1,31*	*1,30*	*n/a*

Consolidated EBITDA in the quarter, which amounted to R$364.6 million, was adversely affected by non-recurring items. Excluding these effects, EBITDA in the quarter was R$209.8 million, 3.3% lower than in 1Q16, with this variation explained by:

_foreign currency effects on the Latin America result of R$17.3 million;

_intensification of advertising actions and sales team incentives and training;

_higher effective tax rate in Brazil, with an impact of R$12.2 million.



Consolidated net income grew in the quarter due to the following factors:

_Non-recurring effects of R$160.8 million: in addition to the effects on EBITDA described above (R$154.8 million), there was an impact of R$88.8 million due to the reversal of interest accrual on tax provisions written off, net of financial expenses on the new provisions accrued, as well as income tax expenses of R$82.8 million resulting from the aforementioned effects.

_Net financial expenses, excluding non-recurring effects in the amount of R$101.4 million in 1Q17, compared to R$217.8 million in 1Q16. This reduction was due to effects in 2016 that did not recur in 2017, such as the mark-to-market adjustment of instruments to hedge foreign-denominated debt and the effect from the provision for acquiring a minority interest in Aesop.

Cash generation in the period stood at R$16.5 million, compared to cash burn of R$167.7 million in 1Q16, driven by higher net income, lower inventory coverage in Brazil and Latam, longer average payment term, and the lower capital investment - CAPEX.

Brazil 1Q17

Our priority is to reinvigorate our business in Brazil. We moved forward in our plans to modernize, segment and digitalize our relationship network, which generated positive results.

We already have more than 300,000 consultants using our smartphone app, which boosts their productivity and strengthens their relationship with Natura.

We launched the campaign "Natura: A Casa de Perfumaria do Brasil" (or Natura: Brazil's Fragrance House), which promotes the importance of Natura fragrances in the Brazilian market. We worked to amplify the attributes of the Natura brand (e.g., Brazilianness and sustainability) through our fragrances and to show that they express the exuberance of Brazil like no other brand.

Our launches included two new fragrances from renowned brands: Ekos Flor da Manhã and Kaiak Aventura, which strengthen our women's fragrances. Our makeup line Faces was relaunched with contemporary packaging, multi-benefit, practical and versatile products and an urban and young brand positioning.

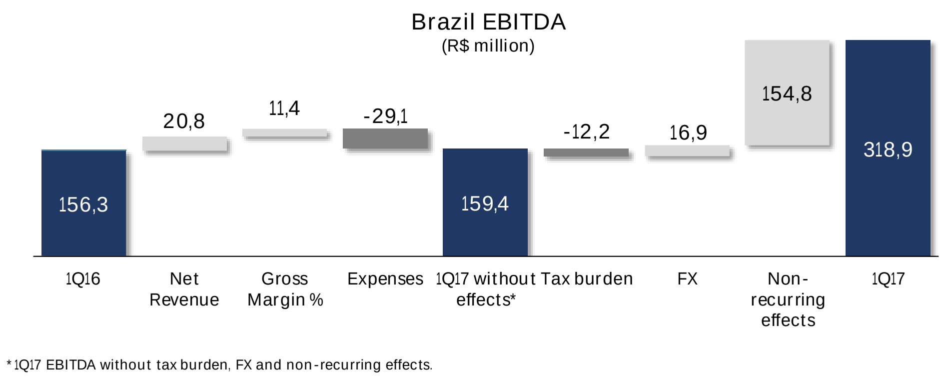
The Natura Network, or *Rede Natura,* our online sales platform, grew by more than 100% compared to 1Q16, generating positive EBITDA. Our consumer base reached 1.7 million in Brazil and we advanced into Latin America, with Argentina implementing the network in February 2017 and Chile last year. The Natura Application for end consumers continues to grow and already has 170,000 users. In our retail segment, we are operating 10 exclusive Natura stores in shopping malls in São Paulo city and in Greater São Paulo, with launches planned in the coming weeks in cities in the inland region of São Paulo state and in Rio de Janeiro.

The latest data from the consulting firm Euromonitor show that we ended the year 2016 with market share of 10.8% (11.4% in 2015) in Brazil, maintaining our position as the vice-leader of the CFT market.

We posted gross revenue growth of 4.4% on 1Q16, mainly due to our efforts targeting fragrances and gifts. The facial care category continued to reap good results from the launch of Chronos in 2016. Also contributing to this result was the move to anticipate our Mothers' Day campaign by one week. Due to the 0.7 p.p. increase in our effective tax rate, net revenue grew 3.3% on 1Q16.

Our gross margin expanded 2.4 p.p. in the period, reflecting the lower pressure from currency translation on our input costs and the better product mix.

EBITDA grew 104.0% in relation to 1Q16. Excluding non-recurring effects, EBITDA growth was 5.0%, driven by revenue growth and gross margin expansion, which offset the higher marketing investments. We continued our efforts to manage more efficiently our costs in order to offset the marketing investments made during the year.

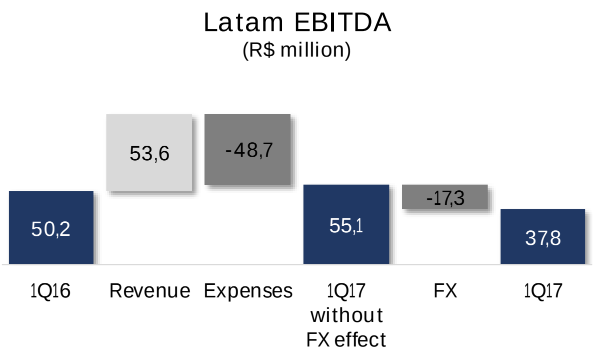


International Operations in 1Q17

In local currency, gross revenue from Latam grew 23.3%, with gains in market share and sales volume.

According to the consulting firm Euromonitor, our market share increased from 4.0% to 4.6% in the countries where we operate, accompanying the region's strong growth.

Latam's EBITDA contracted by 4.2% in local currency, mainly due to the effects from currency translation on its imports, which led to gross margin compression of 4.1 p.p. Excluding the effects from currency translation, EBITDA was positive.



Aesop also maintained its accelerated growth in local currency, of 31.4%, driven by the growth in same-store sales in the last 12 months of around 11% and by the opening of 33 new stores since 1Q16.

1. social and environmental highlights

In January, during the World Economic Forum in Davos, Switzerland, the Global 100 ranking was published, in which **Natura was considered the world's 19th** most sustainable company and the highest ranked company in Brazil. The list is compiled by the Canadian media and research firm Corporate Knights. In its eighth straight time figuring on the list, Natura rose in the ranking in relation to 2016, when it placed 61st.

One of the quarter's highlights was recycled post-consumer material accounting for 5.1% of packaging in Brazil, supported by the use of recycled glass in Fragrances. This practice helps to reduce CO2 emissions and avoid the material's disposal. In 1Q17, the emissions avoided by the use of this kind of glass compared to the use of virgin glass came to 171 tons of CO2e (equivalent to the emissions from a car circling the globe 29 times). The initiative also avoided the generation of 180 tons of solid waste. One of the period's new developments that made the biggest contribution to the results was the launch of Natura Ekos Flor da Manhã: just like Frescores Ekos, the fragrance's bottle contains 20% recycled post-consumer glass. Note that the new product's composition contains ingredients found in Brazil's biodiversity: essential oils from the plants *pataqueira*, *priprioca* and *copaíba*, which are obtained sustainably.

In March, which is Consumer Month, the Natura Network launched a new way of interacting with the public by detailing how buying Natura products helps to generate positive impacts on society and the environment. The move represents an evolution in our dialogue and engagement with consumers that will help them make more ethical decisions concerning the impacts on our planet when shopping. In this way, we hope to influence the values and behaviors required to build a more sustainable world.

Indicator	Unit	2020 ambition	1Q17	2016
Relative carbon emmissions (escopes 1, 2 e 3)	kg CO2/kg prod billed	2,15	3,17*	3,17**
% post cosumption recycled materials[1]	% (g recycled mat/g packaging)	10,0	5,1	4,3
Eco-efficient packaging[2]	% (eco-efficient packaging units billed/ total units billed)	40,0	20,0	20,3
Amazon inputs consumed in relation to total inputs	% (R$ Amazon inputs/R$ total inputs)	30,0	18,2	19,1
Cumulative business volume in the Pan-Amazon region[3]	R$ millions	1.000,0	1.020,7	972,6
Water consumption	Liters / units manufactured	0,32	0,51	0,53
Funding for "Crer Para Ver" program - Brazil[4]	R$ millions	23,6	5,4	23,7

1 The indicator considers the % of packaging materials sourced from post-consumer recycling in relation to total mass of packaging billed.
2 Eco-efficient packaging is 50% lighter in relation to regular/similar packaging or which has at least 50% in potentially marketable recyclable materials and/or renewable materials, as long as there is no mass increase.
3 Cumulative amounts since 2011.
4 Refers to the profit before income tax attributed to the Crer Para Ver product line.
* 2016 cumulative results. 1Q17 results are going to be disclosed in 2Q17 due to the complexity of its calculation.
** 2015 cumulative results to analyze annual growth.

Relative carbon emissions (scopes 1, 2 and 3): for 2016, a decline in carbon emissions efficiency was expected in view of the business projections. However, we maintained the same level as in 2015, with the highlight being the efficiency gains captured in key processes, such as air freight for exports to Latam, increased use of cabotage for destinations in the North and Northeast, improvements in product delivery to CNs in Brazil (transfer and last mile), lower electricity consumption at Natura sites, optimization of magazine printing in Latam and higher use of materials with low environmental impacts for making our products.

Percentage of post-consumer recycled materials: the structural initiatives adopted to expand the use of recycled glass in fragrances continue to deliver good results. The goal is for all fragrance items to adopt the use of post-consumer recycled glass. To achieve this goal, we are diversifying our sources of post-consumer glass by including recycling cooperatives and engaging all bottle suppliers in the strategy.

Eco-efficient packaging: stable results in relation to the previous year. In addition to reintroducing incentives for consumers to use products with eco-friendly packaging, we developed in our portfolio more packaging made from renewable resources and that contain post-consumer recycled materials, as well as refill options.

Consumption of Amazonian inputs in relation to Natura's total consumption: as expected, there was lower demand for Amazon palm oil to make soaps, but higher consumption of other Amazonian inputs (such as açaí and *cupuaçu*) to meet the demand generated by the strategy for Mother's Day 2017. The increased use of ingredients obtained under a more sustainable production model in our formulations is our challenge for reaching the 2020 goal and in turn helping to conserve forest regions.

Cumulative business volume in the Pan-Amazon region: The cumulative result of R$1.02 billion in business conducted in the Pan-Amazon region since 2010 is in line with meeting the 2020 ambition. The purchase of inputs to make soap made a significant contribution to business volume in the Pan-Amazon region, as also have the Ecoparque operation and the investments in research & technology and land development.

Water consumption: relative water consumption in production processes ended the first quarter of 2017 down 4% from 2016. The good result was due to the combination of lower production volume and the projects to optimize water reuse processes in the production cycle (reverse osmosis) in order to reduce water consumption. An analysis of our EP&L and water footprint, which includes the company's entire value chain, showed that the use of products represents a much bigger impact than the industrial phase. We will focus our efforts on shared management with consumers in order to reduce this impact.

Funding for Crer para Ver (Education) program: the relaunch of products in the Crer Para Ver line that had been discontinued supported a reversal in inventory losses and boosted the line's profitability, which will be transformed into investments in education through the Natura Institute. Around 160,000 consultants engaged in this cause in all cycles (every 21 days). A portion of the funds will be allocated to education for Natura Consultants that includes high school, vocational and undergraduate programs.

2. economic and financial performance

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

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

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

Quarter				Pro-Forma								
(R$ million)	Consolidated[1]			Brazil			Latam			Aesop		
	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)
Total Consultants - end of period ('000)[2]	1.838,3	1.824,1	0,8	1.297,3	1.314,0	(1,3)	540,6	509,1	6,2	-	-	-
Total Consultants - average of period ('000)	1.822,9	1.848,0	(1,4)	1.281,5	1.340,5	(4,4)	541,0	506,1	6,9	-	-	-
Units sold – items for resale (in million)	101,8	109,2	(6,7)	73,7	83,5	(11,7)	26,3	24,1	8,9	1,8	1,5	17,9
Gross Revenue	2.395,9	2.320,0	3,3	1.682,8	1.611,7	4,4	551,8	560,8	(1,6)	159,4	143,5	11,1
Net Revenue	1.728,6	1.689,7	2,3	1.159,0	1.121,7	3,3	423,6	434,6	(2,5)	144,4	130,0	11,1
COGS	(519,9)	(520,8)	(0,2)	(358,3)	(373,6)	(4,1)	(145,6)	(131,8)	10,5	(15,7)	(14,8)	6,1
Gross Profit	1.208,7	1.168,9	3,4	800,7	748,1	7,0	277,9	302,8	(8,2)	128,7	115,2	11,7
Selling, Marketing and Logistics Expenses	(736,0)	(691,4)	6,4	(521,9)	(477,1)	9,4	(191,6)	(193,3)	(0,9)	(19,1)	(16,1)	18,4
Administrative, R&D, IT and Projects Expenses	(355,5)	(331,3)	7,3	(188,4)	(171,6)	9,7	(56,6)	(64,8)	(12,6)	(108,2)	(91,8)	17,9
Other Operating Income / (Expenses), net	180,1	7,7	2.226,2	179,4	7,7	2.242,6	0,6	0,1	1.103,6	0,0	0,0	(2,7)
Financial Income / (Expenses), net	(12,6)	(217,8)	(94,2)	(10,7)	(203,3)	n/d	3,0	(15,1)	n/d	(5,0)	0,6	(994,4)
Earnings Before Taxes	284,6	(63,9)	(545,4)	259,2	(96,2)	(369,6)	33,5	29,7	12,8	(3,5)	7,9	n/d
Income Tax and Social Contribution	(95,6)	(4,4)	2.062,7	(75,3)	3,8	(2.100,8)	(16,9)	(4,3)	295,3	(3,4)	(3,9)	(13,1)
Noncontrolling shareholders	0,0	(0,8)	(100,0)	-	-	-	-	-	-	0,0	(0,8)	(100,0)
Net Income	189,0	(69,1)	(373,4)	183,9	(92,4)	(299,0)	16,5	25,4	(34,8)	(6,9)	3,2	(314,1)
EBITDA*	364,6	217,0	68,0	318,9	156,3	104,0	37,8	50,2	(24,7)	12,2	15,9	(23,2)
Gross Margin	*69,9%*	*69,2%*	*0,7 pp*	*69,1%*	*66,7%*	*2,4 pp*	*65,6%*	*69,7%*	*(4,1) pp*	*89,1%*	*88,6%*	*0,5 pp*
Selling, Marketing and Logistics Expenses/Net Revenue	*42,6%*	*40,9%*	*1,7 pp*	*45,0%*	*42,5%*	*2,5 pp*	*45,2%*	*44,5%*	*0,7 pp*	*13,2%*	*12,4%*	*0,8 pp*
Administrative, R&D, IT and Projects Expenses/Net Revenue	*20,6%*	*19,6%*	*1,0 pp*	*16,3%*	*15,3%*	*1,0 pp*	*13,4%*	*14,9%*	*(1,5) pp*	*74,9%*	*70,6%*	*4,3 pp*
Net Margin	*10,9%*	*(4,1)%*	*15,0 pp*	*15,9%*	*(8,2)%*	*24,1 pp*	*3,9%*	*5,8%*	*(1,9) pp*	*(4,8)%*	*2,5%*	*(7,2) pp*
EBITDA Margin	*21,1%*	*12,8%*	*8,2 pp*	*27,5%*	*13,9%*	*13,6 pp*	*8,9%*	*11,6%*	*(2,6) pp*	*8,4%*	*12,2%*	*(3,8) pp*

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

As mentioned in the introduction, the first-quarter results were significantly impacted by non-recurring effects from reversals and accruals of provisions for contingencies that affected EBITDA and net income. Accordingly, the above chart is replicated below without the non-recurring effects observed in the quarter:

[1] Consolidated figures include Brazil, Latam, Aesop and France.
[2] Position at the end of Cycle 4 in Brazil, Argentina, Chile and Mexico, and Cycle 3 in Peru, Colombia, France and Aesop.

Quarter - without non-recurring effects

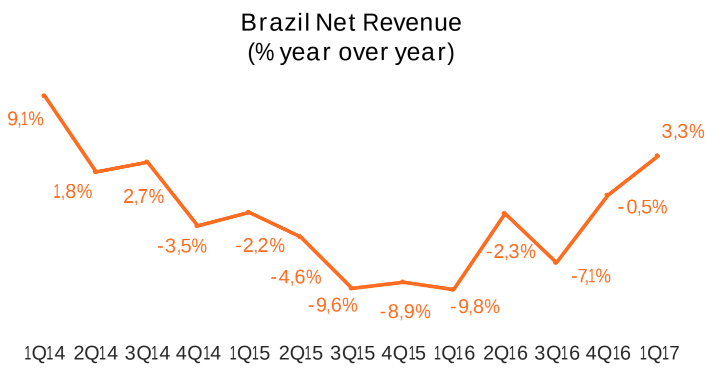
(R$ million)	Consolidated [3] without non-recurring effects			Pro-Forma Brazil without non-recurring effects			Pro-Forma Latam			Pro-Forma Aesop		
	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)	1Q17	1Q16	Change (%)
Gross Revenue	2.395,9	2.320,0	3,3	1.682,8	1.611,7	4,4	551,8	560,8	(1,6)	159,4	143,5	11,1
Net Revenue	1.728,6	1.689,7	2,3	1.159,0	1.121,7	3,3	423,6	434,6	(2,5)	144,4	130,0	11,1
COGS	(519,9)	(520,8)	(0,2)	(358,3)	(373,6)	(4,1)	(145,6)	(131,8)	10,5	(15,7)	(14,8)	6,1
Gross Profit	1.208,7	1.168,9	3,4	800,7	748,1	7,0	277,9	302,8	(8,2)	128,7	115,2	11,7
Selling, Marketing and Logistics Expenses	(736,0)	(691,4)	6,4	(521,9)	(477,1)	9,4	(191,6)	(193,3)	(0,9)	(19,1)	(16,1)	18,4
Administrative, R&D, IT and Projects Expenses	(343,3)	(331,3)	3,6	(176,2)	(171,6)	2,7	(56,6)	(64,8)	(12,6)	(108,2)	(91,8)	17,9
Other Operating Income / (Expenses), net	13,2	7,7	70,0	12,5	7,7	63,2	0,6	0,1	1.103,6	0,0	0,0	(2,7)
Financial Income / (Expenses), net	(101,4)	(217,8)	53,5	(99,4)	(203,3)	(51,1)	3,0	(15,1)	(120,0)	(5,0)	0,6	(994,4)
Earnings Before Taxes	41,1	(63,9)	164,3	15,7	(96,2)	116,3	33,5	29,7	12,8	(3,5)	7,9	(144,1)
Income Tax and Social Contribution	(12,8)	(4,4)	190,1	7,5	3,8	99,0	(16,9)	(4,3)	295,3	(3,4)	(3,9)	(13,1)
Noncontrolling shareholders	0,0	(0,8)	n/a	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(0,8)	n/a
Net Income	28,2	(69,1)	140,8	23,2	(92,4)	125,1	16,5	25,4	(34,8)	(6,9)	3,2	(314,1)
EBITDA*	209,8	217,0	(3,3)	164,1	156,3	5,0	37,8	50,2	(24,7)	12,2	15,9	(23,2)
Gross Margin	69,9%	69,2%	*0,7 pp*	69,1%	66,7%	*2,4 pp*	65,6%	69,7%	*(4,1) pp*	89,1%	88,6%	*0,5 pp*
Selling, Marketing and Logistics Expenses/Net Revenue	42,6%	40,9%	*1,7 pp*	45,0%	42,5%	*2,5 pp*	45,2%	44,5%	*0,7 pp*	13,2%	12,4%	*0,8 pp*
Administrative, R&D, IT and Projects Expenses/Net Revenue	19,9%	19,6%	*0,3 pp*	15,2%	15,3%	*(0,1) pp*	13,4%	14,9%	*(1,5) pp*	74,9%	70,6%	*4,3 pp*
Net Margin	1,6%	-4,1%	*5,7 pp*	2,0%	-8,2%	*10,2 pp*	3,9%	5,8%	*(1,9) pp*	-4,8%	2,5%	*(7,2) pp*
EBITDA Margin	12,1%	12,8%	*(0,7) pp*	14,2%	13,9%	*0,2 pp*	8,9%	11,6%	*(2,6) pp*	8,4%	12,2%	*(3,8) pp*

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

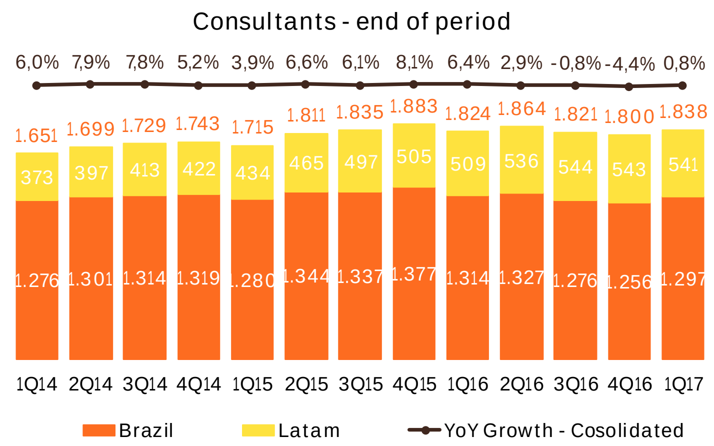
2.1. revenue

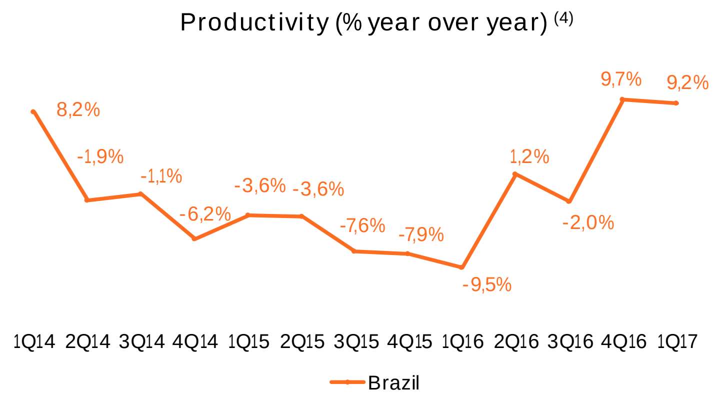
Brazil

Gross revenue advanced 4.4% in 1Q17 compared to 1Q16, driven by the performance of categories like fragrances and facial care, as well as the gift strategy. Due to the higher tax rate, net revenue advanced 3.3% in the period, reflecting the higher effective tax rate, which was mainly due to the higher rates of Value Added Margin (MVA) and ICMS tax in certain states.



Units sold contracted 11.7% in the quarter, with some categories still affected by the trade-down effect, but with revenue supported by fragrances, which have a higher average price.

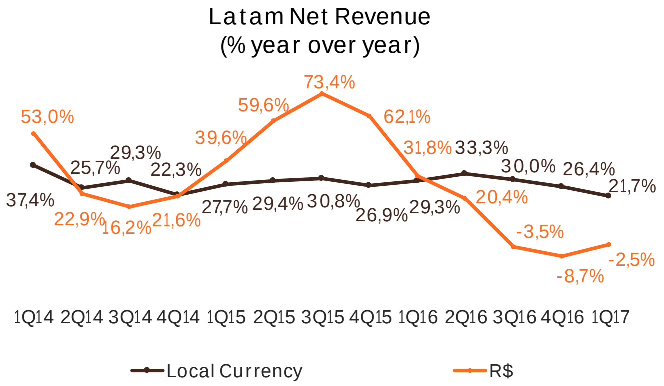




[3] Consolidated figures include Brazil, Latam, Aesop and France.
[4] Productivity at retail prices = (gross revenue in the period/average number of consultants in the period)/(1 – % consultants' profit).

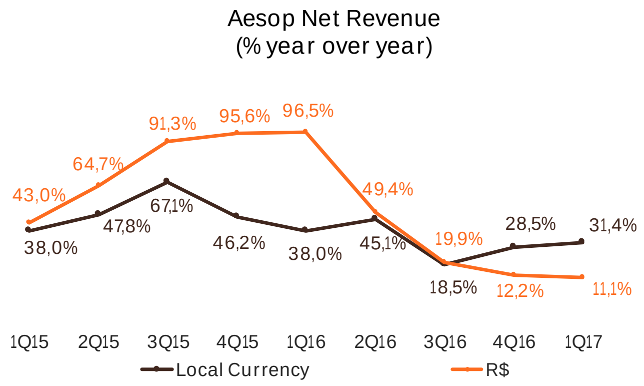
Latam

Latam net revenue advanced 21.7% (gross revenue +23.3%) in local currency in 1Q17, driven by channel expansion and higher consultant productivity, but contracted 2.5% in Brazilian real due to currency translation. In 1Q17, Latam accounted for 24.5% of consolidated net revenue (25.7% in 1Q16), with growth of 6.2% in the number of consultants compared to 1Q16 (6.9% based on average in the period) and growth of 8.9% in units sold.



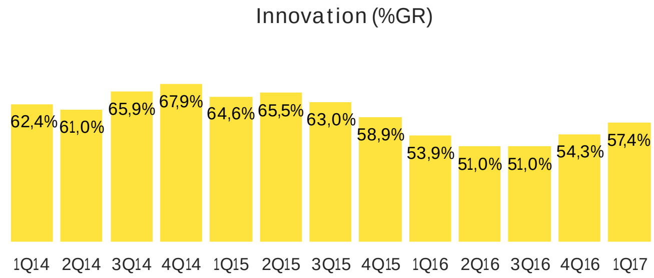
Aesop

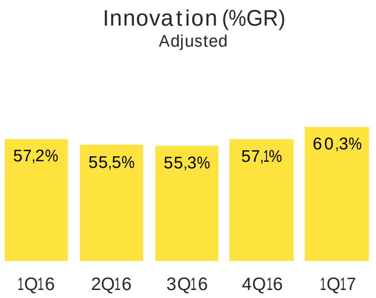
In 1Q17, Aesop grew by 11.1% in Brazilian real and by 31.4% in local currency, supported by same-store sales growth of 11% and the launch of 33 exclusive stores in the last 12 months, bringing the total to 180 (147 stores in 1Q16), as well as 85 department stores (76 in 1Q16). With stores in 20 countries (18 in 1Q16), Aesop already accounts for 8.4% of total consolidated net revenue in the quarter (7.7% in 1Q16). A directory with all Aesop stores can be found on the website [www.aesop.com.](http://www.aesop.com)



2.2. innovation and products

In the 12 months to March 2017, the innovation index[5] stood at 57.4%, up from the index in 1Q16. The increase was due to the good performance of important brand relaunches, such as Ekos and Chronos, as well as the solid results on commemorative dates.



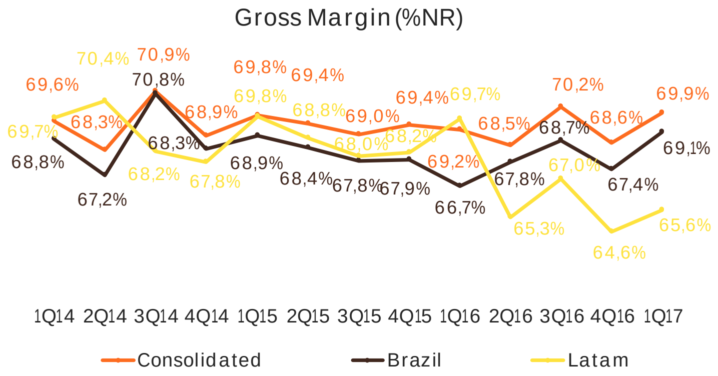


We made progress in measuring the innovation index by strengthening its alignment with the company's strategy. The adjusted format, which maintains the same historical trend, ended 1Q17 at 60.3%. Starting next quarter, we will publish the innovation index using this new format.

[5] Innovation Index: share in the last 12 months of the sale of products launched in the last 24 months.

2.3. gross margin

Consolidated gross margin in 1Q17 expanded 0.8 p.p. from the year-ago period.



Brazil

Expansion of 2.4 p.p., mainly due to the pricing strategy, the appreciation in the Brazilian real against the U.S. dollar, lower inflationary pressure and a product mix with higher margins, with these factors partially offset by the higher effective tax rate in relation to 1Q16.

Latam

Compression of 4.1 p.p., reflecting the effects from the stronger Brazilian real on the prices of products imported from Brazil.

The following table presents the main components of consolidated costs:

	1Q17	1Q16
RM / PM / FP*	78,3%	75,8%
Labor	11,7%	12,3%
Depreciation	3,3%	3,8%
Other	6,7%	8,1%
Total	100,0%	100,0%

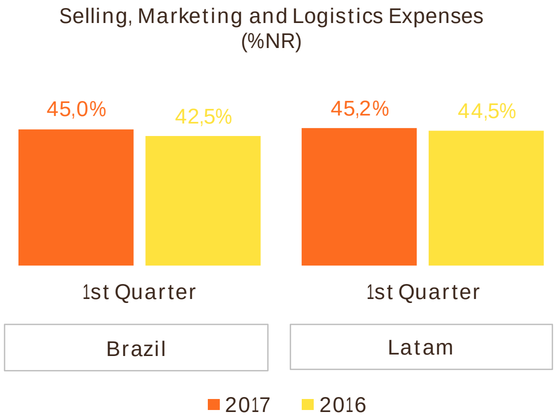
*Raw Material, Packaging Materiall and Finished Products

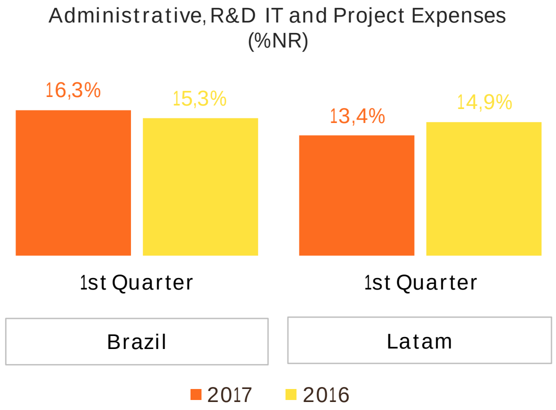
2.4. operating expenses

In Brazil, selling, marketing and logistics expenses increased 9.4% in nominal terms compared to 1Q16, due to higher marketing investments and the incentives and training for the sales team.

In Latam, this group of expenses decreased 0.9% in Brazilian real. In local currency, the increase in these expenses lagged revenue growth.

At Aesop, these expenses increased 18.4% in Brazilian real and 40.3% in local currency, mainly due to the higher expenses with payroll and rent to support the operation's strong growth.





Administrative, R&D, IT and project expenses in Brazil increased 9.9% in nominal terms compared to 1Q16. However, excluding non-recurring effects, these expenses increased by 3.3%, lagging inflation in the period. Nevertheless, we continue to meticulously manage the budget for 2017.

In Latam, administrative expenses fell 12.6% in Brazilian real, but lagged revenue growth in local currency.

At Aesop, this group of expenses increased 39.5% in local currency, reflecting the growth in the administrative infrastructure needed to support the continued growth of the business. These expenses also were affected by the incentive plan for executives.

2.5. other operating income and expenses

In 1Q17, consolidated operating income amounted to R$180.1 million, compared to R$7.7 million in 1Q16. Excluding non-recurring effects, operating income was R$13.2 million in 1Q17.

2.6. EBITDA

CONSOLIDATED EBITDA (R$ million)

	1Q17	1Q16	Change (%)
Net Revenue	1.728,6	1.689,7	*2,3*
(-) Income and Expenses	1.431,4	1.535,8	*(6,8)*
EBIT	297,2	153,9	*93,1*
(+) Depreciation / Amortization	67,3	63,1	*6,8*
EBITDA	364,6	217,0	*68,0*

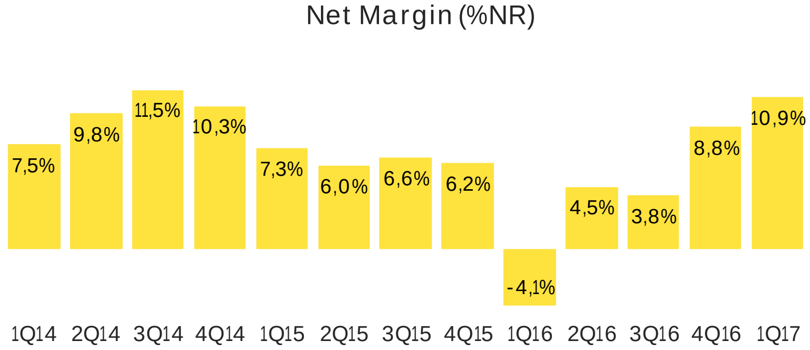
Consolidated EBITDA advanced 68.0% from 1Q16. Excluding non-recurring effects, EBITDA was R$209.8 million, down 3.3% from 1Q16.

In Brazil, EBITDA grew 5.0% after excluding non-recurring effects, supported by revenue growth and gross margin expansion.

In Latam, EBITDA in Brazilian real decreased 24.7% from 1Q16, reflecting the currency's sharp appreciation against the region's other currencies, which affected gross margin and currency translation. In local currency, EBITDA decreased 4.2% due to gross margin compression. Excluding currency translation effects, EBITDA grew by 11.2% in local currency.

Aesop posted a decline in EBITDA of 23.2% in Brazilian real compared to 1Q16. In local currency, the operation's EBITDA decreased 9.4%, given the higher operating expenses in the period to support its accelerated expansion.

2.7. net income (loss)



We posted consolidated net income of R$189.0 million in the quarter. Excluding non-recurring effects, net income was R$28.2 million, compared to the net loss of R$69.1 million in 1Q16. This performance was basically due to the impacts on EBITDA explained in item 2.6 above, as well as to the 53.5% decline in financial expenses compared to the prior quarter, which exceeded the higher expenses with income tax. The net income in Brazil excluding non-recurring effects of R$23.2 million in the quarter offset the net losses posted in Latam and Aesop.

The composition of net income based on EBITDA follows:

(R$ million)	1Q17	1Q16	Change R$	Change (%)
EBITDA - Consolidated	364,6	217,0	147,6	68,0%
Depreciation and Amortization	(67,3)	(63,1)	(4,3)	6,8%
Financial Result	(12,6)	(217,8)	205,2	(94,2%)
Income Tax and Social Contrib.	(95,6)	(4,4)	(91,2)	2.062,7%
Noncontrolling shareholders	0,0	(0,8)	0,8	n/a
Net income - Consolidated	189,0	(69,1)	258,1	373,4%

The following table presents the main changes in the financial result:

(R$ million)	1Q17	1Q16	Change R$	Change (%)
Financial Result	(12,6)	(217,8)	205,2	(94%)
1. Borrowings/Financing (B/F) and Short-Term Investments (STI) - Brazil	(62,1)	(60,0)	(2,1)	4%
Average Balance of STI	1.739,4	2.206,5	(467,1)	(21%)
Financial Income from STI	53,2	71,4	(18,2)	(26%)
Average Interest Rate Earned on STI as % of CDI	102,2%	101,4%	n/a	0,9pp
Average Balance of Treasury Debt	(3.763,1)	(4.198,2)	435,1	(10%)
Financial Expenses on B/F and Derivatives	(115,3)	(131,4)	16,1	(12%)
Weighted Average Cost of B/F as a % of CDI	94,0%	98,5%	n/a	(4,5pp)
Cumulative CDI	3,03%	3,25%	n/a	(0,2pp)
2. Operational FX gains/(losses) - Brazil	(3,9)	(8,5)	4,6	(55%)
3. Restatement of Aesop's Put Option	0,0	(69,2)	69,2	n/a
Provision for acquiring Aesop's remaining interests	0,0	(69,2)	69,2	n/a
FX Aesop Derivatives	0,0	0,0	0,0	n/a
Mark-to-market of Aesop Derivatives	0,0	0,0	0,0	n/a
4. International Operations - LATAM	3,0	(15,1)	18,1	120%
5. Other financial expense / income	50,3	(65,0)	115,4	177,4%
Mark-to-market of financial derivatives	0,5	(23,4)	23,9	102%
Reclassification BNDES - CPC 07	(11,8)	(10,9)	(0,9)	8%
Other	61,7	(30,8)	92,4	300%

The positive variation of R$205.2 million compared to 1Q16 was due to the combination of the following factors:

- Loans and financial investments in Brazil: increase of R$2.1 million in the net financial expense. Financial income contracted R$18.2 million due to the lower average balance invested, while financial expenses also decreased, by R$16.1 million, due to the lower average debt balance in the period and lower CDI rate.
- Operating currency translation in Brazil: reflects the effects from the BRL/USD exchange rate on export receivables, whose expenses were R$4.6 million lower than in 1Q16.
- Restatement of purchase option at Aesop: reflects the restatement of liabilities related to the acquisition of the remaining interest in Aesop, which was settled at end-December and, therefore, did not have an impact on this quarter.
- International Operations: this variation is mainly due to the effects from the BRL/ARP exchange rate on imports payable from Argentina.
- Other financial income and expenses: includes the remaining effects from the mark-to-market adjustment of hedge instruments on foreign-denominated debt that were settled in the period, as well as the reclassification of BNDES – CPC 07, with an increase due to new funding transactions. Other factors include primarily the non-recurring effects from the reversal and accrual of tax provisions. Excluding this effect, this line was an expense of R$27.1 million.

Excluding non-recurring effects, the financial result was a net financial expense of R$101.4 million, compared to the expense of R$217.8 million in 1Q16.

2.8. cash flow

We posted free cash flow of R$16.5 million in the period, compared to cash burn of R$167.7 million in 1Q16, which is explained by the higher net income, lower coverage of global inventories, higher average payment term and lower capital investment- CAPEX. Cash generation was not affected by non-recurring effects.

R$ million	1Q17	1Q16	Change R$	Change %
Net Income*	189,0	(69,1)	258,1	373,4
Depreciation and Amortization	67,3	63,1	4,3	6,8
Non-cash/Others	35,3	(54,2)	89,5	n/a
Provision for acquiring Aesop's remaining interest	0,0	61,9	(61,9)	n/a
Internal Cash Generation	291,6	1,6	290,0	n/a
Working Capital (Increase)/Decrease	(241,2)	(121,4)	(119,8)	98,7
Operating Cash Generation	50,4	(119,8)	170,2	142,1
CAPEX	(33,9)	(47,9)	14,0	(29,2)
Free Cash Flow**	16,5	(167,7)	184,2	109,8

(*) Net income attributable to owners of the Company

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

CAPEX in the quarter amounted to R$33.9 million, reflecting the more meticulous management of the investment selection and approval process.

2.9. indebtedness

We ended the quarter with a net debt/EBITDA ratio of 1.31, compared to 1.30 in the year-ago period, which is basically due to the higher EBITDA in 1Q17.

R$ million	Mar17	Part (%)	Mar16	Part (%)	Change (%)
Short-Term	1.989,7	*53,3*	2.201,8	*51,4*	*(9,6)*
Long-Term	1.913,9	*51,2*	2.983,4	*69,7*	*(35,8)*
Derivatives*	117,2	*3,1*	(563,4)	*(13,2)*	*(120,8)*
Finance Leases / Others**	(284,4)	*(7,6)*	(340,4)	*(7,9)*	*(16,4)*
Total Debt	3.736,4		4.281,4		*(12,7)*
(-) Cash, cash equivalents and short-term investment	1.788,4		2.424,1		*(26,2)*
(=) Net Debt	1.947,9		1.857,2		*4,9*
Net Debt / Ebitda	1,31		1,30		
Total Debt / Ebitda	2,51		3,00		

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

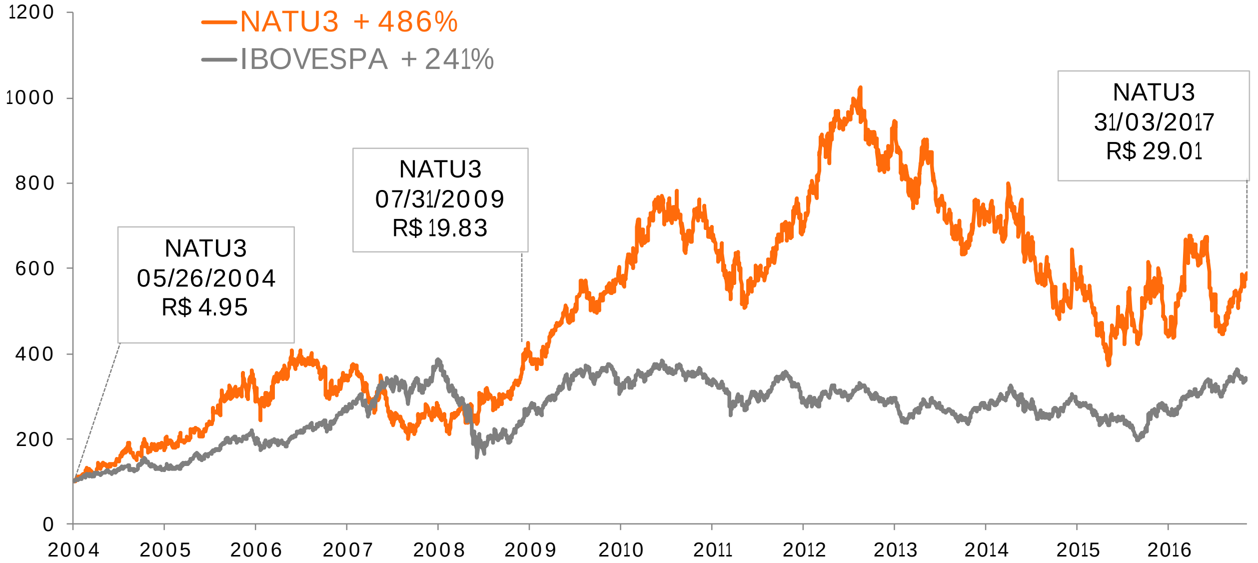
**Other: reclassification of expenses with interest on subsidized loans from financial result in accordance with CPC07

3. NATU3 performance

In 1Q17, the price of Natura stock gained 26.7% since end-2016, while the Bovespa Index increased 7.9%.

Average daily trading volume in the quarter was R$30.5 million, compared to R$34.4 million in the prior-year period.

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



4. conference call & webcast

The Conference Call and Webcast will be held on Apr. 27, 2017 (Thursday) at the following time:

Portuguese / English

10:00 a.m. (Brasília time)

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

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

From USA: Toll Free: +1 888 700 0802

From other countries: +1 786 924 6977

Code: Natura

Live webcast:

www.natura.net/investidor

5. investor relations

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Simone Tiê Reis, simonetie@natura.net

6. balance sheet

at March 2017 and December 2016

(in millions of Brazilian real - R$)

ASSETS	mar-17	dez-16
CURRENT ASSETS		
Cash and cash equivalents	617,4	1.091,5
Short-term investments	1.171,1	1.207,5
Trade receivables	948,9	1.051,9
Inventories	847,9	835,9
Recoverable taxes	271,9	274,1
Income tax and social contribution	70,2	55,3
Other receivables	178,5	286,7
Total current assets	4.105,8	4.802,9
NON CURRENT ASSETS		
Recoverable taxes	279,9	280,6
Deferred income tax and social contribution	446,9	493,0
Judicial deposits	309,9	303,1
Other noncurrent assets	9,4	23,0
Total long term assets	1.046,1	1.099,7
Property, plant and equipment	1.855,7	1.734,7
Intangible assets	786,0	784,3
Total noncurrent assets	3.687,8	3.618,7
TOTAL ASSETS	7.793,6	8.421,6

LIABILITIES AND SHAREHOLDERS' EQUITY	mar-17	dez-16
CURRENT LIABILITIES		
Borrowings, financing and debentures	1.989,7	1.764,5
Trade and other payables	759,0	814,9
Payroll, profit sharing and related taxes	179,8	208,1
Taxes payable	721,0	972,1
Income tax and social contribution	93,4	103,3
Dividends and interest on capital payables	32,4	79,7
Derivatives	108,3	73,5
Other payables	168,0	161,7
Total current liabilities	4.051,6	4.177,9
NON CURRENT LIABILITIES		
Borrowings, financing and debentures	1.913,9	2.625,7
Taxes payable	186,8	237,5
Deferred income tax and social contribution	24,1	23,8
Provision for tax, civil and labor risks	172,2	93,6
Other non current liabilities	243,5	266,7
Total non current liabilities	2.540,5	3.247,3
SHAREHOLDERS' EQUITY		
Capital	427,1	427,1
Capital reserves	139,7	142,8
Earnings reserves	855,8	666,8
Treasury shares	(33,7)	(37,1)
Proposed additional dividend	24,1	29,7
Goodwill/ Bargain Purchase on capital transactions	(92,1)	(92,1)
Adjustment of equity evaluation	(119,4)	(140,7)
Total equity attributable to owners of the Company	1.201,4	996,4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7.793,6	8.421,6

7. income statement

for the periods ended March 31, 2017 and 2016

R$ million	1Q17	1Q16
NET REVENUE	1.728,6	1.689,7
Cost of sales	(519,9)	(520,8)
GROSS PROFIT	1.208,7	1.168,9
OPERATING (EXPENSES) INCOME		
Selling, Marketing and Logistics expenses	(736,0)	(691,5)
Administrative, R&D, IT and Project Expenses	(355,5)	(331,3)
Other operating (expenses) income, net	180,1	7,7
INCOME FROM OPERATIONS BEFORE FINANCIAL RESULT	297,2	153,9
Financial income	273,3	404,5
Financial expenses	(285,9)	(622,3)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	284,6	(63,9)
Income tax and social contribution	(95,6)	(4,4)
NET INCOME (LOSS)	189,0	(68,3)
Non controlling	0,0	0,8
ATTRIBUTABLE TO		
Owners of the Company	189,0	(69,1)
Non controlling	0,0	0,8
	189,0	(68,3)

8. statement of cash flows

for the periods ended March 31, 2017 and 2016

R$ million	1Q17	1Q16
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (Loss) of the period	189,0	(68,3)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,3	63,1
Provision (Reversal) due to losses on derivative contracts " swap " and "forward "	167,9	265,9
Provision (Reversal) for tax, civil and labor contingencies	33,8	6,6
Monetary restatement of judicial deposits	(3,6)	(5,6)
Income tax and social contribution	95,6	4,4
Result on sale and disposal of fixed and intangible assets	(0,8)	3,3
Interest and exchange variation on loans and financing	(119,9)	(116,3)
Exchange variation on other assets and liabilities	(4,8)	(39,3)
Provison (reversal) for losses on property	0,0	0,3
Provision (reversal) related to the grant of options to purchase shares	1,0	(0,8)
Net provision for doubtful accounts of reversal	7,9	2,0
Net Provision (reversal) for losses on inventories	10,4	9,7
Provision of health care plan and carbon credit	4,6	4,4
Net income attributable to non-controlling	0,0	(0,8)
Provision for acquisition of non-controlling	0,0	61,9
Recognition of an extemporaneous tax credit	0,0	(6,2)
	448,3	184,1
(INCREASE) DECREASE IN ASSETS		
Trade receivables	95,1	115,9
Inventories	(22,4)	(129,0)
Recoverable taxes	(12,0)	14,4
Other receivables	(25,7)	(18,0)
Subtotal	35,0	(16,6)
INCREASE (DECREASE) IN LIABILITIES		
Domestic and foreign suppliers	(55,9)	(3,1)
Payroll, profit sharing and related taxes, net	(28,3)	(5,1)
Taxes payable	(285,3)	(82,2)
Other payables	141,0	4,9
Subtotal	(228,5)	(85,5)

CASH GENERATED BY OPERATING ACTIVITIES	254,8	82,0
OTHERS CASH FLOWS BY OPERATING ACTIVITIES		
Payments of income tax and social contribution	(37,7)	(70,3)
Withdrawal (payment) of judicial deposits	(0,6)	2,1
Payment of tax, civil and labor	(2,8)	(3,2)
Receivables (Payments) of derivatives	(112,4)	(67,8)
Payment of interest on borrowings and financing	(127,3)	(133,8)
NET CASH GENERATED BY OPERATING ACTIVITIES	(26,0)	(191,0)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(33,9)	(47,8)
Proceeds from sale of PP&E and intangible assets	7,7	(0,6)
Short-term investments	(1117,0)	(1239,8)
Redemption of short-term investments	1153,4	1359,5
NET CASH GENERATED IN INVESTING ACTIVITIES	10,2	71,3
CASH FLOW FROM INVESTING ACTIVITIES		
Repayments of borrowings and financing - principal	(445,7)	(339,9)
Proceeds from borrowings and financing	34,6	216,1
Payment of dividends and interest on capital of the prior year	(47,4)	0,0
NET CASH USED IN FINANCING ACTIVITIES	(458,5)	(123,8)
Gain arising on translation foreign currency cash and cash equivalents	0,2	3,6
DECREASE IN CASH AND CASH EQUIVALENTS	(474,1)	(239,8)
Cash and cash equivalents at the beginning of the year/period	1091,5	1591,8
Cash and cash equivalents at the end of the year/period	617,4	1352,0
DECREASE IN CASH AND CASH EQUIVALENTS	(474,1)	(239,8)
ADDITIONAL STATEMENTS OF CASH FLOWS INFORMATION:		
Non cash itens:		
Capitalization of financial leasing	6,2	0,0
Hedge accounting	13,4	39,6
Financial leasing new building adm.	8,7	0,0

*The footnotes are an integral part of these interim consolidated financial statements

9. glossary

_CDI: the overnight rate for interbank deposits.

_CAPEX: Capital Expenditure.

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

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

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

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

_GHG: Greenhouse gases.

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

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

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

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

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

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

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

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

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

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

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bem estar bem