Individual and Consolidated Interim Financial Information

Natura Cosméticos S.A.

For the quarter ended March 31, 2016

Natura Cosméticos S.A.

Individual and consolidated interim financial information
March 31, 2016

Contents

(A free translation from Portuguese into English of Individual and Consolidated Interim 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) and consistently with the standards issued by the Brazilian Securities Commission (CVM).

Report on review of quarterly information

To the Shareholders, Board of Directors and Officers
Natura Cosméticos S.A.
São Paulo - SP

Introduction

We reviewed the accompanying individual and consolidated interim financial information of Natura Cosméticos S.A. and subsidiaries ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2016, comprising the balance sheet as of March 31, 2016, the related income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the three-month period then ended, and the explanatory notes.

Management is responsible for the preparation of these individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21(R1) – Interim Financial Information and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of 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 Brazilian and International Standards 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. The scope of a review is significantly narrower than an audit conducted in accordance with Brazilian and International Standards on Auditing and, consequently , does not enable us to obtain assurance that we would become aware of all significant matters that might have be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidatedinterim financial information

Based on our review, nothing came to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21(R1) and IAS 34 applicable to the preparation of Quarterly Financial Information (ITR), consistently with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added for the three - month period ended March 31, 2016, prepared under the responsibility of management, the presentation of which in the interim financial information is required by rules issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR), and as supplementary information by IFRS, whereby no statement of value added presentation is required. These statements have been subjected to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in accordance with the overall accompanying interim individual and consolidated interim financial information.

São Paulo, April 27, 2016.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Drayton Teixeira de Melo
Accountant CRC-1SP236947/O-3

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NATURA COSMÉTICOS S.A.

'BALANCE SHEETS AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Note	2016/03	2015/12	2016/03	2015/12
CURRENT ASSETS					
Cash and cash equivalents	5	38,518	53,127	1,352,022	1,591,843
Short-term investments	6	1,640,301	1,808,328	1,072,098	1,191,836
Trade receivables	7	585,187	677,117	791,098	909,013
Inventories	8	231,449	208,113	1,082,982	963,675
Recoverable taxes	9	60,956	124,953	308,487	320,392
Related parties	28.1.	5,504	9,026	-	-
Derivatives	4.2.	479,620	697,761	505,225	734,497
Other receivables	12	220,381	202,780	316,048	307,450
Total current assets		3,261,916	3,781,205	5,427,960	6,018,706
NON CURRENT ASSETS					
Recoverable taxes	9	31,055	31,055	286,898	289,437
Deferred income tax and social contribution	10.a)	115,111	48,525	281,769	212,608
Escrow deposits	11	241,103	238,498	291,263	287,795
Other noncurrent assets	12	15,376	7,500	25,771	17,604
Investments	13	1,968,626	2,001,232	-	-
Property, plant and equipment	14	576,780	558,105	1,739,664	1,752,350
Intangible assets	14	478,293	500,491	787,213	816,481
Total noncurrent assets		3,426,344	3,385,406	3,412,578	3,376,275
TOTAL ASSETS		6,688,260	7,166,611	8,840,538	9,394,981

		Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2016/03	2015/12	2016/03	2015/12
CURRENT LIABILITIES					
Borrowings and financing	15	1,791,809	1,624,686	2,201,767	2,161,383
Trade and other payables	16	190,473	230,100	797,416	802,887
Suppliers - related parties	28.1.	96,617	149,393	-	-
Payroll, profit sharing and related taxes		89,216	95,580	196,091	201,200
Taxes payable	17	548,410	629,374	910,662	1,047,961
Provision for acquisition of non-controlling interest	19.a)	252,509	190,658	252,509	190,658
Other payables		101,990	94,230	167,686	168,831
Total current liabilities		3,071,024	3,014,021	4,526,131	4,572,920
NON CURRENT LIABILITIES					
Borrowings and financing	15	2,513,898	2,922,983	2,983,396	3,374,497
Taxes payable	17	99,252	78,501	139,660	87,744
Deferred income tax and social contribution	10.a)	-	-	28,587	34,073
Provision for losses on investments in subsidiaries	13	15,390	21,519	-	-
Provision for tax, civil and labor risks	18	53,801	51,035	81,217	77,858
Other non current liabilities	19.b)	52,649	50,366	151,082	170,122
Total non current liabilities		2,734,990	3,124,404	3,383,942	3,744,294
SHAREHOLDERS' EQUITY					
Capital	20.a)	427,073	427,073	427,073	427,073
Treasury shares	20.c)	(37,851)	(37,851)	(37,851)	(37,851)
Capital reserves		133,860	134,706	133,860	134,706
Earnings reserves		340,356	409,472	340,356	409,472
Proposed additional dividend	20.b)	123,133	123,133	123,133	123,133
Adjustment of equity evaluation		(104,325)	(28,347)	(104,325)	(28,347)
Total equity attributable to owners of the Company		882,246	1,028,186	882,246	1,028,186
Non controlling interests					
Total shareholders' equity		-	-	48,219	49,581
Total do patrimônio líquido		882,246	1,028,186	930,465	1,077,767
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,688,260	7,166,611	8,840,538	9,394,981

* The notes are an integral part of these interim financial information.

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NATURA COSMÉTICOS S.A.

STATEMENTS OF INCOME
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(In thousands of Brazilian reais - R$, except earnings (losses) per share)

	Note	Company		Consolidated	
		2016/03	2015/03	2016/03	2015/03
NET REVENUE	22	1,180,513	1,323,485	1,689,701	1,641,799
Cost of sales	23	(456,005)	(515,980)	(520,817)	(495,117)
GROSS PROFIT		724,508	807,505	1,168,884	1,146,682
OPERATING (EXPENSES) INCOME					
Selling, Marketing and Logistics expenses	23	(477,079)	(475,581)	(691,450)	(648,026)
Administrative, P&D, IT and Project Expenses	23	(169,917)	(186,811)	(331,251)	(278,396)
Equity in subsidiaries	13	20,098	77,837	-	-
Other operating (expenses) income, net	26	990	(147)	7,741	8,455
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME		98,600	222,803	153,924	228,715
Financial income	25	371,223	557,268	404,457	636,188
Financial expenses	25	(547,953)	(633,815)	(622,282)	(690,821)
INCOME (LOSSES) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(78,130)	146,256	(63,901)	174,082
Income tax and social contribution	10.b)	9,014	(26,622)	(4,422)	(54,835)
NET (LOSSES) INCOME		(69,116)	119,634	(68,323)	119,247
ATTRIBUTABLE TO					
Owners of the Company		(69,116)	119,634	(69,116)	119,634
Noncontrolling		-	-	793	(387)
		(69,116)	119,634	(68,323)	119,247
EARNINGS (LOSSES) PER SHARE - R$					
Basic	27.1.	(0.1606)	0.2780	(0.1606)	0.2780
Diluted	27.2.	(0.1606)	0.2780	(0.1606)	0.2780

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NATURA COSMÉTICOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2016/03	2015/03	2016/03	2015/03
NET (LOSSES) INCOME		(69,116)	119,634	(68,323)	119,247
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Gain (losses) from translation of financial statements of foreign subsidiaries	13	(55,464)	63,861	(53,439)	56,675
Losses of cash flow hedge	4.2	(29,439)	(20,441)	(31,082)	(21,846)
Effect of tax in gain (losses) of cash flow hedge	10	10,009	6,950	10,568	7,428
Equity in investees of gain (losses) of cash flow hedge	4.2	(1,643)	(1,405)	-	-
Effect of tax in equity in investees of gain (losses) of cash flow hedge	10	559	478	-	-
Other comprehensive losses (Not tax)		(145,094)	169,077	(142,276)	161,504
ATTRIBUTABLE TO					
Owners of the Company		(145,094)	169,077	(145,094)	169,077
Noncontrolling		-	-	2,818	(7,573)
		(145,094)	169,077	(142,276)	161,504

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(In thousands of Brazilian reais - R$, except for dividends per share)

				Capital reserves			Earning reserves						Adjustment of equity evaluation				
					Tax incentive reserve												
	Note	Capital	Treasury shares	Share premium	Investments grants	Additional paid -in Capital	Legal	Tax Incentives	Reserve for acquisition of non-controlling interest	Earnings retention	Retained earnings	Proposed additional dividend	Income from operations of non - controlling	Other comprehensive income	Equity attributable to owners of the company	Non-controlling nterest in subsidiaries equity	Total Shareholders` equity
BALANCES AS OF DECEMBER 31, 2014		427,073	(37,851)	78,231	17,378	41,669	18,650	20,957	(145,465)	295,135	-	449,273	(19,937)	(21,413)	1,123,700	24,979	1,148,679
Net income		-	-	-	-	-	-	-	-	-	119,634	-	-	-	119,634	(387)	119,247
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	49,443	49,443	(7,186)	42,257
Total comprehensive income		-	-	-	-	-	-	-	-	-	119,634	-	-	49,443	169,077	(7,573)	161,504
Changes in stock option plans of actions:																	
(Reversal) grant of stock options plans		-	-	-	-	(3,325)	-	-	-	-	-	-	-	-	(3,325)	-	(3,325)
Effects of changes from the the company on the fair value of net assets acquired by Emeis Holding Pty Ltd.		-	-	-	-	-	-	-	-	-	-	-	3,576	-	3,576	(3,576)	-
Reserve for acquisition of non controlling interest		-	-	-	-	-	-	-	(17,706)	-	17,706	-	-	-	-	-	-
Effects from the participation on non-controlling on the shareholders`equity subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,189	33,189
BALANCES AS OF MARCH 31, 2015		427,073	(37,851)	78,231	17,378	38,344	18,650	20,957	(163,171)	295,135	137,340	449,273	(16,361)	28,030	1,293,028	47,019	1,340,047
BALANCES AS OF DECEMBER 31, 2015		427,073	(37,851)	78,231	17,378	39,097	18,650	20,957	(79,324)	449,189	-	123,133	(65,159)	36,812	1,028,186	49,581	1,077,767
Net losses		-	-	-	-	-	-	-	-	-	(69,116)	-	-	-	(69,116)	793	(68,323)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	(75,978)	(75,978)	2,025	(73,953)
Total comprehensive income		-	-	-	-	-	-	-	-	-	(69,116)	-	-	(75,978)	(145,094)	2,818	(142,276)
Changes in stock option plans of actions and restricted stock:																	
(Reversal) grant of stock options plans of actions and restricted stock	24.1.	-	-	-	-	(846)	-	-	-	-	-	-	-	-	(846)	-	(846)
Effects from the participation on non-controlling on the shareholders`equity subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,180)	(4,180)
BALANCES AS OF MARCH 31, 2016		427,073	(37,851)	78,231	17,378	38,251	18,650	20,957	(79,324)	449,189	(69,116)	123,133	(65,159)	(39,166)	882,246	48,219	930,465
														-		-	

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	2016/03	2015/03	2016/03	2015/03
CASH FLOW FROM OPERATING ACTIVITIES					
Net (losses) income		(69,116)	119,634	(68,323)	119,247
Adjustments to reconcile net (losses) income to net cash provided by operating activities:					
Depreciation and amortization	14	24,250	20,494	63,073	57,171
Provision (Reversal) for losses on transactions with derivative contracts " swap " and "forward "		252,342	(406,244)	265,945	(444,038)
Provision for tax, civil and labor contingencies	18	5,898	1,935	6,572	2,890
Monetary restatement of escrow deposits		(4,510)	(3,523)	(5,553)	(4,494)
Income tax and social contribution	10.b)	(9,014)	26,622	4,422	54,835
Loss (profit) on sale and disposal of fixed and intangible assets		2,001	(1,414)	3,283	(42,783)
Equity income	13	(20,098)	(77,837)	-	-
Interest and exchange variation on loans and financing		(102,896)	435,718	(116,304)	466,609
Exchange variation on other assets and liabilities		(2,494)	(1,684)	(39,333)	55,136
Provison (reversal) for losses on property		316	(689)	316	(689)
Provision (reversal) related to the grant of options to purchase shares		886	(2,401)	(846)	(3,325)
Net provision for doubtful accounts of reversal	7	3,965	(7,304)	1,987	(3,639)
Net Provision (reversal) for losses on inventories	8	(3,003)	(4,118)	9,677	212
Provision of health care plan and others	19.b)	3,121	515	4,363	1,027
Net income attributable to non-controlling		-	-	(793)	387
Provision for acquisition of non-controlling	19.a)	61,851	17,706	61,851	17,706
Belated recognition of tax credit	26	(6,245)	-	(6,245)	-
		137,254	117,410	184,092	276,252
(INCREASE) DECREASE IN ASSETS					
Trade receivables		87,965	76,126	115,928	52,185
Inventories		(20,333)	(38,340)	(128,984)	(89,550)
Recoverable taxes		63,997	(54,866)	14,444	(95,680)
Other receivables		(19,675)	(17,648)	(17,955)	(69,027)
Subtotal		111,954	(34,728)	(16,567)	(202,072)
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		(37,133)	(23,655)	(3,110)	120,218
Payroll, profit sharing and related taxes, net		(6,364)	(15,195)	(5,109)	(33,154)
Taxes payable		(94,456)	(13,856)	(82,199)	22,909
Other payables		(41,768)	(67,589)	4,883	(1,497)
Subtotal		(179,721)	(120,295)	(85,535)	108,476
CASH GENERATED (USED IN) BY OPERATING ACTIVITIES		69,487	(37,613)	81,990	182,656
OTHERS CASH FLOWS BY OPERATING ACTIVITIES					
Payments of income tax and social contribution		(7,075)	(13)	(70,251)	(23,566)
Withdrawal (payment) of escrow deposits		1,905	(1,944)	2,084	(1,915)
Payment of tax, civil and labor contingencies	18	(3,132)	(1,063)	(3,213)	(1,111)
Receivables (Payments) of derivatives		(63,639)	114,813	(67,755)	113,265
Payment of interest on borrowings and financing		(118,926)	(58,553)	(133,813)	(70,386)
NET CASH GENERATED (USED IN) BY OPERATING ACTIVITIES		(121,380)	15,627	(190,958)	198,943
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	14	(24,817)	(16,451)	(47,791)	(50,163)
Receivable from sale of fixed and intangible assets		(507)	-	(628)	-
Short-term investments		(794,884)	(1,198,430)	(1,239,772)	(1,443,418)
Redemption of short-term investments		962,911	498,389	1,359,510	1,261,588
Capital increase in subsidiaries	13	(11,705)	(4,286)	-	-
NET CASH GENERATED (USED) IN INVESTING ACTIVITIES		130,998	(720,778)	71,319	(231,993)
CASH FLOW FROM INVESTING ACTIVITIES					
Repayments of borrowings and financing - principal		(32,636)	(522,648)	(339,859)	(532,583)
Proceeds from borrowings and financing		8,409	1,210,290	216,075	1,358,759
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES		(24,227)	687,642	(123,784)	826,176
Gain arising on translation foreign currency cash and cash equivalents		-	-	3,602	8,422
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,609)	(17,509)	(239,821)	801,548
Cash and cash equivalents at the beginning of the year/period		53,127	53,648	1,591,843	1,164,174
Cash and cash equivalents at the end of the year/period		38,518	36,139	1,352,022	1,965,722
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,609)	(17,509)	(239,821)	801,548
ADDITIONAL STATEMENTS OF CASH FLOWS INFORMATION:					
Non cash itens:					
Capitalization of financial leasing		-	80,856	-	80,856
Hedge accounting		39,634	33,788	39,634	33,788
Effects of changes from participation of subsidiaries abroad		-	3,576	-	3,576

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NATURA COSMÉTICOS S.A.

STATEMENTS OF VALUE ADDED
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

		Company				Consolidated			
	Note	2016/03		2015/03		2016/03		2015/03	
REVENUES		1,631,663		1,738,748		2,346,060		2,248,480	
Sales of products and services		1,634,638		1,731,591		2,340,306		2,236,386	
Allowance for doubtful accounts, net	7	(3,965)		7,304		(1,987)		3,639	
Other operating (expenses) income, net	26	990		(147)		7,741		8,455	
INPUTS PURCHASED FROM THIRD PARTIES		(1,035,487)		(1,141,066)		(1,434,024)		(1,277,438)	
Cost of sales and services		(546,229)		(600,260)		(762,443)		(660,149)	
Materials, electricity, services and others		(489,258)		(540,806)		(671,581)		(617,289)	
GROSS VALUE ADDED		596,176		597,682		912,036		971,042	
RETENTIONS		(24,250)		(20,494)		(63,073)		(57,171)	
Depreciation and amortization	14	(24,250)		(20,494)		(63,073)		(57,171)	
VALUE ADDED GENERATED BY THE COMPANY		571,926		577,188		848,963		913,871	
TRANSFERRED VALUE ADDED		391,321		635,105		404,457		636,188	
Equity in subsidiaries	13	20,098		77,837		-		-	
Financial income - includes inflation and exchange rate variations	25	371,223		557,268		404,457		636,188	
		-				-			
TOTAL VALUE ADDED TO BE DISTRIBUTED		963,247		1,212,293		1,253,420		1,550,059	
		-		-		-		-	
DISTRIBUTION OF VALUE ADDED:		(963,247)	100%	(1,212,293)	100%	(1,253,420)	100%	(1,550,059)	100%
Employees and social charges	24	(129,110)	13%	(109,597)	9%	(340,743)	27%	(356,423)	23%
Taxes and contributions		(348,058)	36%	(342,194)	28%	(348,483)	28%	(369,881)	24%
Financial expenses and rentals		(555,195)	58%	(640,868)	53%	(632,517)	50%	(704,508)	45%
Net income atrtributable to Noncontrolling		-	0%	-	0%	(793)	0%	387	0%
Retained (earnings) losses	20.f)	69,116	-7%	(119,634)	10%	69,116	-6%	(119,634)	8%

Supplemental statement of value added information:

The amounts recorded under "Taxes and contributions" in march 2016 and 2015, the amounts of R$ 182,341 and R$ 157,047, respectively, refer to the Tax on Circulation of Goods and Services - Replacement Tax - ICMS - ST levied on the presumed profit margin defined by the State Finance Secretariats obtained from sales made by (the) Consultants (the) Natura for the end consumer.

For the analysis of this tax impact on value added statements, such amounts shall be deducted from those recorded under "Sales of goods, products and services" and the heading itself "Taxes and contributions", since the revenue figures of sales do not include the estimated profit of (the) Consultants (the) Natura sale of the products in the amounts of RR$ 946,546 and R$ 919,861, in march 2016 and 2015, respectively, considering the estimated profit margin 30%.

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(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.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2016
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERATION INFORMATION

Natura Cosméticos S.A. (“Company”) is a publicly-traded company, registered in the special trading segment called “Novo Mercado” in the São Paulo Stock Exchange (BM&FBOVESPA), under the ticker “NATU3”, and headquartered in São Paulo, Alexandre Colares Avenue, 1188, Vila Jaguara, Postal Code 05106-000, State of São Paulo.

The Company’s and its subsidiaries’ activities (“Natura Group” or “Group”) include the development, production, distribution and sale of cosmetics, fragrances, and hygiene products, substantially through direct sales by Natura Beauty Consultants. The Company also holds equity interests in other companies in Brazil and abroad.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of preparation

The consolidated interim financial information prepared in accordance with CPC 21 – Interim Financial Information- ITR, for the period of three months ended in March 31, 2016 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board - IASB and presented in accordance with the standards established by the Brazilian Securities and Exchange Commission (CVM), applicable to the Interim Financial Information - ITR.

The interim financial information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting practices used in the preparation of these individual and consolidated interim financial information are disclosed in Note 2 to the Company’s financial statements for the year ended December 31, 2015, published on February 17, 2016. Except for the above reclassifications, the practices were consistently applied in the year presented.

Certain amounts included in the interim financial information of March 31, 2015 , presented herein for comparative purposes have been reclassified for better comparability. These amounts refer substantially to reclassifications between financial expenses and financial income related to loans and gain (loss) on derivative financial instruments. Additionally, in respect of the Statement of Value Added (SVA), further to the foregoing, there were also reclassifications principally among "Personnel and social charges", "Materials, electricity, third party services and others" and "Taxes and contributions" related to personnel expenses and labor and social security charges.

2.2. Consolidation

a)Subsidiaries

Subsidiaries are all entities in which the Company 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 Company normally owns a greater than 50% interest. In the applicable cases, the existence and the effect of potential voting rights, currently exercisable or convertible, are taken into consideration to determine if the company control another entity. Subsidiaries are fully consolidated from the date in which control is transferred to the Company and cease to be consolidated, when applicable, from the date that control ceases.

b) Companies include in the interim financial information

	Equity interest- %	
	2016	2015
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99,99	99,99
Natura Comercial Ltda.	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. – Colômbia	99,99	99,99
Natura Cosméticos España S.L. – Espanha	100,00	100,00
Natura (Brasil) International B.V. – Holanda	100,00	100,00
Natura Brazil Pty Ltd – Austrália	100,00	100,00
Fundo de Investimento Essencial	100,00	100,00
Indirect interest:		
Via Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda. - Brasil	99,99	99,99
Via Natura Inovação e Tecnologia de Produtos Ltda.:		
Natura Innovation et Technologie de Produits SAS – França	100,00	100,00
Via Natura (Brasil) International B.V. - Holanda:		
Natura Europa SAS - França	100,00	100,00
Natura Brasil Inc. - EUA – Delaware	100,00	100,00

	Equity interest- %	
	2016	2015
Via Brasil Inc. – EUA - Delaware		
Natura International Inc. - EUA - Nova York	100,00	100,00
Via Natura Brazil Pty Ltda:		
Natura Cosmetics Australia Pty Ltd. - Austrália	100,00	100,00
Via Natura Cosmetics Australia Pty Ltd. – Austrália:		
Emeis Holdings Pty Ltd - Austrália	78,74	78,74

The interin financial information have been prepared based on the financial statements as of the same date and consistent with the Company's accounting policies. 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 participation 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.: engaged principally 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, and Natura Cosméticos de Mexico S.A. de C.V..
- Natura Comercial Ltda.: engaged in the retail sale of cosmetics, fragrances in general and toiletries.
- Natura Biosphera Franqueadora Ltda. (previously Natura Cosmetics and Services Ltda.): engaged in trading, including by electronic means, of products from Natura brand.
- 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 parent company Natura Cosméticos S.A. - Brazil.
- Natura Cosméticos CA. - Venezuela: The company 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. It is the only owner of Natura Innovation et Technologie de Products SAS - France, a research and technology satellite center opened in 2007 in Paris.
- 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 its parent company Natura Cosméticos S.A. - Brazil.
- Natura (Brazil) International B.V - Netherlands.: holding controller of the Natura Europe SAS – France, Natura Brazil Inc. and Natura International Inc.
- Natura Logística e Serviços Ltda.: engaged of separate services, packing and mailing goods, logistic consulting, manager human resources and training in human resources
- Natura Innovation et Technologie de Produits SAS - France: engaged mainly in research activities developed for in vitro testing as an alternative to animals testing, for to the safety and efficiency of test active compounds, skincare products and new packaging materials.
- Natura Brazil Inc.: Holding controller 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 controller of Natura Cosmetics Australia Pty Ltd operations.
- Natura Cosmetics Australia Pty Ltd – Holding controller of Emeis Holdings Pty Ltd.
- Emeis Holdings Pty Ltda: 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.
- Fundo de Investimento Essencial: refer to fixed income funds of private credit.

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 Company’s financial statements are presented below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, IASB issued the final version of IFRS 9 – Financial Instruments, which reflects all the phases of the financial instruments project and replaces IAS 39 – Financial Instruments: Recognition and Measurement and all the former versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 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 some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company may have to make a greater provision for losses, resulting in an adverse impact on its equity, and will perform a detailed analysis to determine the extent of the impact in the future.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets and liabilities currently held at fair value. Debt securities are expected to be measured at fair value through other comprehensive income under IFRS 9, given that the Company expects not only to hold these assets to receive the contractual cash flows, but also to dispose of a significant amount of bonds at relatively frequent intervals.

Shares in non-listed companies must be held with a view to their subsequent disposal in the near future. The Company expects to adopt the option of presenting changes to fair value in other comprehensive income and therefore, it believes the application of IFRS 9 would not have a significant impact. If the Company were not to apply this option, shares would be held at fair value through profit or loss, which would increase volatility of the P&L recorded.

Loans as well as trade receivables are held so that contractual cash flows can be received and they must generate cash flows exclusively represented by payments of principal and interest thereon. Thus, the Company expects they will continue to be measured at amortized cost under IFRS 9. However, the Company will further analyze the characteristics of the contractual cash flows of these instruments before concluding on whether all these instruments meet the amortized cost measurement requirements of IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record expected losses on all trade receivables. The Company may have a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including prospective elements to determine the extent of the impact.

(c) Hedge accounting

The Company believes that all existing hedging relationships currently designated as effective hedging relationships will still qualify for hedge accounting under IFRS 9. Since IFRS 9 does not change the overall principles for effective hedge accounting, the Company does not expect a significant impact on applying IFRS 9. The Company will perform a more detailed analysis of possible changes relating to accounting for the time value of options, forward elements or foreign currency basis spread in the future.

IFRS 15 - Revenue from contracts with customers:

It establishes a template 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 entity'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.

The Company 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. The goods are sold individually under separate contracts, identified with customers, or grouped as a bundle of goods.

IFRS 16 - Leases

The new standard establishes the principles, both for the customer (the lessee) and the seller (lessor), on the provision of relevant information on lease, so that such operations are clearly disclosed in the financial statements. For such, the lessor must recognize assets and liabilities resulting from the lease agreement. Management is evaluating the impact of its adoption. Application is required for annual periods beginning on or after January 1, 2019.

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

- IFRS 14 – Regulatory Deferral Accounts - Applicable to years started on or after January 1, 2016;
- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests - Applicable to years started on or after January 1, 2016, with early adoption not being allowed in Brazil;

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization - The amendments are effective prospectively for years started on or after January 1, 2016;
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants – The amendments are effective retrospectively for years started on or after January 1, 2016;
- Amendments to IAS 27 – Equity method in separate financial statements - The amendments are effective for years started on or after January 1, 2016, with its early adoption being allowed, which is under analysis in Brazil.
- Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture - The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- Annual Improvements - 2011-2013 Cycle - Effective for annual periods from January 1, 2016, including: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting, Amendments to IAS 1 Disclosure Initiative and Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

The Company 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.

Considering the current operations of the Company and its subsidiaries, management does not expect that these amendments will generate relevant effects on the financial statements after adoption thereof.

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 Company.

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 Company’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.

These significant assumptions and accounting estimates are follows:

a) Income tax and social contribution

The Company recognizes deferred tax assets and liabilities based on differences between the carrying amount stated in the interim financial information and the tax base assets and liabilities using statutory tax rates. The Company reviews regularly deferred tax assets in terms of possible recovery, considering the history of earnings generated and projected future taxable income, based on a technical feasibility study.

b) Provision for tax, civil, and labor contingencies

The Company is a party to several lawsuits and administrative proceedings, as described in note 18. Provisions are recognized for all contingent liabilities arising from lawsuits that represent probable losses and can be reliably estimated. The probability assessment includes assessing available evidences, the hierarchy of laws, available previous decisions, most recent court decisions and their relevance within the legal system, and the assessment of the outside legal counsel. Management believes that these provisions for tax, civil and labor contingencies are fairly presented in the financial statements.

c) Reitirees healthcare plan

The current amount of the retirees' healthcare plan is contingent to a series of factors determined based on actuarial calculations that update a series of assumptions, for example, the discount and other rates, which are disclosed in note 19.b).

d) Stock option plan, restricted stock option plan and strategy acceleration program

The stock option plan, restricted stock option plan and strategy acceleration program are measured at fair value at the grant date and the expense is recognized in P&L during the vesting period, matched against "Additional paid-in capital" in equity. At the balance sheet dates, Company management reviews the estimates as to the number of restricted options/shares and, where applicable, recognizes the effect arising from this review in P&L for period, matched against equity. The assumptions and models used to estimate the fair value of the stock option plan, restricted stock option plan and strategy acceleration program are disclosed in Note 24.1.

e) Provision for acquisition of non-controlling interest

It reflects the commitment of acquiring non-controlling interests resulting from business combination, measured at fair value at acquisition date, also subsequent changes for remeasurement of the obligation must be recognized in P&L for the period.

f) Provision for impairment

An impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value less costs to sell is calculated based on information available about similar assets sold or market prices less additional costs to dispose of the asset.

Value in use is calculated based on the discounted cash flow model. Cash flows derive from a budget prepared for the following five years and do not include reorganization activities not yet engaged by the Company and its subsidiaries or significant future investments that will improve the base of assets of the cash generating unit subject to testing. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts, and to the growth rate used for extrapolation purposes.

The procedure to check non-realization is the grouping of operational and intangible assets (such as goodwill) directly attributable to the Cash Generating Unit (CGU), and a comparison of the book value considering expected sales growth is made.

4. FINANCIAL RISK MANAGEMENT

4.1 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 Company'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 Treasury Committee and subsequently submitted to the analysis of the Audit Committee, the Executive Committee and the Board of Directors.

Risk management is performed by the Company's general treasury function, which is also responsible for approving the short-term investments and loan transactions conducted by the Group's subsidiaries.

4.2. Financial risk factores

The Group's activities expose them to several financial risks: market risk (including currency and interest risks), credit risk and liquidity risk. The Company'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 is exposed to Market risks arising from their business activities. These risks mainly comprise possible changes in exchange and interest rates.

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

	Company		Consolidated	
	Fair Value		Fair Value	
Description	2016/03	2015/12	2016/03	2015/12
Derivatives (financial)	481,836	692,643	508,059	733,228

Derivatives "swap" interest rate	-	-	(618)	(3,849)
Others derivative financial instruments	(2,216)	5,118	(2,216)	5,118
Total	479,620	697,761	505,225	734,497

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

i) Foreign exchange risk

The Group is exposed to the foreign exchange risk arising from financial instruments denominated in currencies different from their functional currencies. To reduce this exposure, the Group implanted a policy to hedge against the foreign exchange risk that establishes exposure limits linked to this risk (Foreign Exchange Hedging Policy).

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

Exchange rate Protection 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 Company and its subsidiaries, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

As of March 31, 2016 and December 31, 2015 the Group is basically exposed to risks of fluctuations in the U.S. dollar, in addition, the non-controlling in Argentina is exposed to Real currency. To hedge against foreign exchange exposures, the Group and the subsidiaries contracts derivative (swaps) and non-deliverable forward (NDF) transactions. The Foreign Exchange Hedging Policy establishes that the derivatives contracted by the Group should limit loss due to exchange rate depreciation related to the net income estimated for the current year considering the expected depreciation against the U.S. dollar. This limit sets the cap on the maximum foreign exchange exposure that the Group can undertake in relation to the U.S. dollar.

As of March 31, 2016, the Company's and the consolidated balance sheets include accounts denominated in foreign currency (excluding amounts raised from international transactions in local currencies) which, in the aggregate, represent net liabilities of R$ 2,493,614 and R$ 2,647,461, respectively (in December, 31, 2015, R$ 2,666,160 and R$ 2,782,054, respectively). These accounts are substantially represented by borrowings and financing which, as of March 31, 2016 and December 31, 2015, are hedged by swap arrangements.

Derivatives to hedge foreign exchange risk

The Company 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 (usually forwards) 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 Company's cash in connection with the firm commitment to purchase additional ownership interest in a foreign subsidiary (Emeis Holdings Pty Ltd), and also the flow of future investment commitments (capital payment) in subsidiaries abroad, which will take place in 2016. At March 31, 2016 and December 31, 2015 there are no outstanding “operational” derivative transactions.

As of March 31, 2016, outstanding swap and forward contracts, with maturities between April 2016 and July 2021, were entered into the counterparties represented by the banks Bank of America (41%), HSBC (33%), Scotiabank (19%) e Banco de Tokyo (7%) as described below:

Financial derivatives – Company

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	1,916,869	1,917,821	2,492,629	2,664,811	2,448,509	2,677,972	(44,120)	13,161
Liability position:								
CDI floating rate:								
Short position in CDI	1,916,869	1,917,821	1,958,749	1,973,902	1,966,673	1,985,329	7,924	11,427
Total net financial derivatives:	-	-	533,880	690,909	481,836	692,643	(52,044)	1,734

Financial derivatives - Consolidated

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	2,042,632	1,993,560	2,646,596	2,781,786	2,598,627	2,792,986	(47,969)	11,200
Liability position:								
CDI floating rate:								
Short position in CDI	2,042,632	1,993,560	2,083,023	2,048,895	2,090,568	2,059,758	7,545	10,863

Total net financial derivatives:	-	-	563,573	732,891	508,059	733,228	(55,514)	337

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

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 as of March 31, 2016 and December 31, 2015, due to the fact contracts are directly entered into with the financial institutions and not through São Paulo Stock Exchange (BM&FBOVESPA), there are no margin calls deposited as guarantee of the related transactions.

“Others derivative financial instruments” – company and consolidated:

As of October 8, 2015 and December 14, 2015 and March 11, 2016, the Company entered into derivative financial instruments (Forwards or NDFs) with Bank of America, with maturity at December 15, 2016 (notional amount of AU$ 64.7 million Australian dollars and contracted exchange rate at 3.0690, and notional amount of AU$ 11.6 million Australian dollars and contracted exchange rate at 3.0986 and notional amount of AU$19.3 million Australian dollars and contracted exchange rate at 2,9030).

The Company entered into these transactions to hedge against foreign exchange risk on the Company’s cash in connection with the firm commitment to purchase additional ownership interest in a foreign subsidiary (Emeis Holdings Pty Ltd) and against P&L fluctuations - see Note 19 (a). These transactions were not designated as hedge accounting, as defined in IAS 39/CPC 38 - Financial Instruments: Recognition and Measurement, since the hedged item valuation methodology considers three elements: discount rate, foreign exchange rate and EBITDA multiple. These derivatives are measured at fair value, gains and losses thereon are recognized in the financial income (expenses) group.

Furthermore, the Company contracted derivative financial instruments with Bank of America in 2016, denominated NDFs (notional US$ 1.4 million dollars and notional 2.6 million euros). Such operations were contracted to hedge the Company´s cash in relation to future investment commitments (capital payment) in subsidiaries abroad. They were not designated as hedge accounting, as defined by IAS 39/CPC 38 – Financial Instruments: Recognition and Measurement, once the hedged items refer to expectation of future investments of the Company, not yet recognized in the balance sheet.

These derivatives are measured at fair value, gains and losses thereon are recognized in the financial income (expenses) group, and they are broken down as follows:

Type of transaction	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12
Forward contracts (2):								
Asset position:								
Long position – dollars	99,573	99,700	281,348	217,186	275,235	208,896	(6,113)	(8,290)
Liability position								
Long position – dollars	99,573	99,700	287,871	214,225	277,451	203,778	(10,420)	(10,447)
Total net financial swaps:	-	-	(6,523)	2,961	(2,216)	5,118	4,307	2,157

(2) Forward transactions establish a future parity between the Brazilian real and the foreign currency based on their equivalence when contracted, adjusted by a fixed interest rate.

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 as of March 31, 2016 and December 31, 2015, due to the fact contracts are directly entered into with the financial institutions and not through São Paulo Stock Exchange (BM&FBOVESPA), there are no margin calls deposited as guarantee of the related transactions.

Sensitivity analysis

For the sensitivity analysis of derivatives, the Company's management understands it is necessary to take into consideration corresponding assets and liabilities with exposure to exchange rates recorded in the balance sheet, as presented in the table below:

	Company	Consolidated
Loans and financing registered in Brazil in foreign currency (note 15)	2,493,614	2,647,461
Receivables registered in Brazil in foreign currency	-	(8,374)
Accounts payable registered in Brazil in foreign currencies	7,877	11,798
Provision for acquisition of non-controlling interests (Note 19.a)	252,509	252,509
Value of the others derivatives financial instruments	(281,348)	(281,348)
Value of the "financial" derivatives	(2,492,629)	(2,646,596)
Net exposure	(19,977)	(24,550)

The tables below show the gain (loss) 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	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar	(669)	(5,831)	(10,993)

appreciation

	Consolidated			
Description	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	(856)	(7,458)	(14,059)

The probable scenario considers future U.S. dollar rates obtained at BM&FBOVESPA for the maturity dates of the financial instruments exposed to foreign exchange risks that ranging from (R$ 3.68/ US$ 1.00) to (R$ 5.52 /US$ 1.00). Scenarios II and III consider a 25% (R$ 4.60/US$ 1.00) and 50% (R$ 5.52 /US$ 1.00), respectively, 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 – Financial Instruments: Disclosures.

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

ii) Interest rate risk

The interest rate risk arises from investments and loans. Financial instruments issued at floating rates expose the Group 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 Company'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 Company'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.

Company management believes that there is low risk of significant changes in CDI and TJLP, taking into consideration the prevailing monetary policy followed by the federal government. Thus, it did not take out derivatives to hedge against this risk.

The Group contracts swap transactions to mitigate risks on borrowing and financing transactions subject to an index other than CDI, TJLP or fixed rates, except for loans and financing contracted at fixed rates at levels below the current TJLP.

On March 31, 2016, consolidated balance sheet includes loans issued at higher fixed rates level TJLP represent a liability of R$ 15,172 (R$ 185,540 in December 31, 2015). Such funding submitted in March 31, 2016 is protected derivative of the "swap".

Derivative instruments to hedge the risk of interest rate

On March 31, 2016, outstanding contracts "swap" mature between August 2016 and August 2017, were entered into with counterparties represented by Itaú (67%) and Santander (33%) and are as follows.

Derivatives “swap” - consolidated

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12	2016/03	2015/12
swap” contracts (3):								
Asset position: Long position fixed rate	15,000	182,500	15,172	185,540	14,667	183,676	(505)	(1,864)
Liabilities position: CDI rate post fixed: Short position in CDI	15,000	182,500	15,288	187,586	15,285	187,525	(2)	(61)
Total net financial swaps:	-	-	(116)	(2,046)	(618)	(3,849)	(502)	(1,803)

(3) 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

As described in the foreign exchange risk section above and in the item “Interest rate risk”, on March 31, 2016 , 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 Company 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 15)	(1,812,093)	(2,537,702)
Operating in foreign currency with derivatives pegged to CDI (*)	(2,492,629)	(2,646,596)
Short-term investments (notes 5 e 6)	1,641,400	2,175,610
Net exposure	(2,663,322)	(3,008,688)

(*) 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 5 and 6).

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

Description	Company´s risk	Probable scenario	Scenario II	Scenario III
	Company			
Net liabilities	Interest rate increase	799	(93,083)	(186,965)

Description	Company´s risk	Probable scenario	Scenario II	Scenario III
	Consolidated			
Net liabilities	Interest rate increase	903	(105,189)	(211,280)

The probable scenario considers future interest rates obtained at BM&FBOVESPA 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% (17.6% per year) and 50% (21.2% per year), respectively, on the CDI rate of 14.1% per year.

Derivative instruments designated for hedge accounting

The Company performed formal designation of its operations subject to hedge accounting for derivative financial instruments for hedging loans denominated in foreign currency, documenting:

- The hedge relationship;
- The Company'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 March 31, 2016 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)	Total Loss(Gain)	Loss (Gain) in the period
Currency swap - US$/R$	Currency	BRL	1,456,690	275,109	237,245	(37,864)	(29,439)

Instrument Designated as Cash Flow Hedge – Consolidated

						Others Comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair Value (1)	Total Loss(Gain)	Loss (Gain) in the period
Currency swap - US$/R$	Currency	BRL	1,561,565	295,098	255,464	(39,634)	(31,082)

(1) The method used by the Company to determine market value consists in calculating the future value based on the contracted conditions and determines present value based on market curves extracted from BM&F.

The Company 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.

At March 31, 2016, foreign exchange rate hedging instruments designated as cash flow hedge had total notional value of US$ 516,458 (five hundred and sixteen thousand and four hundred fifty eight american dollars) (R$ 1,561,565). For the period ended March 31, 2016 a loss of R$ 31,082 (R$20,514 without taxes), was recognized in other comprehensive income, all considered as effective.

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 Company. Sales of the Group are made to a great number of sales representatives (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 7.

The Group is 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 Company 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 Company'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 Company's consolidated liquidity level considering the expected cash flows against unused credit facilities the carrying amounts of financial liabilities are measured at amortized cost, and their corresponding maturities are as follows:

Company as of March 31, 2016	Less than one year	One to two years	Two to five years	More than five years	Total	Discount effect/MTM	Carrying amount
Current:							
Borrowings and financing	1,829,336	-	-	-	1,829,336	(37,527)	1,791,809
Provision for acquisition of non-controlling interest	252,509	-	-	-	252,509	-	252.509
Trade payables	287,090	-	-	-	287,090	-	287,090
Financial instruments	(527,357)	-	-	-	(527,357)	47,737	(479,620)
Noncurrent:							
Borrowings and financing	-	1,336,188	1,210,525	355,235	2,901,948	(388,050)	2,513,898

Consolidated as of March 31, 2016	Less than one year	One to two years	Two to five years	More than five years	Total	Discount effect/MTM	Carrying amount
Current:							
Borrowings and financing	2,267,953	-	-	-	2,267,953	(66,186)	2,201,767
Provision for acquisition of non-controlling interest	252,509	-	-	-	252,509	-	252.509
Trade payables	797,416	-	-	-	797,416	-	797,416
Financial instruments	(556,935)	-	-	-	(556,935)	51,710	(505,225)
Noncurrent:							
Borrowings and financing	-	1,595,179	1,417,498	523,829	3,536,506	(553,110)	2,983,396

4.3. Capital management

The Company's objectives in managing its capital are to ensure that the Company 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 Company monitors capital based on the financial leverage ratios. This ratio corresponds to the net debt divided by the total capital. 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. Net debt as shown below includes adjustments of derivative contracts to mitigate the foreign exchange risk.

The consolidated financial leverage ratios as of March 31, 2016 and December 31, 2015 are as follows:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Short- and long-term borrowings and	4,305,707	4,547,669	5,185,163	5,535,880

financing (note 15)				
Derivatives “financial” and derivativos “swap” of interest rate	(481,836)	(692,643)	(507,441)	(729,379)
Cash and cash equivalents and Short-term investments (note 5 and 6)	(1,678,819)	(1,861,455)	(2,424,120)	(2,783,679)
Net debt	2,145,052	1,993,571	2,253,602	2,022,822
Shareholders’ equity	882,246	1,028,186	930,465	1,077,767
Financial leverage ratio	243.14%	193.89%	242.20%	187.69%

4.4. Fair Value Estimate

Financial instruments are measured at fair value at the end of the reporting period as prescribed by CPC 40 – Financial Instruments: Disclosures and according to the following hierarchy:

- 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 March 31, 2016 and December 31, 2015, the measurement of all the Company’s and its subsidiaries’ derivatives falls under the Level 2 characteristics. 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.

<u>Fair values of financial instruments measured at amortized cost</u>

<u>Short-term investments</u>

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

<u>Borrowings, financing and debentures</u>

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 15.

Trade and other 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 subsidiaries do not have any guarantee for overdue bonds.

Provision for acquisition of noncontrolling interests

The estimated amount of the obligation signed the purchased and sale must be adjusted at fair value at the acquisition date and it's subsequent adjustment incurred at the income statement.

5. CASH AND CASH AND EQUIVALENTS

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Cash and banks	37,419	52,068	248,510	212,014
Bank certificates of deposit -CDB (a)	1,099	1,059	213,882	207,051
Repurchase agreements (b)	-	-	889,630	1,172,778
	38,518	53,127	1,352,022	1,591,843

(a) At March 31, 2016, Investments in Bank Deposit Certificates are restated with average rate of 101.0% of CDI (101.0% of CDI at December 31, 2015) with daily maturity, redeemable by the issuer, and with no significant impairment.

(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.

6. SHORT TERM INVESTMENTS

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Exclusives investments funds	1,617,402	1,786,912	-	-
Investments funds	-	-	132,964	219,845
Certificates of deposits CDB (a)	22,899	21,416	22,901	21,416
Financial letters	-	-	739,612	728,656
Government security	-	-	176,621	221,919
	1,640,301	1,808,328	1,072,098	1,191,836

(a) Investment in Bank Deposit Certificates are restated with yield interest of 98.50% 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.

The Company concentrates most of investments in an exclusive fund investment. On March 31, 2016 and December 31, 2015 the companies Natura Cosméticos S.A , Natura Inovação e

Tecnologia de Produtos Ltda, Natura Logística e Serviços Ltda, and Indústria e Comércio de Cosméticos Natura 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 Company are disclosed under "Investment Fund Exclusive". The investments in Investment Fund 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 Company.

The exclusive fund are as follow:

The Essential Investment Fund is a fund fixed income credit private management, administration and custody of Itaú Unibanco. Eligible assets in the portfolio are: government securities, time deposits, 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 at March 31, 2016 is as follows:

	Essencial
Floating rate bank certificates of deposits (CDBs)	208,647
Repurchase agreements	889,630
Financial letters	739,612
Government security (LFT)	176,621
	2,014,510

7. TRADE RECEIVABLES

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Trade receivables	685,798	773,763	916,771	1,032,699
Allowance for doubtful accounts	(100,611)	(96,646)	(125,673)	(123,686)
	585,187	677,117	791,098	909,013

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Current	544,843	625,896	708,268	799,950
Past due:				
Up to 30 days	37,515	50,981	71,768	103,650
31 to 60 days	20,060	28,529	28,933	39,939
61 to 90 days	25,552	18,045	30,502	24,757
91 to 180 days	57,828	50,312	77,300	64,403
Allowance for doubtful accounts	(100,611)	(96,646)	(125,673)	(123,686)
	585,187	677,117	791,098	909,013

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 81% of the outstanding balance as of March 31, 2016 (80% as of December 31, 2015), 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 three months ended March 31, 2016 and 2015 are as follows:

Company				Consolidated			
Balance at 2015/12	Additions (a)	Write-offs (b)	Balance at 2016/03	Balance at 2015/12	Additions (a)	Write-offs (b)	Balance at 2016/03
(96,646)	(40,801)	36,836	(100,611)	(123,686)	(45,500)	43,513	(125,673)

Company				Consolidated			
Balance at 2014/12	Additions (a)	Write-offs (b)	Balance at 2015/03	Balance at 2014/12	Additions (a)	Write-offs (b)	Balance at 2015/03
(88,384)	(34,487)	41,791	(81,080)	(117,270)	(40,299)	43,938	(113,631)

(a) Allowance recognized according to note 2.7, disclosure as note 2 of annual financial statements of the Company refers to year ended December 31, 2015, disclosure in February 17, 2016.

(b) Refers to accounts that are over 180 days past due that were written off due to uncollectible amounts.

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 does not have any guarantee for past-due receivables.

8. INVENTORIES

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Finished products	216,837	200,953	845,104	750,151
Raw materials and packaging	-	-	220,845	202,124
Promotional material	27,029	22,580	95,881	87,201
Work in progress	-	-	31,065	24,435
Allowance for losses	(12,417)	(15,420)	(109,913)	(100,236)
	231,449	208,113	1,082,982	963,675

The changes in the allowance for inventory losses for the year/period ended March 31, 2016 and 2015 are as follows:

Company				Consolidated			
Balance at 2015/12	Reversals (Additons) (a)	Write-off (b)	Balance at 2016/03	Balance at 2015/12	Reversals (Additons) (a)	Write-off (b)	Balance at 2016/03
(15,420)	1,465	1,538	(12,417)	(100,236)	(31,694)	22,017	(109,913)

Company				Consolidated			
Balance at 2014/12	Reversals (Additons) (a)	Write-off (b)	Balance at 2015/03	Balance at 2014/12	Reversals (Additons) (a)	Write-off (b)	Balance at 2015/03
(17,872)	3,619	499	(13,754)	(85,966)	(12,540)	12,328	(86,178)

(a) Refer basically 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 policy.

(b) Consist of write-offs of products discarded by the Company.

9. RECOVABLE TAXES

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
ICMS on purchases of goods	3,838	6,968	384,954	350,468
Refundable ICMS - ST on interstate sales	-	223	-	223
Taxes - foreign subsidiaries	-	-	48,537	40,841
ICMS on purchases of fixed assets	2,542	2,542	25,782	28,321
PIS and COFINS on purchases of fixed assets	31,488	31,633	37,830	38,123
PIS and COFINS on purchase of goods	23,840	21,684	23,842	21,684
PIS and COFINS resulting from win on a lawsuit (a)	-	-	9,596	7,670
IRPJ and CSLL on freight (b)	29,355	91,256	34,334	94,953
PIS, COFINS and CSLL - withheld at source	56	56	2,423	1,640
IPI recover	892	1,642	28,087	22,957
Others	-	4	-	2,949
	92,011	156,008	595,385	609,829
Current	60,956	124,953	308,487	320,392
Noncurrent	31,055	31,055	286,898	289,437

(a) 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. As the Company obtained authorization from the Federal Revenue of Brazil to offset credits of the parent after the transit and trial of the case in 2012. The amounts referring to the subsidiary will be maintained until authorization of the same nature be obtained.

(b) This refers substantially to withholding income tax on short-term investments.

10. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deffered

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 was also recognized balance of deferred taxes on tax loss carryforwards. These credits are kept recorded in noncurrent assets, the amounts are as follows:

Breakdown of deffered income tax and social contribution– Assets:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Tax loss carryforwards and CSLL tax loss	124,402	142,118	128,063	165,910
Allowance for doubtful accounts (note 7)	34,208	32,860	41,472	43,290
Allowance for losses on inventories realization (note 8)	4,222	5,243	36,271	35,083
Reserve for tax, civil and labor contingencies (note 18)	18,292	17,352	26,802	25,064
Non-inclusion of ICMS in the PIS and COFINS basis (note 17.a)	803	789	88,988	85,727
Gains from changes in fair value of derivative instruments (note 4.2)	(173,639)	(240,103)	(182,344)	(252,637)
Provision for ICMS – ST (note 17.b)	30,095	27,692	30,095	27,692
Allowances for losses on advances to suppliers	2,509	2,405	2,509	2,405
Accrued contractual obligations	12,874	2,865	12,750	2,182
Accrued benefits sharing and partnerships	11,352	10,578	11,352	10,578
Temporary differences of foreign subsidiaries	-	-	26,543	12,545
Provision for profit sharing	7,073	10,814	11,744	16,327
Depreciation rate adjustments to useful lives	(41,028)	(35,587)	(76,826)	(60,629)
Provision for interest – injunction (Interest - CNs and interest on goodwill amortization)	20,662	18,347	20,662	18,347
Provision carbon credits	3,124	3,224	3,124	3,224
Profit on effects not eliminated in inventories	-	-	7,921	5,481
Provision for losses – property and intangible (note 14)	4,290	4,183	8,238	8,488
INSS with Suspended Liability (note 17)	1,990	1,578	6,784	5,940
IPI – Decree n° 8.393/2015	23,497	18,287	25,146	19,805
Others expenses provision (a)	21,685	18,628	27,660	25,643
Other temporary differences	8,700	7,252	24,815	12,143
	115,111	48,525	281,769	212,608

(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.

Breakdown of deffered income tax and social contribution– Liabilities:

	Consolidated	
	2016/03	2015/12
Fair value of identifiable assets – Emeis Holding Pty Ltd.	28,587	30,205
Other temporary differences	-	3,868
Total	28,587	34,073

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

The management expectative is that tax credits will be realized as follows:

	Company	Consolidated
2016 (9 months)	45,259	111,032
2017	42,098	103,278
2018	24,021	58,930
2019 and thereafter	3,733	8,529
	115,111	281,769

With respect to the Company's 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 March 31, 2016, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carry forwards:

Mexico	296,407
Australia (Substantially by operations in the US and Brazil)	16,495
France	257,199

Tax credits on tax loss carry forwards generated by the subsidiaries can be carried forward indefinitely, except for the subsidiary in Mexico, which expire the tax loss carry forwards as follows:

	Mexico
2016	17,422
2017	7,744
2018 até 2022	271,241
	296,407

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03

Income (loss) before income tax and social contribution	(78,130)	146,256	(63,901)	174,082
Income tax and social contribution at the rate of 34%	26,564	(49,727)	21,726	(59,188)
Technological research and innovation benefit - Law 11.196/05 (a)	2,661	-	2,661	-
Tax incentives	1,014	-	1,478	53
Equity in investees (note 13)	6,833	26,465	-	-
Tax effect generated by non-controlling abroad	-	-	(1,949)	5,382
Fair value of restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.(b) (note 25)	(21,029)	-	(21,029)	-
Tax impact on finance lease treatment	(1,015)	(1,726)	(1,157)	(1,726)
Other permanent differences	(6,014)	(1,634)	(6,152)	(1,082)
Income tax and social contribution expenses	9,014	(26,622)	(4,422)	(54,835)
Income tax and social contribution - current	(47,563)	(11,507)	(67,067)	(30,115)
Income tax and social contribution - deferred	56,577	(15,115)	62,645	(24,720)
Effective rate - %	11.5	18.2	(6.9)	31.5

(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 methodology for restating this commitment is described in Note 19(a).

The changes in income tax and social contribution for the period of three months ended in March 31, 2016 and 2015 were as follows:

Company				Consolidated				
2015/12	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	2016/03	2015/12	Charged/(Credit) to profit or loss	Transfer between income tax and social contribution deferred tax liabilities and assets	(Charged)/Credit Other comprehensive income including exchange rate	2016/03
48,525	56,577	10,009	115,111	212,608	62,260	(3,667)	10,568	281,769

Company				Consolidated			
2014/12	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	2015/03	2014/12	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income including exchange rate	2015/03
6,222	(15,115)	6,950	(1,943)	147,763	(24,720)	7,428	130,471

The changes in deferred liabilities income tax and social contribution for the period of three months ended in March 31, 2016 in consolidated were as follows:

Consolidated				
2015/12	Charged/(Credit) to profit or loss	Transfer between income tax and social contribution deferred tax liabilities and assets	(Charged)/Credit Other comprehensive income including exchange rate	2016/03
(34,073)	385	3,667	1,434	(28,587)

11. ESCROW DEPOSITS

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

The Group's escrow deposits as of March 31, 2016 and December 31, 2015 are as follows:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Unaccrued tax lawsuits(i)	142,728	141,457	148,573	147,287
Accrued tax lawsuits (ii)	89,606	88,292	130,728	128,439
Unaccrued civil lawsuits	1,034	1,337	1,267	1,575
Accrued civil lawsuits (note 18)	942	777	1,122	1,067
Unaccrued labor lawsuits	3,254	3,140	4,710	4,602
Accrued labor lawsuits (note 18)	3,539	3,495	4,863	4,825

Total escrow deposits	241,103	238,498	291,263	287,795

(i) The proceedings related to these judicial deposits basically refer to the sum of amounts disclosed in ICMS – ST, note 18.b)- (loss reasonably and remote).

(ii) The proceedings related to these judicial deposits basically refer to the sum of amounts disclosed in note 17, item (a), (b),"UFIR restatement" on federal taxes, "INSS – Suspended Enforceability" and the amount accrued in the note 18.

12. OTHER CURRENT AND NON CURRENT ASSETS

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Marketing and advertising advances	99,599	94,610	110,162	102,753
Supplier advances	122,808	101,776	141,697	122,072
Employee advances	1,981	3,207	5,198	11,731
Rent advances	-	-	18,333	19,132
Insurance	2,241	2,968	4,332	6,866
Import taxes	355	325	25,485	18,973
Assets held for sale (a)	376	-	7,771	7,000
Carbon credits (b)	8,079	7,078	8,079	7,078
Other	318	316	20,762	29,449
	235,757	210,280	341,819	325,054
Current	220,381	202,780	316,048	307,450
Non-current	15,376	7,500	25,771	17,604

(a) This balance refers to assets which the company intends to sell one of the next 12 months as CPC 31-non-current assets held for sale (IFRS 5). These assets are measured at the lower value between the carrying amount and fair value less costs to sell. The company 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, disclosed in note 2.9, disclosure of annual financial statements refers to year ended December 31, 2015, disclosure in February 17, 2016.

13. INVESTIMENTS

	Company	
	2016/03	2015/12
Investments	1,968,626	2,001,232
Provision for losses on investments in subsidiaries	(15,390)	(21,519)
Investments in subsidiaries	1,953,236	1,979,713

Information and changes in the balances for the period of three months ended in March 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 de México S.A. (*)	Natura Cosméticos Ltda. - Colômbia	Natura (Brasil) International B.V. - Holanda (*)	Natura Cosméticos España S.L.	Natura Biosphera Franqueadora Ltda.	Natura Brazil Pty Ltd (*)	Total
Equity interest	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	100.00%	100.00%	99.99%	100.00%	
Subsidiaries' shareholders' equity	1,279,668	112,030	8,118	181,919	250	85,516	(15,392)	28,563	17,184	603	5,637	279,442	1,983,538
Interest in shareholders' equity	1,249,407	112,019	8,117	181,901	250	85,507	(15,390)	28,560	17,184	603	5,636	279,442	1,953,236
Subsidiaries' net income (loss) for the period	232	4,184	890	4,225	-	8,936	4,752	3,518	(9,089)	-	(762)	3,211	20,097
Carrying amount of investments													
Balance as of December 31, 2014	1,159,394	76,653	14,030	135,115	297	38,686	1,788	11,900	14,209	603	(585)	179,792	1,631,882
Equity in investees	92,899	14,854	(9,958)	111,678	-	36,025	(23,108)	12,168	(27,617)	-	(3,420)	32,082	235,603
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	2	19,946	3,898	(27,520)	139	1,588	(199)	2,102	3,510	-	3	52,964	56,433
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	1,018	-	-	-	-	735	-	-	-	-	-	-	1,753
Gain/Losses actuarial	(3,413)	-	-	-	-	615	-	-	-	-	-	-	(2,798)
Effects of hedge accounting (net tax)	1,325	-	-	-	-	-	-	-	-	-	-	-	1,325
Effects of changes from participation on indirect subsidiary	-	-	-	-	-	-	-	-	-	-	-	(53,873)	(53,873)
Effects of changes from the the company on the fair value of net assets acquired by Emeis Holding Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	8,651	8,651
Capital increases	-	-	-	-	-	-	-	-	24,196	-	10,400	66,141	100,737
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 investees	232	4,184	890	4,225	-	8,937	4,752	3,518	(9,089)	-	(762)	3,211	20,098
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	(50)	(3,618)	(743)	(41,597)	(186)	(263)	1,377	(1,128)	270	-	-	(9,526)	(55,464)
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	(916)	-	-	-	-	(816)	-	-	-	-	-	-	(1,732)
Effects of hedge accounting (net tax)	(1,084)	-	-	-	-	-	-	-	-	-	-	-	(1,084)
Capital increases	-	-	-	-	-	-	-	-	11,705	-	-	-	11,705
Balance as of March 31, 2016	1,249,407	112,019	8,117	181,901	250	85,507	(15,390)	28,560	17,184	603	5,636	279,442	1,953,236

(*) Consolidated information of the following companies:
Indústria e Comércio de Cosméticos Natura Ltda. - Indústria e Comércio de Cosméticos Natura Ltda. e 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 (Brasil) International B.V. - Holanda: Natura (Brasil) International B.V. (Holanda), Natura Brasil Inc. (EUA - Delaware), Natura International Inc. (EUA - Nova York), Natura Europa SAS (França)
Natura Brazil Pty. Ltd.: Natura Brazil Pty. Ltd., Natura Cosmetics Australia Pty. Ltd. e Emeis Holdings Pty. Ltd.
Natura Inovação e Tecnologia de Produtos Ltda.: Natura Inovação e Tecnologia de Produtos Ltda. e Natura Innovation et Technologie de Produits SAS. - França

14. PROPERTY, PLANT AND EQUIPAMENT AND INTANGIBLE ASSETS

Property, plant and equipament

Company

	Weighted average annual depreciation rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016/03
Cost Value:							
Vehicles	33	43,855	1,150	(2,218)	-	(377)	42,410
Machinery and equipment	7	178,816	135	-	-	-	178,951
Improvements in third party properties (a)	10	69,686	-	-	4,726	(27)	74,385
Buildings	3	331,823	-	-	-	-	331,823
Furniture and fixtures	7	14,030	151	(3)	659	-	14,837
Properties	-	4,413	-	-	-	-	4,413
IT equipment	20	95,341	591	(30)	30,989	-	126,891
Projects in progress	-	8,071	12,257	-	(18,212)	-	2,116
Provision for losses	-	(12,303)	(316)	-	-	-	(12,619)
Total cost value		733,732	13,968	(2,251)	18,162	(404)	763,207
Depreciation Value:							
Vehicles	33	(18,808)	(2,531)	988	-	-	(20,351)
Machinery and equipment	7	(44,432)	(2,943)	-	-	-	(47,375)
Improvements in third party properties (a)	10	(22,754)	(1,028)	-	-	-	(23,782)
Buildings	3	(18,873)	(1,501)	-	-	-	(20,374)
Furniture and fixtures	7	(3,731)	(196)	-	-	-	(3,927)
IT Equipment	20	(67,029)	(3,619)	30	-	-	(70,618)
Total depreciation		(175,627)	(11,818)	1,018	-	-	(186,427)
Total		558,105	2,150	(1,233)	18,162	(404)	576,780

Consolidated

	Weighted average annual depreciation rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes including exchange rate	2016/03
Cost Value:							
Vehicles	33	75,079	1,862	(3,861)	4,652	(4,143)	73,589
Templates	33	228,576	567	-	(1,585)	(18)	227,540
Tools and accessories	8	45,642	-	-	(41,237)	(43)	4,362
Facilities	6	256,580	538	20	11,765	(879)	268,024
Machinery and equipment	7	767,012	3,878	(50)	24,456	(2,754)	792,542
Improvements in third party properties (a)	10	158,058	1,121	(505)	38,505	(6,372)	190,807
Buildings	3	758,645	198	-	-	-	758,843
Furniture and fixtures	7	60,350	572	-	8,031	(2,233)	66,720
Properties	-	30,525	-	-	-	-	30,525
IT equipment	20	138,525	1,317	(338)	37,285	(2,416)	174,373
Projects in progress	-	142,936	24,262	-	(71,942)	(2,826)	92,430
Provision for losses	-	(24,965)	(316)	-	-	-	(25,281)
Total cost value		2,636,963	33,999	(4,734)	9,930	(21,684)	2,654,474
Depreciation value:							
Vehicles	33	(29,282)	(4,378)	1,888	(2,973)	1,175	(33,570)
Templates	33	(170,542)	(7,487)	-	26	9	(177,994)
Tools and accessories	8	(25,696)	(260)	-	22,135	656	(3,165)
Facilities	6	(94,884)	(3,071)	-	(7,040)	601	(104,394)
Machinery and equipment	7	(275,723)	(11,850)	58	5,593	845	(281,077)
Improvements in third party properties (a)	10	(68,872)	(5,095)	206	(11,827)	4,185	(81,403)

Buildings	3	(107,698)	(4,043)	-	-	7	(111,734)
Furniture and fixtures	7	(18,539)	(1,413)	-	(3,727)	1,069	(22,610)
IT equiment	20	(93,377)	(4,765)	162	(2,728)	1,845	(98,863)
Total depreciation		(884,613)	(42,362)	2,314	(541)	10,392	(914,810)
Total		1,752,350	(8,363)	(2,420)	9,389	(11,292)	1,739,664

Intangible

	Company						
	Weighted average annual amortization rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016/03
Cost Value:							
Software and others	10	665,215	10,533	(234)	(18,162)	-	657,352
Total cost value		665,215	10,533	(234)	(18,162)	-	657,352
Amortization Value:							
Software and others	10	(164,724)	(12,432)	-	-	(1,903)	(179,059)
Total amortization value		(164,724)	(12,432)	-	-	(1,903)	(179,059)
Total		500,491	(1,899)	(234)	(18,162)	(1,903)	478,293

	Consolidated						
	Weighted average annual amortization rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes including exchange rate	2016/03
Cost Value:							
Software and others	10	821,976	13,476	(235)	(14,835)	(7,101)	813,281
Trademarks and patents (d)	4	112,440	-	-	8,314	(5,083)	115,671
Goodwill Emeis (Brazil PTY) (b)	-	101,003	-	-	-	(4,283)	96,720
Relationship with clients (d)	11	1,814	-	-	-	(77)	1,737
Natura Europa SAS – France trade funds (c)		5,596	-	-	(3,409)	(101)	2,086
Total cost value		1,042,829	13,476	(235)	(9,930)	(16,645)	1,029,495
Amortization Value:							
Software and others	10	(213,034)	(19,550)	-	3,582	3,619	(225,383)
Trademarks and patents (d)	4	(12,743)	(1,111)	-	(3,030)	591	(16,293)
Relationship with clients (d)	11	(571)	(50)	-	(11)	26	(606)
Total amortization		(226,348)	(20,711)	-	541	4,236	(242,282)
Total		816,481	(7,235)	(235)	(9,389)	(12,409)	787,213

(a) The amortization 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, which was tested for impairment for the year ended December 31, 2015, where no impairment loss was identified. For preparation of the cash flow projection used to assess the recoverability of goodwill, management approved the use of a discount rate of 10.3% p.a. providing for perpetuity from the fifth year, and inflation rate in line with the Australian market expectations.

(c) The amount of the purchase of a commercial location where Natura Europa SAS - France operates is supported by an appraisal report issued by independent appraisers, attributable to the fact that it is an intangible, marketable asset, the value of which does not decrease over time. The change in the balance is basically due to the effects of the exchange fluctuation for the period.

(d) The balances of intangible assets and liabilities identified in the business combinations related to entities located abroad must be expressed in the functional currency of the entity abroad and, consequently, must be translated, at every closing date, at the closing exchange rate of functional currency the company.

Additional information on property, plant and equipment:

a) Assets pledged as collateral

As of March 31, 2016, the Group has property, plant and equipment items pledged as collateral of bank financing and loan transactions, as well as items attached to the defense of lawsuits, as shown below:

	Consolidated
Vehicles	109
IT Equipment	3
Machinery and equipment	8
Building	3
Templates	
Properties	3
Total	2
Vehicles	128

b) Leases

As of March 31, 2016, the amount recorder under “Buildings” arising from lease transactions totaling R$ 379,769 (Consolidated) (R$382,397 as of December 31, 2015 – Consolidated) and the balance of lease payables, classified in line item “Borrowings and financing” (note 15) totals R$ 417,744 (Consolidated) (R$435,313 as of December 31, 2015 – Consolidated).

Balance of capitalized interest

	2016/03	2015/12
Financial expenses recorded under “Buildings”		
Balance at beginning	5,354	5,741
Depreciation	(97)	(387)
Balance at	5,257	5,354

15. BORROWINGS AND FINANCING

	Company		Consolidated		
	2016/03	2015/12	2016/03	2015/12	Reference
Local Currency					
FINEP (Financing Agency for Studies and projects	-	-	189,842	160,752	A
Debentures	1,410,888	1,461,395	1,410,888	1,461,395	B
BNDES	55,901	57,925	167,972	170,300	C
Working capital / NCE	-	-	88,420	256,125	D
BNDES – FINAME	1,630	1,754	12,760	13,592	E
Financial lease (Note 14.b)	343,674	360,435	417,744	435,313	F
FINEP (Grants and Government Assistance)	-	-	11	11	G
International operation – Peru	-	-	69,073	66,879	H
International operation – Mexico	-	-	84,249	96,007	I
International operation – Australia	-	-	58,855	62,085	J
International operation - Colombia	-	-	37,888	31,367	K
Total in local currency	1,812,093	1,881,509	2,537,702	2,753,826	
Foreign Currency					
BNDES	18,580	21,845	45,698	51,628	L
Resolution 4131/62	2,475,034	2,644,315	2,601,763	2,730,426	M
Total in foreign currency	2,493,614	2,666,160	2,647,461	2,782,054	
Grand total	4,305,707	4,547,669	5,185,163	5,535,880	
Current	1,791,809	1,624,686	2,201,767	2,161,383	
Non Current	2,513,898	2,922,983	2,983,396	3,374,497	

Reference	Currency	Maturuty	Charges	Guarantees
A	Real	May ,2019 and June, 2023	Interest of 5% p.y for the installment maturing in 2019 and 3.5% p.y for the installment maturing in june,2023;	Guarantee of Natura Cosméticos S.A.
B	Real	February, 2019	Interest o107% to 108% % of CDI maturing in February,2017, February,2018 and February, 2019;	None
C	Real	Through September, 2021	TJLP + interest of 0,5% p.y. to 3.96% p.y. and contractos of 3.5% p.y. a 5% p.y.(d)	Bank guarantee and financial covenants to contracts maturity in 2020
D	Real	Through August,2017	Interest of 8% p.y. (c) and Interest of 107% of CDI (c)	Guarantee of Natura Cosméticos S.A.
E	Real	Through June,2019	Interest of 4.5% p.y. + TJLP for contracts up to 2012 and for contracts from 2013 to 3% p.y. (PSI) (d); Contracts August,2014 to 6% p.y	Alienation chattel, promissory notes and Guarantee of Natura Cosméticos S.A.
F	Real	Through August,2026	Interest of 9%py + IPCA (b)	Alienation chattel of leases contracts.
G	Real	July, 2016	None.	None
H	Novo sol	Through March,2016	Interest of 5.9%py to 6.3% p.y.	Guarantee of Natura Cosméticos S.A.
I	Peso Mexicano	Through June, 2016	Interest of 0,98% a.a. to 1,2% p.y. + TIIE (e)	Guarantee of Natura Cosméticos S.A.
J	Dólar Australiano	December, 2017	BBSY + interest 1% and Libor + interest 1%. (f)	Bank guarantee
K	Peso Colombiano	Through March,2016	Interest of 8.3%py	Guarantee of Natura Cosméticos S.A.
L	Dólar	October, 2020	Exchange fluctuation + interest of 1.8% p.y. to 2.3% p.y + Resolution 635 (a)	Guarantee of Natura Cosméticos S.A. and bank guarantee
M	Dólar	Through January,2018	Exchange fluctuation + Libor + Over Libor of 1.32% p.y. to 3.80% p.y. (a)	Guarantee of Indústria e Comércio de Cosméticos Natura Ltda.

(a) Loans and financing for which swap contracts (CDI) were entered into.

(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.

(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	
	2016/03	2015/12	2016/03	2015/12
Through january 2017	971,365	1,348,209	1,127,061	1,512,462
2018	323,054	329,512	390,460	381,556
2019	1,036,292	1,041,225	1,105,066	1,110,143
2020 and thereafter	183,187	204,037	360,809	370,336
	2,513,898	2,922,983	2,983,396	3,374,497

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 Company 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 Company and its subsidiaries in order to improve certain product lines, train research and development employees, optimize in the Cajamar, SP industrial facilities, build new distribution centers an recently the deployment of an industrial plant in Benevides, Pará and investments at a distribution center in Parque Anhanguera in São Paulo, and projects related to digital accessibility.

2. 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.

3. Machinery and Equipment Financing - FINAME

   The Company 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 Company is the guarantor of these assets. In addition, the Group is required to meet the Provisions Applicable to BNDES Agreements and the General Regulatory Terms and Conditions of FINAME-related Transactions.

4. Resolution nº 4.131/62

   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 Company working capital.

5. NCE

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

6. 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. 60,000 debentures were issued, of which 20,000 debentures allotted in 1st grade, due on February 25, 2017, 20,000 Debentures allocated in the 2nd series, due on February 25, 2018, and 20,000 allocated debentures in 3rd grade, due on February 25, 2019, and 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 Company issued the 6th series of junior unsecured, registered debentures, not convertible into shares of Natura Cosméticos S.A., amounting to R$ 800 million. The Company 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).

b) Finance lease obligations

   Financial obligations are broken down as follows:

	Consolidated	
	2016/03	2015/12
Gross finance lease obligations - minimum lease payments:		
Less than one year	64,352	60,962
More than one year and less than five years	292,224	279,939
More than five years	561,078	603,024
Total	917,654	943,925
Future financing charges on finance leases	(499,910)	(508,612)

Financial lease obligations - accounting balance	417,744	435,313
Accounting balance of property, plant and equipment	379,769	382,397

c) Contract Covenants

On March 31, 2016 and December 31, 2015, the majority of loans and financing held by the Company and its subsidiaries contract does not contain restrictive covenants that establish obligations regarding the maintenance of financial ratios by the Company and its subsidiaries.

Contracts with BNDES from July 2011 have 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 March 31, 2016, the Company had fully complied with all such covenants.

16. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Domestic trade payables	179,881	215,981	692,849	669,228
Foreign trade payables (a)	7,877	9,703	11,798	30,077
“Drawn risk” operation (b)	2,715	4,416	92,769	103,582
	190,473	230,100	797,416	802,887

(a) Refer mostly to US dollar-denominated amounts.

(b) The Company and its subsidiaries have entered into contracts with Banco Itaú Unibanco S.A. for structuring, together with its major suppliers, the so-called “drawn risk” 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 on performing a thorough analysis of suppliers by category. As such, the Company and its subsidiaries disclose this operation under the heading Trade and other payables.

17. TAX PAYBLES

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Taxes on revenue (PIS/COFINS) (judicial remedy) (a)	2,362	2,321	261,730	252,138
Ordinary ICMS	98,548	158,437	99,019	158,464
ICMS ST to payable (b)	88,514	81,445	88,514	81,445
IRPJ and CSLL to payable	79,793	117,280	100,195	151,833
IRPJ and CSLL (injunction) (c)	284,505	268,712	284,505	268,712
IPI and IRRF	76,671	64,263	84,461	73,210
INSS – suspension of the enforceability	5,853	4,461	19,953	17,469
UFIR adjustment to federal taxes	2,144	2,102	2,187	2,144
Action for annulment of INSS debt	3,877	3,810	3,877	3,810
Withholding PIS/COFINS/CSLL	4,376	4,519	7,155	9,618
TAX- subsidiaries abroad	-	-	95,485	114,107
Service tax (ISS and INSS)	1,019	525	3,241	2,755
	647,662	707,875	1,050,322	1,135,705
Escrow deposits (note 11)	(79,660)	(78,501)	(120,068)	(117,949)
Current	548,410	629,374	910,662	1,047,961
Non current	99,252	78,501	139,660	87,744

(a) The Company 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). On June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in their tax basis, starting April 2007. The balances recognized as of March 31, 2016 refer to the unpaid amounts of PIS and COFINS, from April 2007 to March 31, 2016, the collection of which is on hold. Part of the balance, in the adjusted amount of 36,077 is deposited in escrow to Consolidated which R$ 261,730 are accrued.

(b) It refers to the sum of ICMS – ST amounts, which are deposited with the courts. The amount of unpaid ICMS-ST is being discussed in court by the Company and, in certain cases, is monthly deposited with the courts, as mentioned in Note 18.(b) (contingent liabilities - risk of loss assessed as possible).

(c) On February 4, 2009, the Company 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 Consultants. The appeal lodged by Federal Government is pending judgment.

Tax installment program established by Law 11,941/09

On May 27, 2009, Federal Government enacted Law 11,941/09, as a result of the conversion of Provisional Act 449/08, which, among other changes to tax law, established the possibility of a tax debt installment plan managed by the Federal Revenue Service, the National Social Security Institute and the National Treasury Attorney General (PGFN).

The tax debts recorded for payment in installments by the Company and its subsidiaries, pursuant to Law 11,941/09, are as follows:

	Company			
	2015/12	Inflation adjustment	Payments	2016/03
Action for annulment of INSS debt	3,810	67	-	3,877
UFIR adjustment to federal taxes	2,102	42	-	2,144
	5,912	109	-	6,021

	Consolidated			
	2015/12	Inflation adjustment	Payments	2016/03
Action for annulment of INSS debt	3,810	67	-	3,877
UFIR adjustment to federal taxes	2,144	43	-	2,187
	5,954	110	-	6,064

The next steps of the Company's and its subsidiaries' tax installment plans, which are being discussed in courts, depend on a decision about the consolidation of the amouts for settlement through transfer of the related deposits to the Federal Government.

18. PROVISION FOR TAX, CIVIL AND LABOR RISKS

Company and its subsidiaries are parties to tax, labor and civil lawsuits and administrative tax proceedings and an arbitration proceeding. Management believes, based on the opinion and estimates 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	
	2016/03	2015/12	2016/03	2015/12
Tax	30,478	29,920	41,437	40,622
Civil	10,830	10,839	18,009	17,923
Labor	12,493	10,276	21,771	19,313
Total	53,801	51,035	81,217	77,858
Escrow deposits (note 11)	(14,428)	(14,064)	(16,645)	(16,383)

Tax contingencies

The provision for tax risks is broken down as follows:

	Company					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Legal fees (a)	17,199	-	(123)	-	507	17,583
CSLL deductibility (Law 9316/96) (b)	9,015	-	-	-	94	9,109
Others	3,706	-	-	-	80	3,786
Total provision for tax contingencies	29,920	-	(123)	-	681	30,478
Escrow Deposits (note 11)	(9,792)	-	-	-	(155)	(9,947)

	Consolidated					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Legal fees (a)	27,120	-	(145)	-	770	27,745
CSLL deductibility (Law 9316/96) (b)	9,015	-	-	-	94	9,109
Others	4,487	-	-	-	96	4,583
Total provision for tax contingencies	40,622	-	(145)	-	960	41,437
Escrow Deposits (note 11)	(10,491)	-	-	-	(169)	(10,660)

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

(i) Tax infraction notices issued against the Company 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 Company, in 1999, 2001 and 2002, respectively. The infraction notices related to 2001 and 2002 are pending a decision by the Administrative Board of Tax Appeals (ABTA). The legal advisors have assessed that the case involves remote loss.

The tax infraction notice issued against the Company in August 2003, related to deductibility in 1999, was handed down in January 2010, partially maintaining IRPJ collection, and fully maintaining CSLL collection. After this decision, on April 7, 2010, the Company filed a legal proceeding attempting to cancel the remaining IRPJ and CSLL portion. The trial court decision was in favor of the Company. The appeal lodged by the Company is currently pending judgment. The legal advisors have assessed that the case involves remote loss.

(ii) Tax infraction notices in connection with IRPJ and CSLL, issued on June 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 infraction notice of 2009, which was partially in favor of the Company to reduce the uprated fine. In terms of merit, the decision was unfavorable, reason why the Company 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 infraction notice of 2013, in June 2014, the Company was informed of the unfavorable decision related to its opposition. The Company filed an appeal with ABTA, which is currently pending judgment. It should be noted that CARF handed down favorable decisions on similar cases, which represent important case law for the Company. In the opinion of the Company's lawyers, the operation, as structured, and its tax effects are defensible, reason why the risk of loss is assessed as remote.

(iii) IPI, PIS and COFINS tax infraction notices issued against the subsidiary, in December 2012, referring to taxable events occurred in 2008, alleging that the subsidiary would have adopted incorrect prices in sales to the parent company. In May and June 2013, the proceedings were judged by Brazilian IRS Appellate Division in Ribeirão Preto/SP, which decided (a) in favor of the subsidiary, cancelling the tax debt claimed in the PIS/COFINS tax infraction notice and (b) against the subsidiary maintaining the tax debt claimed in the IPI tax infraction notice. Both decisions will be reassessed at the upper administrative level (ABTA). In the opinion of the Company's lawyers, the operation, as structured, and its tax effects are defensible, reason why the risk of loss is assessed as remote.

(b) This refers to the writ of mandamus questioning constitutionality of Law No. 9316/96, which prohibited deductibility of CSLL from its own calculation base and IRPJ calculation base. The amount involved in this proceeding is deposited with the courts. On August 25, 2014, in order to use the benefits from the installment payment program of the Federal Government, the Company filed a petition waving the related proceeding. Formalization of adhesion to the program and conversion of the judicial deposit into Federal Government proceeds are currently pending. The amount deposited with the court amounts to R$ 7,219 (R$ 7,118 at December 31, 2015).

Civil risk

	Company					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Several civil lawsuits (a)	6,267	1,775	(108)	(1,503)	9	6,440
Lawyer fees - environmental civil lawsuit (b)	2,696	-	-	-	85	2,781
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	1,876	412	-	(760)	81	1,609
Total provision for civil risks	10,839	2,187	(108)	(2,263)	175	10,830
Escrow deposits (note 11)	(777)	(147)	-	-	(18)	(942)

	Consolidated					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Several civil lawsuits (a)	12,354	1,815	(348)	(1,435)	204	12,590
Lawyer fees - environmental civil lawsuit (b)	2,696	-	-	-	85	2,781
Lawyer fees - IBAMA (c)	997	-	-	-	32	1,029
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	1,876	412	-	(760)	81	1,609
Total provision for civil risks	17,923	2,227	(348)	(2,195)	402	18,009
Escrow deposits (note 11)	(1,067)	(147)	116	-	(24)	(1,122)

(a) As of March 31, 2016, the Company and its subsidiaries are parties to 1,999 civil lawsuits and administrative proceedings (2,033 as of December 31, 2015), of which 1,922 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 infraction notices above amounts to R$ 266 (R$ 548 December 31, 2015).

(b) The provision includes R$1,998 with respect to legal fees, ad exitum, for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset ("Murumuru"). Award was made in the records of that action, deciding to exclude Natura demand. However, as the prosecution filed an appeal, the case is awaiting final decision. Our legal counsel's opinion is that the risk of losses is remote.

(c) These refer to lawyer fees for the adoption of the judicial measures considered applicable by the Company's legal advisors, which aim at the revoking of the assessment notices issued by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) against the Company in 2010 and 2011 for supposed irregular access to the Brazilian genetic patrimony or related traditional knowledge, as well as it supposed failure in sharing the benefits under the effective term of Provisional Executive Order (MP) 2.186/2001, superseded by Law No. 13.123/2015, regulation still pending. The Company received until December, 2015, 70 fines from IBAMA, totaling R$13,693 and filed reply and administrative appeal for all of them, and four assessments notices have already been revoked. A definitive decision on merit has not yet been handed down on the other cases, reason why such fines do not represent enforceable liabilities. In view of the Company's decision that it will question in court any unfavorable decisions on the administrative proceedings with IBAMA, Company management and its legal advisors assess as remote the chances of loss on the assessment notices related to the supposed failure to share benefits, and as possible the chances of loss on the assessment notices related to irregular unauthorized access to the Brazilian genetic patrimony due to compliance with all of the principles established in the Biological Diversity Convention (CDB), an international treaty entered into in Rio-92, and the unlawfulness and unconstitutionality of the current legal framework that incorporated CDB in the Brazilian legal system. Except for the inputs from Federal Government, with which Natura is negotiating through the Negotiation Committee, the Company shares benefits in 100% of the cases of access to the Brazilian biodiversity genetic patrimony and related traditional knowledge, and pioneers in the sharing of benefits with traditional communities and has most of the permits from the regulatory agency to have access to biodiversity as well as the permits already granted to private companies.

(d) The accrued amount comprises five proceedings involving Nova Flora Participações Ltda. on corporate matters referring to the withdrawal of an former partner of the Company.

Labor risks

As of March 31, 2016, the Company and its subsidiaries are parties to 1,342 labor lawsuits filed by former employees and third parties (1,240 as of December 31, 2015), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. 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					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Total provision for labor contingencies	10,276	2,535	-	(869)	551	12,493
Escrow deposits (note 11)	(3,495)	(162)	146	-	(28)	(3,539)

	Consolidated					
	2015/12	Additions	Reversals	Payments	Inflation adjustment	2016/03
Total provision for labor contingencies	19,313	3,245	(594)	(1,018)	825	21,771
Escrow deposits (note 11)	(4,825)	(178)	206	-	(66)	(4,863)

Contingent liabilities - possible risk

The Company 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.

At March 31, 2016, contingent liabilities comprise 686 cases (654 at December 31, 2015), as under:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Tax	712,517	636,777	977,693	771,225
Civil	21,298	6,330	27,399	12,456
Labor	36,442	38,623	90,549	85,382
Total contingent liabilities (Unaccrued)	770,257	681,730	1,095,641	869,063
Escrow deposits (note 11)	(123,615)	(122,566)	(127,497)	(126,509)

The tax cases comprise the following main proceedings:

(a) Dismissal of applications for offset filed in order to use PIS and COFINS credits, computed on expenses incurred with freight on sales of products subject to one-time levy taxation. The Company awaits judgment of the case at the administrative level. The total amount being disputed is R$ 64,007 (R$ 62,869 at December 31, 2015).

(b) The Company 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$ 503,598 (R$ 432,307 at December 31, 2015) and R$ 97.820 (R$ 95,223 at December 31, 2015) being deposited with the courts.

(c) 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 at March 31, 2016 is R$118,775.

The Company has other amounts deposited with the courts in connection with proceedings assessed as involving remote chances of loss, which aggregate R$ 23,403 (R$ 23,368 at December 31, 2015) Company and R$ 27,054 (R$ 26,966 at December 31, 2015) Consolidated, as explained in note 11 – Judicial deposits .

Contingent Assets

The Company and its subsidiaries have the following significant contingent assets:

The Company and its subsidiaries Industry and Trade Cosmetics Natura Ltda., Natura Innovation and Technology Products Ltda. and Natura Logistics and Services Ltda. plead the refund of the ICMS and Service Tax - ISS included in the calculation basis of PIS and COFINS, collected from March 2004 to March 2007. The amounts of the refund claims, updated through March 31, 2016, amounted to R$ 309,498 (R$294,406 on December 31, 2015). The opinion of legal counsel is that the probability of loss is possible

The Company and its subsidiaries do not recognize as its assets contingent assets listed above, as the pronouncement CPC 25 - Provisions, contingent liabilities and contingent assets.

19. OTHER LIABILITIES

(a) Provision for acquisition of non-controlling interest

Liability recorded due to the purchase and sale agreement of Emeis Holdings Pty Ltd, which provides for acquisition of interest of non-controlling shareholders as from 2015, with term of up to 2025. The payment shall be made based on Company performance on the date of exercise of the option. The balance at March 31, 2016 is R$ 252,509 (R$190,658 at December 31, 2015), the related expenses are recognized for the period of three months ended March 31, 2016 the update in the amount R$ 61,850 matched with "Inflation Provision for acquisition of non-controlling interest" in expense financial (see note 25).

The provision for acquisition of interest of non-controlling shareholders in connection with the remaining 21.26% of voting capital of Emeis Holdings Pty Ltd. at March 31, 2016 was calculated considering projected EBITDA for the period of twelve months to be ended at June 30, 2016 (based on management's best estimate, the options will be exercised) plus the balance of cash and financial liabilities, according to the contract.

(b) Other non current liabilities

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Government subvention (*)	9,757	13,843	77,391	100,576
Retirees' healthcare plan (**)	25,180	24,680	45,291	43,549
Carbon credit	13,663	11,042	13,663	11,042
Other provisions	4,049	801	14,737	14,955
Total	52,649	50,366	151,082	170,122

(*) Short- and long-term loans and financing are recorded for the amount of government grants, were reclassified for better compliance with the requirements of CPC 07 Government Grants and Assistance and of IAS 20.

(**) The actuarial liability for the healthcare plan of the Company 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 Company 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, disclosure in note n° 2 the annually financial statements of the Company related to the year ended in December 31,2015, disclosure in February 17 ,2016. As of December 31, 2015, 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, 2015, the following numbers were considered:

- 1,468 active employees of Natura Group, 678 of which are parent company's employees;
- 87 retirees and dependents of Natura Group, 30 of which are from the parent company.

Actuarial liabilities were calculated at December 31, 2015 by an independent actuary, considering the main assumptions below:

	2015
Financial discount rate	12.25
Increase in medical expenses	11.50 a 6.00
Long-term inflation rate	5.00
Final rate of medical inflation – after 10 years	6.00
Rate of growth of medical costs for ageing costs	3.50
Rate of growth of medical costs for aging contributions	0.00
Invalidity table	Wyatt 85 Class 1
General mortality table	RP2000
Turnover table	T-9 service table

In the three-month period ended March 31, 2016, the Company did not identify any significant change requiring a new calculation.

For the period of three months ended in March 31, 2016 and for the year ended in December 31, 2015, the plan is reflected on the income statement as follows:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Company current service cost	(292)	(1,340)	(425)	(1,972)
Cost of interest	(732)	(2,684)	(1,316)	(4,385)
Recognition of actuarial Losses/(Gains) in OCI	-	2,352	-	(446)
	(1,024)	(1,672)	(1,741)	(6,803)

20. SHAREHOLDER'S EQUITY

a) Issued Capital

As of March 31, 2016, the Company's capital was R$427,073.

For the period of three months ended in March 31, 2016 there was no change in capital, which is made up of 431,239,264 subscribed and paid-up common registered shares. The Company 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 Company 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, 2016 payment of dividends totaling R$105,732 and of interest on equity in the gross amount of R$17,400 (R$14,790, net of IRRF) were made, as recommended by the Board of Directors on February 18, 2016 and approved at the Annual General Meeting held on April 15, 2016, referring to net income recorded in 2015. Such amounts, plus dividends of R$207,290 and interest on equity of R$29,036, paid in August 2015, correspond to payment of approximately 70% of net income recorded in 2015.

c) Treasury shares

As of March 31, 2016 and December 31, 2015, line item ‘Treasury shares’ is broken down as follows:

	2016		
	Number of Share	R$ (thounsands)	Average price per share R$
Balance at beginning and end of period	954,584	37,851	39.65

d) Share premium

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. During the period of three months ended on March 31, 2016, no treasury shares were used by the stock option plan and/or restricted stock, since no options were exercised.

e) Legal reserve

Since the balance of legal reserve plus capital reserves, addressed by article 182, paragraph 1, of Law 6404/76, exceeded 30% of the capital, the Company decided, in accordance with article 193 of the same Law, not to recognize a legal reserve on net income earned in the years from 2006.

f) Retained earnings reserve

At the Annual General Meeting held on April 15, 2016, approval was granted to set up of income reserve consisting of approximately 30% of total income recorded on 2015, in the amount of R$154,054, pursuant to article 196 of Law No. 6404/76.

g) Other comprehensive income

The Company 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.

21. SEGMENTE INFORMATION

Segment reporting is consistent with managerial reports submitted to the chief operating decision maker for assessing the financial performance of each operating segment and for allocating resources. Based on the reports reviewed by management for making decisions, although the chief decision maker reviews the information on revenue at various levels, the Company's primary business segment is represented by the sale of cosmetics by geographical region.

From the disclosure of interim information as of June 30, 2015, substantially due to maturity of the business activities in Mexico and Colombia, management elected to disclose the following segregation: Brazil ("Brazil Operation"), Latin America ("LATAM Operation", includes Corporate LATAM), Emeis Holdings Pty Ltd. ("Aesop") (includes P&L of the Holdings Natura Brazil Pty Ltd. and Natura Cosmetics Australia Pty Ltd.) and Others ("includes P&L of France, Natura (Brazil) International B.V. – the Netherlands, Natura Brasil Inc. - USA"). The amounts as of March 31, 2015 disclosed were reclassified for better comparison.

Net revenue by geography is as follows in the period ended in March, 31 2016:

- Brazil: 68.2 %
- LATAM: 24.2 %
- Emeis Holdings Pty Ltd. (“Aesop”): 7.4 %
- Others: 0.2 %

The accounting practices for each segment are described in Note 2 to the Company´s annual financial statements disclosed on February 17, 2016. Performance of the Company´s segments was assessed based on net operating revenue, net income for the period and noncurrent assets. Such measurement basis does not include effects of interest, income and social contribution taxes, depreciation and amortization.

The tables below present summarized financial information for the segments as of March 31, 2016 and 2015 (income statements) and December 31, 2015 (balance sheet). 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.

	2016/03				
	Net revenue	Net profit (loss)	Depreciation and Amortization	Financial income	Tax
Brazil	1,127,339	(80,809)	(49,955)	(203,286)	3,763
LATAM	428,904	17,569	(4,720)	(15,095)	(4,282)
Emeis Holding Pty Ltd. (“Aesop”)	130,023	3,213	(8,532)	556	(3,903)
Others	3,435	(9,089)	134	-	-
Consolidated (attributable to controlling shareholders of the Company)	1,689,701	(69,116)	(63,073)	(217,825)	(4,422)

	2015/12				
	Net revenue	Net profit (loss)	Depreciation and Amortization	Financial Income	Tax
Brazil	1,246,577	115,056	(45,750)	(69,323)	(43,192)
LATAM	326,057	7,684	(3,543)	12,102	(10,903)
Emeis Holding Pty Ltd. (“Aesop”)	66,178	2,947	(7,456)	2,588	(740)
Others	2,987	(6,053)	(422)	-	-
Consolidated (attributable to controlling shareholders of the Company)	1,641,799	119,634	(57,171)	(54,633)	(54,835)

	2016/03			2015/12		
	Non current Assets	Current Liabilities	Total Assets	Non current Assets	Current Liabilities	Total Assets
Brazil	2,931,964	3,698,032	7,280,823	2,873,979	3,782,501	7,823,633
LATAM	158,154	723,696	1,042,626	168,483	676,744	1,028,410
Emeis Holding Pty Ltd. (“Aesop”)	314,621	104,403	486,596	325,861	113,675	513,031
Others	7,839	-	30,493	7,952	-	29,907
Consolidated	3,412,578	4,526,131	8,840,538	3,376,275	4,572,920	9,394,981

Except for subsidiary Emeis Holding Pty Ltd. (“Aesop”), the Company has only one class of products sold by Natura Beauty Consultants, denominated as “Cosmetics”. In the case of Emeis Holding Pty Ltd. (“Aesop”), cosmetics are sold through a wholesale structure, both in own stores as in department stores.

The Company has a diversified customer portfolio, with no concentration of revenue.

The revenue from foreign related parties reported to the Executive Committee was measured in accordance with that presented in the income statement.

22. NET REVENUE

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Gross revenue:				
Domestic market	1,608,149	1,702,195	1,609,536	1,703,034
Foreign market	-	-	709,007	502,540
Other sales	486	29	1,485	312
	1,608,635	1,702,224	2,320,028	2,205,886
Returns and cancellations	(3,372)	(4,154)	(9,097)	(7,750)
Taxes on sales	(424,750)	(374,585)	(621,230)	(556,337)
Net revenue	1,180,513	1,323,485	1,689,701	1,641,799

23. OPERATING EXPENSES AND COST OF SALES

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

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Cost of sales	456,005	515,980	520,817	495,117
Selling, Marketing and Logistics expenses	477,079	475,581	691,450	648,026
Administrative, P&D, IT and Project Expenses	169,917	186,811	331,251	278,396
Total	1,103,001	1,178,372	1,543,518	1,421,539

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

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Cost of sales	456,005	515,980	520,817	495,117
Raw material/packaging Material	456,005	515,980	394,969	378,257
Workforce	-	-	63,991	53,915
Depreciation and amortization	-	-	19,586	20,469
Others	-	-	42,271	42,476
Marketing and selling expenses	477,079	475,581	691,450	648,026
Freight	65,961	71,070	67,477	73,235
Marketing, sales force and other sales expenses	404,408	397,271	614,932	567,527
Depreciation and amortization	6,710	7,240	9,041	7,264
Administrative expenses, P&D, IT and Projects	169,917	186,811	331,251	278,396
Development in Innovation	-	-	53,252	48,222
Other administrative expenditure	152,375	173,557	243,553	200,736
Depreciation and amortization	17,542	13,254	34,446	29,438
Total	1,103,001	1,178,372	1,543,518	1,421,539

24. EMPLOYEE BENEFITS

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Payroll , profit sharing and bonuses	97,363	92,934	270,144	285,300
Pension Plan (note 24.2)	790	799	995	1,369
Gain based on stocks (note 24.1)	534	(2,401)	(846)	(3,325)
Charges on restricted stock (note 24.1)	616	-	863	-
Taxes payable	6,387	5,824	22,204	37,932
Health medical care, food, transportation and others benefits	23,420	12,441	47,383	35,147
	129,110	109,597	340,743	356,423

24.1. Gain based on stocks

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 will receive the options 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 Company 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, Company shareholders approved a new Stock Option Plan and a Restricted Stock Option. On March 16, 2015, the Company 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 Company'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 Company'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 Company's Board of Directors ratified the list of employees eligible to the Restricted Stock Option Plan.

On March 16, 2016, the Company´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.

The Stock Option Plan effective for 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 or Subscription of Shares Program named "Strategy Acceleration Plan" for 2015 provides that 50% of shares may be exercised on July 28, 2019 and the remaining on July 28, 2020.

The Restricted Stock Option Plan implemented in 2015 consists in the grant of Company 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 Company 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 Company 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			
	2016/03		2015/12	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
Balance at beginning of year	37.91	6,234	47.30	5,296
Granted	-	-	27.81	2,944
Cancelled	58.44	(551)	51.23	(2,006)
Exercised	-	-	-	-
Balance at period/ year end	39.82	5,683	37.91	6,234

	Restricted Stock Option (thousands)
	2016/03
Balance at beginning of year	510
Granted	-
Cancelled	(13)
Exercised	-
Balance at period/year end	497

Out of the 5,683 outstanding options as of March 31, 2016 (6,234 outstanding options as of December 31, 2015), 1,714 outstanding options are vested (1,548 outstanding options as of December 31, 2015). No options were exercised in the period of three months ended March 31, 2016.

The expense relating to the fair value of stock options and restricted stock, including charges on restricted stock, recognized in the period of three months ended March 31, 2016, according to the period elapsed for entitlement to exercise the options and restricted shares, was of R$1,150 and R$17, Company and consolidated, respectively. At March 31, 2015, reversal of expenses totaled (R$2,401) and (R$3,325), 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 March 31, 2016 – Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
April 22, 2009	34.83	7.83	293,783	1.08	293,783
March 19, 2010	51.11	10.82	548,380	2.00	548,380
March 23, 2011	59.64	16.45	577,850	3.00	577,850
March 18, 2013	65.17	12.10	586,988	5.00	293,494
March 17, 2014	43.61	8.54	886,812	6.00	-
March 16, 2015 (24 months - vested)	28.50	9.70	306,466	7.00	-

March 16, 2015 (36 months - vested)	28.50	10.10	306,466	7.00	-
March 16, 2015 (48 months - vested)	28.50	10.57	306,466	7.00	-
July 28, 2015 (Strategy Acceleration Plan- 48 months - vested)	26.97	12.46	935,000	7.40	-
July 28, 2015 (Strategy Acceleration Plan- 60 months - vested)	26.97	12.40	935,000	7.40	-
			5,683,211		1,713,507

As of March 31, 2016 – restricted stock

Grant date	Existing option	Fair value	Remaining contractual life (years)	Vested options
March 16, 2015 (24 months - vested)	165,610	22.27	7.00	-
March 16, 2015 (36 months - vested)	165,610	21.33	7.00	-
March 16, 2015 (48 months - vested)	165,610	20.42	7.00	-
	496,830			-

As of December 31, 2015 – Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
April 22, 2009	33.94	7.83	293,783	1.33	293,783
March 19, 2010	49.80	10.82	588,894	2.25	588,894
March 23, 2011	58.12	16.45	665,534	3.25	665,534
March 18, 2013	63.51	12.10	904,805	5.30	-
March 17, 2014	42.50	8.54	966,967	6.30	-
March 16, 2015 (24 months - vested)	28.38	9.70	944,812	7.30	-
March 16, 2015 (36 months - vested)	28.38	10.10	944,812	7.30	-
March 16, 2015 (48 months - vested)	28.38	10.57	944,812	7.30	-
July 28, 2015 (Strategy Acceleration Plan- 48 months - vested)	26.97	12.46	935,000	7.70	-
July 28, 2015 (Strategy Acceleration Plan- 60 months - vested)	26.97	12.40	935,000	7.70	-
			8,124,419		1,548,211

As of December 31, 2015 – restricted stock

Grant date	Existing option	Fair value	Remaining contractual life (years)	Vested options
March 16, 2015 (24 months - vested)	169,944	22.27	7.3	-
March 16, 2015 (36 months - vested)	169,944	21.33	7.3	-
March 16, 2015 (48 months - vested)	169,944	20.42	7.3	-
	509,832			

As of March 31, 2016, market price per share was R$ 26.54 (R$ 23.49 as of December 31, 2015) 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 in 2015 were:

	Grant in							
	Stock option plan					Restricted stock		
	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested	March 16, 2015 (48 months - vested)	July 28, 2015 (Strategy Acceleration Plan months – vested -48 months vested)	July 28, 2015 (Strategy Accelerati on Plan months – vested -60 months vested)	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested	March 16, 2015 (48 months - vested)
Volatility	30.4%	30.4%	30.4%	32.0%	32.0%	30.4%	30.4%	30.4%
Dividend yield	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Expected option life of the year	2 years	3 years	4 years	4 years	5 years	2 years	3 years	4 years
Risk-free annual interest rate	12.6%	12.6%	12.6%	12.2%	12.2%	12.6%	12.6%	12.6%

24.2. Pension plan

The Company 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 Company'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 March 31, 2016 and December 31,2015, did not have actuarial liabilities there were no actuarial liabilities on behalf of the Company and its subsidiaries arising from the supplementary pension plan.

The contributions made by the Company and its subsidiaries totaled R$ 790 (Company) and R$ 995 (Consolidated) in the period of three months ended March, 31, 2016 (R$ 799 Company and R$ 1,369 Consolidated in the period of three months ended March, 31, 2015), and were recorded as expenses in the period.

25. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Financial income:				
Interest on short-term investments	56,655	34,965	71,413	45,775
Inflation adjustment and foreign exchange gains (a)	296,603	60,769	313,459	92,578
Gains on swap and forward transactions (c)	13,311	457,513	13,732	482,343
Gains on the adjustment of fair value of "financial" and "operational" derivatives	-	-	-	10,310
Other financial income	4,654	4,021	5,853	5,182
Total	371,223	557,268	404,457	636,188
Financial expenses:				
Interest on financing	(70,749)	(44,205)	(83,452)	(57,192)
Inflation adjustment and foreign exchange losses (b)	(127,210)	(511,112)	(156,041)	(542,618)
Losses on swap and forward transactions (d)	(239,187)	(47,279)	(254,080)	(48,573)
Losses on the adjustment of fair value of "financial" and "operational" derivatives	(24,250)	(2,335)	(23,382)	-
Inflation Provision for acquisition of non-controlling interest (note 19.a)	(61,851)	(17,706)	(61,851)	(17,706)
Other financial expenses	(24,706)	(11,178)	(43,476)	(24,732)
Total	(547,953)	(633,815)	(622,282)	(690,821)
Financial expenses, net	(176,730)	(76,547)	(217,825)	(54,633)

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

	Company		Consolidated	
	2016/03	2015/03	2016/03	2015/03
Gains on monetary and exchange variations				
Exchange rate on loans	296,300	60,769	313,297	64,019
Exchange variation of import	303	-	162	696
Exchange variation of receivables export	-	-	-	13,173
Exchange rate changes in accounts payable in foreign subsidiaries	-	-	-	14,690
(a)	296,603	60,769	313,459	92,578
Losses on monetary and exchange variations:				
Exchange rate on loans	(127,112)	(510,100)	(132,097)	(542,509)
Exchange variation of import	-	(1,012)	-	-
Exchange variation of export receivables	-	-	(8,655)	-
Exchange rate changes in accounts payable in foreign subsidiaries	-	-	(14,539)	-
Exchange variation of financing	(98)	-	(750)	(109)
(b)	(127,210)	(511,112)	(156,041)	(542,618)

Gains on forward and swap and fowards transactions:				
Exchange variation of swap instruments	-	438,833	-	461,594
Gain on exchange coupon "swap"	13,311	18,680	13,732	19,227
Exchange variation of "forward" instruments	-	-	-	1,522
(c)	13,311	457,513	13,732	482,343
Losses on swap and forward transactions				
Financial costs swap instruments	(173,840)	-	(184,885)	-
Financial costs – swap	(65,347)	(47,279)	(68,095)	(47,238)
Loss on interest rate swap	-	-	(1,100)	(1,335)
(d)	(239,187)	(47,279)	(254,080)	(48,573)

26. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Gain (loss) on sale of property, plant and equipment	(1,727)	1,030	(1,966)	1,131
Crédit ICMS (a)	6,245	-	6,245	-
Subsidy BNDES, FINAME and FINEP (c)	1,712	1,868	10,884	9,053
Crer para ver (c)	(6,050)	(3,570)	(6,050)	(3,570)
Other net operating income (expenses)	810	525	(1,372)	1,841
Net Other income (expenses)	990	(147)	7,741	8,455

(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.

(c) Allocation of income obtained in the operation of the project "Crer para ver" the Natura Institute.

27. EARNING (LOSSES) PER SHARE

27.1. Basic

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

	2016/03	2015/03
Net income attributable to owners of the Company	(69,116)	119,634
Weighted average of common outstanding shares	431,239,264	431,239,264
Weighted average of treasury shares	(954,584)	(954,584)
Weighted average of outstanding common shares	430,284,680	430,284,680
Basic earnings per share - R$	(0.1606)	0.2780

27.2. Diluted

Diluted earnings (losses) 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 Company has only one category of common shares that would potentially cause dilution: the stock options.

	2016/03	2015/03
Net income attributable to owners of the Company	(69,116)	119,634
Weighted average of outstanding common shares	430,284,680	430,284,680
Adjustment for stock options	70,476	31,321
Weighted average number of common shares for diluted earnings per share calculation purposes	430,355,156	430,316,001
Diluted earnings per share - R$		
Net income attributable to owners of the Company	(0.1606)	0.2780

At March 31, 2016, a total of 5,718,999 outstanding options (7,456,843 at March 31, 2015) 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.

28. RELATED-PARTY TRANSACTIONS

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

	Company	
	2016/03	2015/12
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	1,256	1,986
Natura Logística e Serviços Ltda. (b)	619	1,641
Indústria e Comércio de Cosméticos Natura Ltda. (c)	3,544	5,263
Natura Biosphera Franqueadora Ltda.	85	136
	5,504	9,026
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	53,514	122,309

	Company	
	2016/03	2015/12
Natura Logística e Serviços Ltda. (d)	1,914	6,468
Natura Inovação e Tecnologia de Produtos Ltda. (e)	41,189	20,616
	96,617	149,393
Dividends and interest on capital payable	365	365

Related-party transactions are as follows:

	Company			
	Sale of products		Purchase of products	
	2016/03	2015/12	2016/03	2015/12
Indústria e Comércio de Cosméticos Natura Ltda.	750,310	733,371	-	-
Natura Cosméticos S.A. - Brazil	-	-	604,839	661,774
Natura Cosméticos S.A. - Peru	-	-	16,168	12,344
Natura Cosméticos S.A. - Argentina	-	-	50,883	21,321
Natura Cosméticos S.A. - Chile	-	-	19,440	10,656
Natura Cosméticos S.A. - Mexico	-	-	40,693	16,950
Natura Cosméticos Ltda. - Colombia	-	-	17,235	9,400
Natura Europa SAS - France	-	-	622	763
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	430	163
	750,310	733,371	750,310	733,371

	Service provided		Services received	
	2016/03	2015/12	2016/03	2015/12
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	5,167	47,634	-	-
Natura Cosméticos S.A. - Brazil	-	-	3,035	30,902
Indústria e Comércio de Cosméticos Natura Ltda	-	-	1,630	11,579
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	483	4,958
Natura Biosphera Franqueadora Ltda.	-	-	19	195
	5,167	47,634	5,167	47,634
Products and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	60,630	63,701	-	-
Natura Cosméticos S.A. – Brazil	-	-	60,630	63,701
	60,630	63,701	60,630	63,701
Research and testing “in vitro”: (h)				
Natura Innovation et Technologie de Produits SAS – Franca	40	46		-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	40	46
	40	46	40	46
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	1,913	1,797	-	-
Natura Logística e Serviços Ltda.	-	-	1,365	1,282

Natura Inovação e Tecnologia de Produtos Ltda.	-	-	548	515
	1,913	1,797	1,913	1,797
Total	818,060	846,549	818,060	846,549

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

(b) Advances granted for provision of product separation, packaging 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 March 31, 2016 and December 31, 2015, as well as the intercompany transactions that affected the period then ended in March 31, 2016 and 2015, refer to operations conducted between the Company and its subsidiaries.

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

Due to the Company'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 parent company Natura Cosméticos S.A. in Brazil and to its foreign subsidiaries.

There is no allowance for doubtful accounts recognized for intercompany receivables on March 31, 2016 and December 31, 2015 since there are no past-due receivables with risk of default.

According to note 15, the Group companies usually grant each other pledges and collaterals to guarantee bank loans and financing.

On June 5, 2012, an agreement was entered,still present,into between Indústria e

Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., (“Bres Itupeva”), for the construction and lease of 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.

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

On September 1, 2015, Natura Cosméticos S.A. and RaiaDrogasil S.A. entered into a purchase and sale agreement and other covenants for sale of “SOU” line products in 29 Raia and Drogasil chain stores in Campinas and surrounding region. 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 RaiaDrogasil S.A.

The parties decided to extend the scope of the project for sale throughout the state of São Paulo as from February 20, 2016 and nationwide as from July 1, 2016, execution of amendment to the agreement.

Given that the Company will pay Raia Drogasil five percent (5%) on total products sold, considering the amount indicated in the sales invoice of the Company to Raia Drogasil, it is not possible to define the total agreement amount. Nevertheless, management understands that the operation is significant to the Company.

28.2. Key management personnel compensation

The total compensation of the Company’s and its subsidiaries’ Management is as follows:

	2016/03			2015/12		
	Compensation			Compensation		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Board of Directors	1,258	648	1,906	1,527	764	2,291
Officers (statutory)	3,743	4,379	8,122	2,160	1,867	4,027
	5,001	5,027	10,028	3,687	2,631	6,318
Executives (not statutory)	8,245	4,843	13,088	9,664	5,399	15,063

(*) 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.

28.3. Share-based payments

Breakdown of Company officers and executives' compensation:

	2016/03			2015/03		
	Stock options grant			Stock options grant		
	Stock option balance (number) (a)	Avarege fair value stock option	Average Exercise price - R$ (b)	Stock option balance (number) (a)	Avarege fair value stock option	Average Exercise price - R$ (b)
Officers	2,066,292	12.34	39.82	712,974	12.90	48.27
Executives	2,678,028	12.13	39.82	2,701,276	11.08	48.27

	2016/03	
	Restricted Stock Option	
	Stock option balance (number) (a)	Avarage fair value of shares
Officers	140,831	21.34
Executives	174,000	21.34

(a) Refers to the balance of unexercised vested and unvested options at the end of the reporting period.

(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.

29. COMMITMENTS ASSUMED

29.1. 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, in effect through 2015, which provides for the purchase of a minimum monthly volume of

3.6 Megawatts, equivalent to R$373. As of March 31, 2016, the subsidiary was compliant to the contract's commitment.

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:

	2016/03	2015/12
Less than one year	3,047	4,062
More than one year and less than five years	3,537	3,537
Total	6,584	7,599

29.2. Operating lease transactions

The Company and its subsidiaries have commitments arising from operating leases of properties where some of its foreign subsidiaries, the head office in Brazil and "Casas Natura" in Brazil and abroad 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, for an average of two years.

As of March 31, 2015, and December 31, 2015, the commitment made for future payments of these operating leases had the following maturities:

	Company		Consolidated	
	2016/03	2015/12	2016/03	2015/12
Less than one year	15,991	17,808	27,462	27,961
More than one year and less than five years	40,201	43,156	57,366	62,654
More than five years	161	702	6,617	7,853
Total	56,353	61,666	91,445	98,468

30. INSURANCE

The Group has 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 March 31, 2016, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/inventories	Any damages to buildings, facilities, and machinery and equipment	990,000
Vehicles	Fire, theft and collision for 1,085 vehicles	56,743
Loss of profits	No loss of profits due to material damages to facilities buildings and production machinery and equipment	1,207,000

31. APPROVAL OF FINANCIAL STATEMENTS

The individual and Consolidated interim financial information statements were approved by the Board of Directors and authorized for issue at the meeting held on April 27, 2016.