

**Individual and Consolidated Interim
Financial Information**

Natura Cosméticos S.A.

For the quarter ended June 30, 2016

Natura Cosméticos S.A.

Individual and consolidated interim financial information
June 30, 2016

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(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 June 30, 2016, comprising the balance sheet as of June 30, 2016, the related income statement, the statement of comprehensive income for the three and six-month period then ended, and the statement of changes in equity and statement of cash flows for the six-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 been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim 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 was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34 applicable to the preparation of Quarterly Financial Information, 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 six-month period ended June 30, 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, July 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 JUNE 30, 2016 AND DECEMBER 31, 2015

(In thousands of Brazilian reais - R\$)

ASSETS	Note	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		2016/06	2015/12	2016/06	2015/12			2016/06	2015/12		
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	5	42,848	53,127	1,196,815	1,591,843	Borrowings and financing	15	1,807,305	1,624,686	2,133,356	2,161,383
Short-term investments	6	1,393,179	1,808,328	1,075,361	1,191,836	Trade and other payables	16	191,858	230,100	742,037	802,887
Trade receivables	7	757,021	677,117	957,865	909,013	Suppliers - related parties	28.1.	147,754	149,393	-	-
Inventories	8	205,817	208,113	1,039,286	963,675	Payroll, profit sharing and related taxes		111,432	95,580	223,340	201,200
Recoverable taxes	9	37,706	124,953	311,568	320,392	Taxes payable	17	604,509	629,374	951,690	1,047,961
Related parties	28.1.	5,854	9,026	-	-	Provision for acquisition of non-controlling interest	19.a)	241,487	190,658	241,487	190,658
Derivatives	4.2.	97,673	697,761	108,257	734,497	Other payables		113,887	94,230	186,983	168,831
Other receivables	12	232,891	202,780	311,724	307,450	Total current liabilities		3,218,232	3,014,021	4,478,893	4,572,920
Total current assets		2,772,989	3,781,205	5,000,876	6,018,706						
NON CURRENT ASSETS						NON CURRENT LIABILITIES					
Recoverable taxes	9	31,055	31,055	283,991	289,437	Borrowings and financing	15	2,043,166	2,922,983	2,601,725	3,374,497
Deferred income tax and social contribution	10.a)	216,618	48,525	405,405	212,608	Taxes payable	17	108,450	78,501	162,820	87,744
Escrow deposits	11	243,686	238,498	294,962	287,795	Deferred income tax and social contribution	10.a)	-	-	24,662	34,073
Other noncurrent assets	12	15,160	7,500	20,570	17,604	Provision for losses on investments in subsidiaries	13	-	21,519	-	-
Investments	13	1,955,545	2,001,232	-	-	Provision for tax, civil and labor risks	18	59,360	51,035	84,152	77,858
Property, plant and equipment	14	573,435	558,105	1,717,734	1,752,350	Other non current liabilities	19.b)	61,725	50,366	287,132	170,122
Intangible assets	14	474,959	500,491	753,595	816,481	Total non current liabilities		2,272,701	3,124,404	3,160,491	3,744,294
Total noncurrent assets		3,510,458	3,385,406	3,476,257	3,376,275						
						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		137,909	134,706	137,909	134,706
						Earnings reserves		431,316	409,472	431,316	409,472
						Proposed additional dividend	20.b)	-	123,133	-	123,133
						Adjustment of equity evaluation		(165,933)	(28,347)	(165,933)	(28,347)
						Total equity attributable to owners of the Company		792,514	1,028,186	792,514	1,028,186
						Non controlling interests		-	-	45,235	49,581
						Total shareholders' equity		792,514	1,028,186	837,749	1,077,767
TOTAL ASSETS		6,283,447	7,166,611	8,477,133	9,394,981	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,283,447	7,166,611	8,477,133	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 PERIOD OF THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands of Brazilian reais - R\$, except for dividends per share)

	Note	Company				Consolidated			
		04/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	01/01/2016 to 06/30/2016	01/01/2015 to 06/30/2015	04/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	01/01/2016 to 06/30/2016	01/01/2015 to 06/30/2015
NET REVENUE	22	1,445,071	1,497,139	2,625,584	2,820,624	2,025,658	1,928,893	3,715,359	3,570,692
Cost of sales	23	(530,243)	(560,575)	(986,248)	(1,076,555)	(638,488)	(589,660)	(1,159,305)	(1,084,777)
GROSS PROFIT		914,828	936,564	1,639,336	1,744,069	1,387,170	1,339,233	2,556,054	2,485,915
OPERATING (EXPENSES) INCOME									
Selling, Marketing and Logistics expenses	23	(527,569)	(530,991)	(1,004,648)	(1,006,572)	(770,560)	(745,791)	(1,462,010)	(1,393,817)
Administrative, P&D, IT and Project Expenses	23	(166,111)	(174,809)	(336,028)	(361,620)	(331,829)	(298,838)	(663,077)	(577,231)
Equity in subsidiaries	13	29,591	7,411	49,689	85,248	-	-	-	-
Other operating (expenses) income, net	26	(14,467)	2,240	(13,476)	2,094	(4,415)	9,914	3,326	18,369
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME		236,272	240,415	334,873	463,219	280,366	304,518	434,293	533,236
Financial income	25	346,536	260,173	717,759	817,442	381,116	305,392	785,573	934,542
Financial expenses	25	(478,883)	(366,144)	(1,026,836)	(999,960)	(560,020)	(434,511)	(1,182,302)	(1,118,294)
INCOME (LOSSES) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		103,925	134,444	25,796	280,701	101,462	175,399	37,564	349,484
Income tax and social contribution	10.b)	(12,966)	(17,753)	(3,952)	(44,375)	(9,890)	(57,000)	(14,312)	(111,835)
NET INCOME		90,959	116,691	21,844	236,326	91,572	118,399	23,252	237,649
ATTRIBUTABLE TO									
Owners of the Company		90,959	116,691	21,844	236,326	90,959	116,691	21,844	236,326
Noncontrolling		-	-	-	-	613	1,708	1,408	1,323
		90,959	116,691	21,844	236,326	91,572	118,399	23,252	237,649
EARNINGS PER SHARE - R\$									
Basic	27.1.	0.2114	0.2712	0.0508	0.5492	0.2114	0.2712	0.0508	0.5492
Diluted	27.2.	0.2113	0.2707	0.0507	0.5481	0.2113	0.2707	0.0507	0.5481

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian reais - R\$)

	Note	Company				Consolidated			
		04/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	01/01/2016 to 06/30/2016	01/01/2015 to 06/30/2015	04/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	01/01/2016 to 06/30/2016	01/01/2015 to 06/30/2015
NET INCOME		90,960	116,692	21,844	236,326	91,575	118,402	23,252	237,649
Other comprehensive income to be reclassified to profit or loss in subsequent periods:									
Gain (losses) from translation of financial statements of foreign subsidiaries	13	(63,146)	(16,620)	(118,610)	47,241	(58,118)	(16,668)	(111,557)	40,007
Losses of cash flow hedge	4.2	1,524	(8,030)	(27,915)	(28,471)	2,330	(6,708)	(28,752)	(28,554)
Effect of tax in gain (losses) of cash flow hedge	10	(518)	2,730	9,491	9,680	(792)	2,280	9,776	9,708
Equity in investees of gain (losses) of cash flow hedge	4.2	806	1,322	(837)	(83)	-	-	-	-
Effect of tax in equity in investees of gain (losses) of cash flow hedge	10	(274)	(450)	285	28	-	-	-	-
Other comprehensive losses (Not tax)		<u>167,584</u>	<u>95,644</u>	<u>(115,742)</u>	<u>264,721</u>	<u>34,995</u>	<u>97,306</u>	<u>(107,281)</u>	<u>258,810</u>
ATTRIBUTABLE TO									
Owners of the Company		29,352	95,644	(115,742)	264,721	29,352	95,644	(115,742)	264,721
Noncontrolling		-	-	-	-	5,643	1,662	8,461	(5,911)
		<u>29,352</u>	<u>95,644</u>	<u>(115,742)</u>	<u>264,721</u>	<u>34,995</u>	<u>97,306</u>	<u>(107,281)</u>	<u>258,810</u>

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD OF SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands of Brazilian reais - R\$)

Note	Capital reserves					Earning reserves					Proposed	Adjustment of equity evaluation		Equity attributable to owners of the company	Non-controlling interest in subsidiaries equity	Total Shareholders' equity
	Treasury Capital	Share shares	Investments premium	Additional paid-in Capital	Tax Legal	Reserve for acquisition of non-controlling interest	Earnings retention	Retained earnings	Income from operations of non-controlling	Other comprehensive income						
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	-	-	-	-	-	-	-	-	236,326	-	-	-	-	236,326	1,323	237,649
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	28,395	28,395	(7,234)	21,161
Total comprehensive income	-	-	-	-	-	-	-	-	236,326	-	-	-	28,395	264,721	(5,911)	258,810
Changes in stock option plans of actions and restricted stock:																
(Reversal) grant of stock options plans of actions and restricted stock	-	-	-	(7,195)	-	-	-	-	-	-	-	-	-	(7,195)	-	(7,195)
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	-	-	-	-	-	-	-	(67,781)	67,781	-	-	-	-	-	-	-
Effects from the participation on non-controlling on the shareholders' equity subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,912	30,912
2014 Dividends and interest on shareholders' equity for the period 2014 approved at the AGM of April 14, 2015	-	-	-	-	-	-	-	-	-	(449,273)	-	-	-	(449,273)	-	(449,273)
BALANCES AS OF JUNE 30, 2015	427,073	(37,851)	78,231	17,378	34,474	18,650	20,957	(213,246)	295,135	304,107	-	(16,361)	6,982	935,529	46,404	981,933
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 income	-	-	-	-	-	-	-	-	21,844	-	-	-	-	21,844	1,408	23,252
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(137,586)	(137,586)	7,053	(130,533)
Total comprehensive income	-	-	-	-	-	-	-	-	21,844	-	-	-	(137,586)	(115,742)	8,461	(107,281)
Changes in stock option plans of actions and restricted stock:																
Grant of stock options plans of actions and restricted stock	24.1.	-	-	-	3,203	-	-	-	-	-	-	-	-	3,203	-	3,203
Effects from the participation on non-controlling on the shareholders' equity subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,807)	(12,807)
2015 Dividends and interest on shareholders' equity for the period 2015 approved at the AGM of April 15, 2016	20.b)	-	-	-	-	-	-	-	-	-	(123,133)	-	-	(123,133)	-	(123,133)
BALANCES AS OF JUNE 30, 2016	427,073	(37,851)	78,231	17,378	42,300	18,650	20,957	(79,324)	449,189	21,844	-	(65,159)	(100,774)	792,514	45,235	837,749

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

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NATURA COSMÉTICOS S.A.

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2016 AND 2015
(In thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		2016/06	2015/12	2016/06	2015/12
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		21,844	236,326	23,252	237,649
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		49,500	41,115	127,443	109,874
Provision (reversal) for losses on transactions with derivative contracts " swap " and "forward "	14	486,711	(288,912)	513,946	(315,135)
Provision (reversal) for tax, civil and labor contingencies	18	9,581	(1,452)	8,273	(880)
Monetary restatement of escrow deposits		(9,277)	(7,789)	(11,466)	(9,804)
Income tax and social contribution	10.b)	3,952	44,375	14,312	111,835
Loss on sale and disposal of fixed and intangible assets		3,413	(384)	2,455	(1,240)
Equity income	13	(49,689)	(85,248)	-	-
Interest and exchange variation on loans and financing		(259,720)	400,562	(305,529)	425,262
Exchange variation on other assets and liabilities		(1,712)	2,664	(29,241)	9,492
Provision (reversal) for losses on property		316	(689)	316	(689)
Provision (reversal) related to the grant of options to purchase shares		3,940	(6,832)	3,203	(7,195)
Provision (reversal) for doubtful accounts	7	4,648	(19,293)	3,019	(14,879)
Provision (reversal) for losses on inventories	8	(4,411)	(5,375)	29,059	(184)
Provision of health care plan and carbon credits	19.b)	3,431	946	5,390	1,969
Net income attributable to non-controlling		-	-	(1,408)	(1,323)
Provision for acquisition of non-controlling	19.a)	50,829	67,781	50,829	67,781
		<u>313,356</u>	<u>377,795</u>	<u>433,853</u>	<u>612,533</u>
(INCREASE) DECREASE IN ASSETS					
Trade receivables		(84,552)	13,765	(51,871)	(24,466)
Inventories		6,707	(17,976)	(104,670)	23,179
Recoverable taxes		87,247	(27,024)	14,270	(69,528)
Other receivables		(31,317)	16,819	(12,356)	(1,146)
Subtotal		<u>(21,915)</u>	<u>(14,416)</u>	<u>(154,627)</u>	<u>(71,961)</u>
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		(36,530)	(39,961)	(59,227)	119,155
Payroll, profit sharing and related taxes, net		15,852	987	22,140	895
Taxes payable		(96,135)	(57,224)	(142,622)	(82,500)
Other payables		21,267	(81,480)	21,817	4,428
Subtotal		<u>(95,546)</u>	<u>(177,678)</u>	<u>(157,892)</u>	<u>41,978</u>
CASH GENERATED BY OPERATING ACTIVITIES					
		<u>195,895</u>	<u>185,701</u>	<u>121,334</u>	<u>582,550</u>
OTHERS CASH FLOWS BY OPERATING ACTIVITIES					
Payments of income tax and social contribution		(57,410)	(3,049)	(75,908)	(26,693)
Withdrawal (payment) of escrow deposits		4,089	(4,011)	4,299	(3,754)
Payment of tax, civil and labor contingencies	18	(5,181)	(3,218)	(5,904)	(3,266)
Receivables of derivatives		85,463	188,563	83,542	191,504
Payment of interest on borrowings and financing		(131,117)	(70,843)	(159,366)	(88,582)
NET CASH GENERATED (USED IN) BY OPERATING ACTIVITIES					
		<u>91,739</u>	<u>293,143</u>	<u>(32,003)</u>	<u>651,759</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	14	(52,073)	(56,571)	(110,533)	(140,959)
Receivable from sale of fixed and intangible assets		5,763	3,441	10,058	5,433
Short-term investments		(1,629,599)	(1,957,050)	(2,539,957)	(2,737,816)
Redemption of short-term investments		2,044,748	1,453,739	2,656,432	2,445,403
Capital increase in subsidiaries	13	(53,177)	(15,522)	-	-
Dividends received from subsidiaries	13	7,135	-	-	-
NET CASH GENERATED (USED) IN INVESTING ACTIVITIES					
		<u>322,797</u>	<u>(571,963)</u>	<u>16,000</u>	<u>(427,939)</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Repayments of borrowings and financing - principal		(335,489)	(829,370)	(799,198)	(857,101)
Proceeds from borrowings and financing		33,807	1,542,492	574,327	1,721,574
Payment of dividends and interest on capital of the prior year		(123,133)	(449,273)	(123,133)	(449,273)
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES					
		<u>(424,815)</u>	<u>263,849</u>	<u>(348,004)</u>	<u>415,200</u>
Gain arising on translation foreign currency cash and cash equivalents		-	-	(31,021)	9,767
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>(10,279)</u>	<u>(14,971)</u>	<u>(395,028)</u>	<u>648,787</u>
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		<u>42,848</u>	<u>38,675</u>	<u>1,196,815</u>	<u>1,812,961</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>(10,279)</u>	<u>(14,973)</u>	<u>(395,028)</u>	<u>648,787</u>
ADDITIONAL STATEMENTS OF CASH FLOWS INFORMATION:					
<u>Non cash itens:</u>					
Capitalization of financial leasing		-	80,856	-	80,856
Hedge accounting		23,984	40,495	24,621	40,495
Effects of changes from participation of subsidiaries abroad		-	3,576	-	3,576

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

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

NATURA COSMÉTICOS S.A.

STATEMENTS OF VALUE ADDED
FOR THE QUARTERS ENDED JUNE 30, 2016 AND 2015
(In thousands of Brazilian reais - R\$)

	Note	Company		Consolidated					
		2016/06	2015/12	2016/06	2015/12				
REVENUES		3,645,376	3,757,287	5,179,291	4,925,080				
Sales of products and services		3,663,500	3,735,900	5,178,985	4,891,832				
Allowance for doubtful accounts, net	7	(4,648)	19,293	(3,019)	14,879				
Other operating (expenses) income, net	26	(13,476)	2,094	3,325	18,369				
INPUTS PURCHASED FROM THIRD PARTIES		(2,237,686)	(2,388,339)	(3,020,886)	(2,905,897)				
Cost of sales and services		(1,193,469)	(1,258,516)	(1,707,677)	(1,411,524)				
Materials, electricity, services and others		(1,044,217)	(1,129,823)	(1,313,209)	(1,494,373)				
GROSS VALUE ADDED		1,407,690	1,368,948	2,158,405	2,019,183				
RETENTIONS		(49,500)	(41,115)	(127,443)	(109,874)				
Depreciation and amortization	14	(49,500)	(41,115)	(127,443)	(109,874)				
VALUE ADDED GENERATED BY THE COMPANY		1,358,190	1,327,833	2,030,962	1,909,309				
TRANSFERRED VALUE ADDED		767,448	902,690	785,573	934,542				
Equity in subsidiaries	13	49,689	85,248	-	-				
Financial income - includes inflation and exchange rate variations	25	717,759	817,442	785,573	934,542				
TOTAL VALUE ADDED TO BE DISTRIBUTED		2,125,638	2,230,523	2,816,535	2,843,851				
DISTRIBUTION OF VALUE ADDED:		(2,125,638)	100%	(2,230,523)	100%	(2,816,535)	100%	(2,843,851)	100%
Employees and social charges	24	(259,441)	12%	(222,434)	10%	(677,228)	24%	(591,136)	21%
Taxes and contributions		(802,633)	38%	(758,592)	34%	(911,896)	32%	(871,311)	31%
Financial expenses and rentals		(1,041,720)	49%	(1,013,171)	45%	(1,204,159)	43%	(1,143,755)	40%
Net income attributable to Noncontrolling		-	0%	-	0%	(1,408)	0%	(1,323)	0%
Retained earnings		(21,844)	1%	(236,326)	11%	(21,844)	1%	(236,326)	8%

Supplemental statement of value added information:

The amounts recorded under "Taxes and contributions" in June 2016 and 2015, the amounts of R\$ 419,050 and R\$ 355,125, 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 R\$2,069,822 and R\$2,011,444, in June 2016 and 2015, respectively, considering the estimated profit margin 30%.

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

(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 QUARTER ENDED JUNE 30, 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 quarter ended in June 30, 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 June 30, 2015, presented herein for comparative purposes have been reclassified for better

comparability. In respect of the Statement of Value Added (SVA), 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- %	
	2016/06	2015/06
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
Via Brasil Inc. – EUA - Delaware		
Natura International Inc. - EUA - Nova York	100.00	100.00

	Equity interest- %	
	2016/06	2015/06
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 interim 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, through sales in the retail market. Opened on 26 February 2016.
- 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: refers 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.
- Amendment to IAS 7 - These amendments are part of the initiative to improve IASB disclosures and are effective for annual periods beginning on January 1, 2017.
- Amendments to IAS 12 - These amendments clarify the accounting for deferred tax assets on unrealized losses on debt instruments measured at fair and are effective for annual periods beginning on January 1, 2017.
- Annual Improvements - 2012-2014 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) Retirees 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 factors

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:

<u>Description</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>Fair Value</u>		<u>Fair Value</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Derivatives (financial)	159,214	692,643	170,220	733,228
Derivatives “swap” interest rate	-	-	(422)	(3,849)
Others derivative financial instruments	<u>(61,541)</u>	<u>5,118</u>	<u>(61,541)</u>	<u>5,118</u>
Total	<u>97,673</u>	<u>697,761</u>	<u>108,257</u>	<u>734,497</u>

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 June 30, 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 reduce the currency exposure in Argentina, from May 2016, the Company began to export to that subsidiary in US dollars. 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 June 30, 2016, the Company’s and the consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R\$ 1,987,015 and R\$ 2,122,495, 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 June 30, 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 June 30, 2016 and December 31, 2015 there are no outstanding “operational” derivative transactions.

As of June 30, 2016, outstanding swap and forward contracts, with maturities between August 2016 and July 2021 were entered into the counterparties represented by the banks Bank of America (43%), HSBC (32%), Scotiabank (18%) and Banco de Tokyo (7%) as described below:

Financial derivatives – Company

<u>Type of transaction</u>	<u>Notional</u>		<u>Accrual</u>		<u>Fair Value</u>		<u>Gain (Loss) (adjustment MTM)</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	1,916,869	1,917,821	1,986,516	2,664,811	1,945,349	2,677,972	(41,167)	13,161
Liability position:								
CDI floating rate:								
Short position in CDI	<u>1,916,869</u>	<u>1,917,821</u>	<u>1,779,775</u>	<u>1,973,902</u>	<u>1,786,135</u>	<u>1,985,329</u>	<u>6,360</u>	<u>11,427</u>
Total net financial derivatives:	<u>-</u>	<u>-</u>	<u>206,741</u>	<u>690,909</u>	<u>159,214</u>	<u>692,643</u>	<u>(47,527)</u>	<u>1,734</u>

Financial derivatives - Consolidated

<u>Type of transaction</u>	<u>Notional</u>		<u>Accrual</u>		<u>Fair Value</u>		<u>Gain (Loss) (adjustment MTM)</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	2,042,632	1,993,560	2,126,612	2,781,786	2,078,871	2,792,986	(47,741)	11,200
Liability position:								
CDI floating rate:								
Short position in CDI	<u>2,042,632</u>	<u>1,993,560</u>	<u>1,905,385</u>	<u>2,048,895</u>	<u>1,908,651</u>	<u>2,059,758</u>	<u>3,266</u>	<u>10,863</u>
Total net financial derivatives:	<u>-</u>	<u>-</u>	<u>221,227</u>	<u>732,891</u>	<u>170,220</u>	<u>733,228</u>	<u>(51,007)</u>	<u>337</u>

- (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 June 30, 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:

Since October 2015, the Company entered into derivative financial instruments (Forwards or NDFs) with Bank of America, with maturity at December 15, 2016 in the amount of AU\$ 145.9 million Australian dollars (AU\$ 96.3 million Australian dollars net of the 34% rate of income and social contribution taxes), and the weighted average exchange rate contracted is 2.9343.

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:

Natura Cosméticos S.A.

<u>Type of transaction</u>	<u>Notional</u>		<u>Accrual</u>		<u>Fair Value</u>		<u>Gain (Loss) (adjustment MTM)</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Forward contracts (2):								
Asset position:								
Long position – dollars	149,823	99,700	359,716	217,186	350,522	208,896	(9,194)	(8,290)
Liability position								
Long position – dollars	<u>149,823</u>	<u>99,700</u>	<u>421,238</u>	<u>214,225</u>	<u>412,063</u>	<u>203,778</u>	<u>(9,175)</u>	<u>(10,447)</u>
Total net financial swaps:	<u>-</u>	<u>-</u>	<u>(61,522)</u>	<u>2,961</u>	<u>(61,541)</u>	<u>5,118</u>	<u>(19)</u>	<u>2,157</u>

- (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 June 30, 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:

	<u>Company</u>	<u>Consolidated</u>
Loans and financing registered in Brazil in foreign currency (note 15)	(1,987,015)	(2,122,495)
Receivables registered in Brazil in foreign currency	-	10,471
Accounts payable registered in Brazil in foreign currencies	(6,540)	(9,278)
Provision for acquisition of non-controlling interests (Note 19.a)	(241,487)	(241,487)
Value of the others derivatives financial instruments	359,716	359,716
Tax effect on hedging instrument (a)	(119,578)	(119,578)
Value of the "financial" derivatives	<u>1,986,516</u>	<u>2,126,612</u>
Net exposure	<u>(8,388)</u>	<u>3,961</u>

- (a) This heading considers the effect of 34% (income and social contribution taxes rate) on the contracting of notional amount financial instruments known as Forward Contract or Non-Deliverable Forwards ("NDF") related to provision for acquisition of non-controlling parties, since the variation of this provision for acquisition of non-controlling interests is treated as a nondeductible item for IRPJ and CSLL tax purposes.

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:

Description	Company			
	<u>Company's risk</u>	<u>Probable scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
Net liability exposure	Us dollar appreciation	<u>(226)</u>	<u>(2,380)</u>	<u>(4,533)</u>

Description	Consolidated			
	<u>Company's risk</u>	<u>Probable scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
Net liability exposure	Us dollar appreciation	<u>107</u>	<u>1,124</u>	<u>2,141</u>

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\$ 3.30/ US\$ 1.00) to (R\$ 4.94 /US\$ 1.00). Scenarios II and III consider a 25% (R\$ 4.12 /US\$ 1.00) and 50% (R\$ 4.94 /US\$ 1.00), appreciation of U.S. dollar, respectively. Probable scenarios II and III are presented as required by CVM Instruction 475/08. In assessing possible changes in exchange rates, management uses the probable scenario, which is being presented for compliance with IFRS 7 – 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 June 30, 2016, consolidated balance sheet includes loans issued at higher fixed rates level TJLP represent a liability of R\$ 190,520 (R\$ 185,540 in December 31, 2015). Such funding submitted in June 30, 2016 is protected derivative of the "swap"

Derivative instruments to hedge the risk of interest rate

On June 30, 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

<u>Type of transaction</u>	<u>Notional</u>		<u>Accrual</u>		<u>Fair Value</u>		<u>Gain (Loss) (adjustment MTM)</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
swap" contracts (3):								
Asset position:								
Long position fixed rate	15,000	182,500	190,520	185,540	14,879	183,676	(175,641)	(1,864)
Liabilities position:								
CDI rate post fixed:								
Short position in CDI	<u>15,000</u>	<u>182,500</u>	<u>195,992</u>	<u>187,586</u>	<u>15,301</u>	<u>187,525</u>	<u>(180,691)</u>	<u>(61)</u>
Total net financial swaps:	<u>-</u>	<u>-</u>	<u>(5,472)</u>	<u>(2,046)</u>	<u>(422)</u>	<u>(3,849)</u>	<u>5,050</u>	<u>(1,803)</u>

- (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 June 30, 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:

	<u>Company</u>	<u>Consolidated</u>
Total borrowings and financing - in local currency(note 15)	(1,863,456)	(2,612,586)
Operating in foreign currency with derivatives pegged to CDI (*)	(1,986,516)	(2,126,612)
Short-term investments (notes 5 e 6)	<u>1,394,312</u>	<u>2,041,255</u>
Net exposure	<u>(2,455,660)</u>	<u>(2,697,943)</u>

(*) 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:

<u>Description</u>	Company			
	Company's risk	<u>Probable scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
Net liabilities	Interest rate increase	<u>491</u>	<u>(86,132)</u>	<u>(172,756)</u>

<u>Description</u>	Consolidated			
	Company's risk	<u>Probable scenario</u>	<u>Scenario II</u>	<u>Scenario III</u>
Net liabilities	Interest rate increase	<u>540</u>	<u>(94,630)</u>	<u>(189,800)</u>

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 June 30, 2016 as set out below:

Instrument Designated as Cash Flow Hedge – Company

	Hedged item	Notional currency	Notional value	Accrual value	Fair Value (1)	Others Comprehensive income	
						Total Loss (Gain)	Loss (Gain) in the period
Currency swap - US\$/R\$	Currency	BRL	1,456,690	77,964	41,624	(36,340)	(27,915)

Instrument Designated as Cash Flow Hedge – Consolidated

	Hedged item	Notional currency	Notional value	Accrual value	Fair Value (1)	Others Comprehensive income	
						Total Loss (Gain)	Loss (Gain) in the period
Currency swap - US\$/R\$	Currency	BRL	1,561,565	84,975	47,671	(37,304)	(28,752)

- (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&FBOVESPA.

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 June 30, 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 June 30, 2016 a loss of R\$ 28,752 (R\$ 18,976 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:

<u>Company as of June 30, 2016</u>	<u>Less than one year</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>More than five years</u>	<u>Total</u>	<u>Discount effect/MTM</u>	<u>Carrying amount</u>	
Current:								
Borrowings and financing	1,833,122	-	-	-	1,833,122	(25,817)	1,807,305	
Provision for acquisition of non-controlling interest	241,487	-	-	-	241,487	-	241,487	
Trade payables	339,612	-	-	-	339,612	-	339,612	
Financial instruments	145,219	-	-	-	145,219	(47,546)	97,673	
Noncurrent:								
Borrowings and financing	-	834,557	1,209,992	408,557	2,453,106	(409,940)	2,043,166	
		<u>Less than one year</u>	<u>One to two years</u>	<u>Two to five years</u>	<u>More than five years</u>	<u>Total</u>	<u>Discount effect/MTM</u>	<u>Carrying amount</u>
<u>Consolidated as of June 30, 2016</u>								
Current:								
Borrowings and financing	2,160,283	-	-	-	2,160,283	(26,927)	2,133,356	
Provision for acquisition of non-controlling interest	241,487	-	-	-	241,487	-	241,487	
Trade payables	742,037	-	-	-	742,037	-	742,037	
Financial instruments	154,233	-	-	-	154,233	(45,976)	108,257	
Noncurrent:								
Borrowings and financing	-	1,219,432	1,390,358	577,391	3,187,181	(585,456)	2,601,725	

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 June 30, 2016 and December 31, 2015 are as follows:

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Short- and long-term borrowings and financing (note 15)	3,850,471	4,547,669	4,735,081	5,535,880
Derivatives “financial” and “swap” of interest rate	(159,214)	(692,643)	(169,798)	(729,379)
Cash and cash equivalents and Short-term investments (note 5 and 6)	<u>(1,436,027)</u>	<u>(1,861,455)</u>	<u>(2,272,176)</u>	<u>(2,783,679)</u>
Net debt	<u>2,255,230</u>	<u>1,993,571</u>	<u>2,293,107</u>	<u>2,022,822</u>
Shareholders’ equity	<u>792,514</u>	<u>1,028,186</u>	<u>837,749</u>	<u>1,077,767</u>
Financial leverage ratio	<u>284.57%</u>	<u>193.89%</u>	<u>273.72%</u>	<u>187.69%</u>

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 June 30, 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.

Fair values of financial instruments measured at amortized cost

Short-term investments

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.

Borrowings, financing and debentures

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

The fair value of borrowings and financing contracted at fixed interest rates does not have significant variation related to the book value disclosed in note 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 its subsequent adjustment incurred at the income statement.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Cash and banks	41,715	52,068	230,921	212,014
Bank certificates of deposit -CDB (a)	1,133	1,059	221,165	207,051
Repurchase agreements (b)	-	-	<u>744,729</u>	<u>1,172,778</u>
	<u>42,848</u>	<u>53,127</u>	<u>1,196,815</u>	<u>1,591,843</u>

- (a) At June 30, 2016, Investments in Bank Deposit Certificates are restated with average rate of 101.0% of CDI 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	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Investments funds exclusive	1,371,929	1,786,912	-	-
Investments funds	-	-	84,676	219,845
Certificates of deposits CDB (a)	21,250	21,416	21,250	21,416
Financial letters	-	-	766,594	728,656
Government security	-	-	<u>202,841</u>	<u>221,919</u>
	<u>1,393,179</u>	<u>1,808,328</u>	<u>1,075,361</u>	<u>1,191,836</u>

- (a) Investment in Bank Deposit Certificates are restated with yield interest of 96.3% 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 June 30, 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 June 30, 2016 is as follows:

	<u>Essencial</u>
Floating rate bank certificates of deposits (CDBs)	215,727
Repurchase agreements	744,729
Financial letters	766,594
Government security (LFT)	<u>202,841</u>
	<u>1,929,891</u>

7. TRADE RECEIVABLES

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Trade receivables	858,315	773,763	1,084,570	1,032,699
Allowance for doubtful accounts	<u>(101,294)</u>	<u>(96,646)</u>	<u>(126,705)</u>	<u>(123,686)</u>
	<u>757,021</u>	<u>677,117</u>	<u>957,865</u>	<u>909,013</u>

The aging list of trade receivables is as follows:

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Current	695,990	625,896	860,012	799,950
Past due:				
Up to 30 days	55,574	50,981	88,608	103,650
31 to 60 days	25,798	28,529	36,308	39,939
61 to 90 days	22,513	18,045	26,938	24,757
91 to 180 days	58,440	50,312	72,704	64,403
Allowance for doubtful accounts	<u>(101,294)</u>	<u>(96,646)</u>	<u>(126,705)</u>	<u>(123,686)</u>
	<u>757,021</u>	<u>677,117</u>	<u>957,865</u>	<u>909,013</u>

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 81% of the outstanding balance as of June 30, 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 six months ended June 30, 2016 and 2015 are as follows:

Company				Consolidated			
<u>Balance at</u>		<u>Write-</u>	<u>Balance at</u>	<u>Balance at</u>		<u>Write-</u>	<u>Balance at</u>
<u>2015/12</u>	<u>Additions (a)</u>	<u>offs (b)</u>	<u>2016/06</u>	<u>2015/12</u>	<u>Additions (a)</u>	<u>offs (b)</u>	<u>2016/06</u>
<u>(96,646)</u>	<u>(87,088)</u>	<u>82,440</u>	<u>(101,294)</u>	<u>(123,686)</u>	<u>(113,222)</u>	<u>110,203</u>	<u>(126,705)</u>

Company				Consolidated			
<u>Balance at</u>		<u>Write-</u>	<u>Balance at</u>	<u>Balance at</u>		<u>Write-</u>	<u>Balance at</u>
<u>2014/12</u>	<u>Additions (a)</u>	<u>offs (b)</u>	<u>2015/06</u>	<u>2014/12</u>	<u>Additions (a)</u>	<u>offs (b)</u>	<u>2015/06</u>
<u>(88,384)</u>	<u>(59,603)</u>	<u>78,896</u>	<u>(69,091)</u>	<u>(117,270)</u>	<u>(69,596)</u>	<u>84,475</u>	<u>(102,391)</u>

(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	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Finished products	194,719	200,953	837,491	750,151
Raw materials and packaging	-	-	212,110	202,124
Promotional material	22,107	22,580	92,086	87,201
Work in progress	-	-	26,894	24,435
Allowance for losses	<u>(11,009)</u>	<u>(15,420)</u>	<u>(129,295)</u>	<u>(100,236)</u>
	<u>205.817</u>	<u>208.113</u>	<u>1.039,286</u>	<u>963.675</u>

The changes in the allowance for inventory losses for the period of six months ended June 30, 2016 and 2015 are as follows:

Company				Consolidated			
<u>Balance at</u>	Reversals	Write-	<u>Balance at</u>	<u>Balance at</u>	Reversals	Write-	<u>Balance at</u>
<u>2015/12</u>	(Additions)	off (b)	<u>2016/06</u>	<u>2015/12</u>	(Additions)(a)	off (b)	<u>2016/06</u>
	(a)	(b)					
<u>(15,420)</u>	<u>2,576</u>	<u>1,835</u>	<u>(11,009)</u>	<u>(100,236)</u>	<u>(75,705)</u>	<u>46,646</u>	<u>(129,295)</u>

Company				Consolidated			
<u>Balance at</u>	Reversals	Write-	<u>Balance at</u>	<u>Balance at</u>	Reversals	Write-	<u>Balance at</u>
<u>2014/12</u>	(Additions)	off (b)	<u>2015/06</u>	<u>2014/12</u>	(Additions)(a)	off (b)	<u>2015/06</u>
	(a)	(b)					
<u>(17,872)</u>	<u>1,725</u>	<u>3,650</u>	<u>(12,497)</u>	<u>(85,966)</u>	<u>(25,723)</u>	<u>25,907</u>	<u>(85,782)</u>

(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	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
ICMS on purchases of goods	3,185	6,968	412,414	350,468
Refundable ICMS - ST on interstate sales	-	223	-	223
Taxes - foreign subsidiaries	-	-	39,386	40,841
ICMS on purchases of fixed assets	1,878	2,542	23,203	28,321
PIS and COFINS on purchases of fixed assets	31,351	31,633	37,592	38,123

PIS and COFINS on purchase of goods	19,051	21,684	19,051	21,684
PIS and COFINS resulting from win on a lawsuit (a)	-	-	7,670	7,670
IRPJ and CSLL	13,130	91,256	28,783	94,953
PIS, COFINS and CSLL - withheld at source	56	56	1,220	1,640
IPI recover	110	1,642	26,240	22,957
Others	-	4	-	2,949
	<u>68,761</u>	<u>156,008</u>	<u>595,559</u>	<u>609,829</u>
Current	<u>37,706</u>	<u>124,953</u>	<u>311,568</u>	<u>320,392</u>
Noncurrent	<u>31,055</u>	<u>31,055</u>	<u>283,991</u>	<u>289,437</u>

(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.

10. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) result from temporary differences in the Company and in its subsidiaries. For certain subsidiaries 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 deferred income tax and social contribution – Assets:

	Company		Consolidated	
	2016/06	2015/12	2016/06	2015/12
Tax loss carryforwards and CSLL tax loss	79,693	142,118	83,276	165,910
Allowance for doubtful accounts (note 7)	34,440	32,860	44,347	43,290
Allowance for losses on inventories realization (note 8)	3,743	5,243	45,253	35,083
Reserve for tax, civil and labor contingencies (note 18)	20,182	17,352	29,453	25,064
Non-inclusion of ICMS in the PIS and COFINS basis (note 17.a)	817	789	92,928	85,727
Gains from changes in fair value of derivative instruments (note 4.2)	(33,209)	(237,238)	(36,807)	(250,455)
Provision for ICMS – ST (note 17.b)	35,242	27,692	35,242	27,692
Allowances for losses on advances to suppliers	2,209	2,405	2,209	2,405
Accrued benefits sharing and partnerships	13,866	10,578	13,866	10,578
Temporary differences of foreign subsidiaries	-	-	20,185	12,545
Provision for profit sharing	11,636	10,814	19,191	16,327
Depreciation rate adjustments to useful lives	(46,840)	(35,587)	(86,189)	(60,629)

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Provision for interest – injunction (Interest - CNs)	23,170	18,347	23,170	18,347
Provision carbon credits	4,125	3,224	4,125	3,224
Profit on effects not eliminated in inventories	-	-	9,725	5,481
Provision for losses – property and intangible (note 14)	4,290	4,183	8,191	8,488
INSS with Suspended Liability (note 17)	2,249	1,578	7,356	5,940
IPI – Decree n° 8393/2015	31,196	18,287	32,877	19,805
Others expenses provision (a)	23,998	18,628	33,087	25,643
Other temporary differences	<u>5,811</u>	<u>7,252</u>	<u>23,920</u>	<u>12,143</u>
	<u>216,618</u>	<u>48,525</u>	<u>405,405</u>	<u>212,608</u>

(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 deferred income tax and social contribution– Liabilities:

	<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/12</u>
Fair value of identifiable assets – Emeis Holding Pty Ltd.	24,662	30,205
Other temporary differences	-	3,868
Total	<u>24,662</u>	<u>34,073</u>

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:

	<u>Company</u>	<u>Consolidated</u>
2016 (6 months)	50,897	108,602
2017	86,908	151,131
2018	12,962	22,393
2019 and thereafter	<u>65,851</u>	<u>123,279</u>
	<u>216,618</u>	<u>405,405</u>

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 June 30, 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	253,669
Australia (Substantially by operations in the US and Brazil)	14,402
France	228,687

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:

	<u>Mexico</u>
2016 (6 months)	15,791
2017	7,019
2018 até 2022	<u>230,859</u>
	<u>253,669</u>

b) Reconciliation of income tax and social contribution

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Income before income tax and social contribution	25,796	280,701	37,563	349,484
Income tax and social contribution at the rate of 34%	(8,771)	(95,438)	(12,771)	(118,825)
Technological research and innovation benefit - Law 11196/05 (a)	7,181	6,119	7,181	6,119
Tax incentives	2,375	1,787	3,152	2,478
Equity in investees (note 13)	16,894	28,984	-	-
Fair value of restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.(b)	(17,282)	-	(17,282)	-
Tax benefit of interest on equity (IOE)	5,916	6,908	5,916	6,908
Tax impact on finance lease treatment	(1,688)	(1,726)	(1,869)	(1,726)
Other permanent differences	<u>(8,577)</u>	<u>8,991</u>	<u>1,361</u>	<u>(6,789)</u>
Income tax and social contribution expenses	<u>(3,952)</u>	<u>(44,375)</u>	<u>(14,312)</u>	<u>(111,835)</u>
Income tax and social contribution - current	(162,554)	(90,315)	(201,260)	(143,037)
Income tax and social contribution - deferred	158,602	45,940	186,948	31,202
Effective rate - %	15.3	15.8	38.1	32.0

(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 six months ended in June 30, 2016 and 2015 were as follows:

Company				Consolidated				
<u>2015/12</u>	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	<u>2016/06</u>	<u>2015/12</u>	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	Transfer between income tax and social contribution deferred tax liabilities and assets	<u>2016/06</u>
<u>48,525</u>	<u>158,602</u>	<u>9,491</u>	<u>216,618</u>	<u>212,608</u>	<u>186,098</u>	<u>9,776</u>	<u>(3,077)</u>	<u>405,405</u>

Company				Consolidated			
<u>2014/12</u>	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	<u>2015/06</u>	<u>2014/12</u>	Charged/(Credit) to profit or loss	(Charged)/Credit Other comprehensive income	<u>2015/06</u>
<u>6,222</u>	<u>45,940</u>	<u>9,680</u>	<u>61,842</u>	<u>147,763</u>	<u>31,202</u>	<u>9,708</u>	<u>188,673</u>

The changes in deferred liabilities income tax and social contribution for the period of six months ended in June 30, 2016 in consolidated were as follows:

Consolidated				
<u>2015/12</u>	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	<u>2016/06</u>
<u>(34,073)</u>	<u>850</u>	<u>3,077</u>	<u>5,484</u>	<u>(24,662)</u>

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 June 30, 2016 and December 31, 2015 are as follows:

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Unaccrued tax lawsuits(i)	146,681	141,457	152,621	147,287
Accrued tax lawsuits (ii)	88,171	88,292	130,255	128,439
Unaccrued civil lawsuits	999	1,337	1,245	1,575
Accrued civil lawsuits (note 18)	1,032	777	1,215	1,067
Unaccrued labor lawsuits	3,311	3,140	4,777	4,602
Accrued labor lawsuits (note 18)	<u>3,492</u>	<u>3,495</u>	<u>4,849</u>	<u>4,825</u>
Total escrow deposits	<u>243,686</u>	<u>238,498</u>	<u>294,962</u>	<u>287,795</u>

- (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) “INSS – Suspended Enforceability” and the amount accrued in the note 18.

12. OTHER CURRENT AND NON CURRENT ASSETS

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Marketing and advertising advances	91,003	94,610	100,722	102,753
Supplier advances	139,291	101,776	153,760	122,072
Employee advances	3,931	3,207	7,678	11,731
Rent advances	-	-	17,896	19,132
Insurance	880	2,968	3,826	6,866
Import taxes	323	325	10,925	18,973
Assets held for sale (a)	160	-	2,570	7,000
Carbon credits (b)	11,677	7,078	11,677	7,078
Other	<u>786</u>	<u>316</u>	<u>23,240</u>	<u>29,449</u>
	<u>248,051</u>	<u>210,280</u>	<u>332,294</u>	<u>325,054</u>
Current	<u>232,891</u>	<u>202,780</u>	<u>311,724</u>	<u>307,450</u>
Non-current	<u>15,160</u>	<u>7,500</u>	<u>20,570</u>	<u>17,604</u>

- (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.

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13. INVESTMENTS

	<u>Company</u>	
	<u>2016/03</u>	<u>2015/12</u>
Investments	1,955,545	2,001,232
Provision for losses on investments in subsidiaries	<u>-</u>	<u>(21,519)</u>
Investments in subsidiaries	<u>1,955,545</u>	<u>1,979,713</u>

Information and changes in the balances for the period of six months ended in June 30,2016

	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) Internacional B.V. - Holanda (*)	Natura Cosméticos Espana S.L.	Natura Biosphera Franqueadora Ltda.	Natura Comercial 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%	99,99%	100,00%	
Subsidiaries' shareholders' equity	1,285,471	104,160	14,715	156,702	226	90,932	6,579	33,625	12,124	603	5,964	16,376	258,373	1,985,850
Interest in shareholders' equity	1,255,209	104,150	14,714	156,686	226	90,923	6,578	33,622	12,124	603	5,963	16,374	258,373	1,955,545
Subsidiaries' net income (loss) for the period	5,065	14,241	9,003	239	-	14,587	6,945	11,310	(16,839)	-	(935)	274	5,807	49,697
Carrying amount of investments														
Balance as of December 31, 2014	<u>1.159.394</u>	<u>76.653</u>	<u>14.030</u>	<u>135.115</u>	<u>297</u>	<u>38.686</u>	<u>1.788</u>	<u>11.900</u>	<u>14.209</u>	<u>603</u>	<u>(585)</u>	<u>=</u>	<u>179.792</u>	<u>1.631.882</u>
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	<u>1.251.225</u>	<u>111.453</u>	<u>7.970</u>	<u>219.273</u>	<u>436</u>	<u>77.649</u>	<u>(21.519)</u>	<u>26.170</u>	<u>14.298</u>	<u>603</u>	<u>6.398</u>	<u>=</u>	<u>285.757</u>	<u>1.979.713</u>
Equity in investees	5,064	14,240	9,002	239	-	14,586	6,944	11,309	(16,841)	-	(935)	274	5,807	49,689
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	(55)	(14,408)	(2,258)	(62,826)	(210)	(1,048)	2,235	(3,857)	(2,992)	-	-	-	(33,191)	(118,610)
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	(473)	-	-	-	-	(264)	-	-	-	-	-	-	-	(737)
Effects of hedge accounting (net tax)	(552)	-	-	-	-	-	-	-	-	-	-	-	-	(552)
Dividends distribution	-	(7,135)	-	-	-	-	-	-	-	-	-	-	-	(7,135)
Capital increases	-	-	-	-	-	-	18,918	-	17,659	-	500	16,100	-	53,177
Balance as of June 30, 2016	<u>1.255.209</u>	<u>104.150</u>	<u>14.714</u>	<u>156.686</u>	<u>226</u>	<u>90.923</u>	<u>6.578</u>	<u>33.622</u>	<u>12.124</u>	<u>603</u>	<u>5.963</u>	<u>16.374</u>	<u>258.373</u>	<u>1.955.545</u>

(*) 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) Internacional B.V. - Holanda: Natura (Brasil) Internacional 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 EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment

	Company						2016/06
	Weighted average annual depreciation rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	
Cost Value:							
Vehicles	33	43,855	2,508	(4,941)	-	15	41,437
Machinery and equipment	7	178,816	416	-	153	-	179,385
Improvements in third party properties (a)	12	69,686	122	-	7,052	-	76,860
Buildings	3	331,823	-	-	-	-	331,823
Furniture and fixtures	7	14,030	157	(3)	773	(105)	14,852
Properties	-	4,413	-	-	-	-	4,413
IT equipment	20	95,341	2,022	(30)	30,989	-	128,322
Projects in progress	-	8,071	22,662	(6,114)	(17,713)	-	6,906
Provision for losses	-	<u>(12,303)</u>	<u>(316)</u>	-	-	-	<u>(12,619)</u>
Total cost value		<u>733,732</u>	<u>27,571</u>	<u>(11,088)</u>	<u>21,254</u>	<u>(90)</u>	<u>771,379</u>
Depreciation Value:							
Vehicles	33	(18,808)	(4,849)	2,114	-	-	(21,543)
Machinery and equipment	7	(44,432)	(5,909)	-	-	-	(50,341)
Improvements in third party properties (a)	12	(22,754)	(2,129)	-	-	-	(24,883)
Buildings	3	(18,873)	(3,002)	-	-	-	(21,875)
Furniture and fixtures	7	(3,731)	(404)	1	-	38	(4,096)
IT Equipment	20	<u>(67,029)</u>	<u>(8,207)</u>	<u>30</u>	-	-	<u>(75,206)</u>
Total depreciation		<u>(175,627)</u>	<u>(24,500)</u>	<u>2,145</u>	<u>-</u>	<u>38</u>	<u>(197,944)</u>
Total		<u>558,105</u>	<u>3,071</u>	<u>(8,943)</u>	<u>21,254</u>	<u>(52)</u>	<u>573,435</u>

	Consolidated						2016/06
	Weighted average annual depreciation rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	
Cost Value:							
Vehicles	33	75,079	5,667	(6,831)	4,652	(6,918)	71,649
Templates	33	228,576	734	-	1,740	(41)	231,009
Tools and accessories	8	45,642	26	-	(41,237)	(223)	4,208
Facilities	6	256,580	1,001	(26)	22,928	(1,759)	278,724
Machinery and equipment	7	767,012	5,224	(332)	46,109	(7,211)	810,802
Improvements in third party properties (a)	12	158,058	6,908	(1,072)	46,466	(15,609)	194,751
Buildings	3	758,645	247	-	-	-	758,892
Furniture and fixtures	7	60,350	1,952	(21)	8,374	(5,641)	65,014
Properties	-	30,525	-	-	-	-	30,525
IT equipment	20	138,525	4,541	(361)	38,641	(5,924)	175,422
Projects in progress	-	142,936	54,376	(8,233)	(118,565)	(5,082)	65,432
Provision for losses	-	<u>(24,965)</u>	<u>(316)</u>	-	-	<u>1,877</u>	<u>(23,404)</u>
Total cost value		<u>2,636,963</u>	<u>80,360</u>	<u>(16,876)</u>	<u>9,108</u>	<u>(46,531)</u>	<u>2,663,024</u>
Depreciation value:							
Vehicles	33	(29,282)	(8,319)	3,819	(2,971)	2,402	(34,351)
Templates	33	(170,542)	(14,694)	-	26	18	(185,192)
Tools and accessories	8	(25,696)	(327)	-	22,135	783	(3,105)
Facilities	6	(94,884)	(6,375)	26	(7,040)	1,082	(107,191)
Machinery and equipment	7	(275,723)	(23,769)	191	5,593	1,708	(292,000)

Natura Cosméticos S.A.

Improvements in third party properties (a)	12	(68,872)	(12,089)	206	(11,827)	10,662	(81,920)
Buildings	3	(107,698)	(8,088)	-	(1)	7	(115,780)
Furniture and fixtures	7	(18,539)	(3,075)	8	(3,727)	2,560	(22,773)
IT equipment	20	(93,377)	(11,161)	186	(2,728)	4,102	(102,978)
Total depreciation		<u>(884,613)</u>	<u>(87,897)</u>	<u>4,436</u>	<u>(540)</u>	<u>23,324</u>	<u>(945,290)</u>
Total		<u>1,752,350</u>	<u>(7,537)</u>	<u>(12,440)</u>	<u>8,568</u>	<u>(23,207)</u>	<u>1,717,734</u>

Intangible

Company

	Weighted average annual depreciation rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016/06
Cost Value:							
Software and others	10	665,215	24,186	(234)	(21,254)	-	667,913
Total cost value		<u>665,215</u>	<u>24,186</u>	<u>(234)</u>	<u>(21,254)</u>	<u>-</u>	<u>667,913</u>
Amortization Value:							
Software and others	10	(164,724)	(25,000)	-	-	(3,230)	(192,954)
Total amortization value		<u>(164,724)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(3,230)</u>	<u>(192,954)</u>
Total		<u>500,491</u>	<u>(814)</u>	<u>(234)</u>	<u>(21,254)</u>	<u>(3,230)</u>	<u>474,959</u>

Consolidated

	Weighted average annual amortization rate - %	2015/12	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes including exchange rate	2016/06
Cost Value:							
Software and others	10	821,976	29,516	(72)	(16,536)	(16,127)	818,757
Trademarks and patents (d)	4	112,440	341	-	8,314	(19,582)	101,513
Goodwill Emeis (Brazil PTY) (b)	-	101,003	-	-	-	(16,557)	84,446
Relationship with clients (d)	11	1,814	-	-	-	(297)	1,517
Natura Comercial Ltda.- trade funds	-	-	-	-	2,523	-	2,523
Natura Europa SAS – France trade funds (c)	-	5,596	-	-	(3,409)	(366)	1,821
Total cost value		<u>1,042,829</u>	<u>29,857</u>	<u>(72)</u>	<u>(9,108)</u>	<u>(52,929)</u>	<u>1,010,577</u>
Amortization Value:							
Software and others	10	(213,034)	(37,402)	(1)	3,581	5,691	(241,165)
Trademarks and patents (d)	4	(12,743)	(2,063)	-	(3,030)	2,576	(15,260)
Relationship with clients (d)	11	(571)	(81)	-	(11)	106	(557)
Total amortization		<u>(226,348)</u>	<u>(39,546)</u>	<u>(1)</u>	<u>540</u>	<u>8,373</u>	<u>(256,982)</u>
Total		<u>816,481</u>	<u>(9,689)</u>	<u>(73)</u>	<u>(8,568)</u>	<u>(44,556)</u>	<u>753,595</u>

- (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.
- (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 June 30, 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:

	<u>Consolidated</u>
Vehicles	109
IT Equipment	4
Machinery and equipment	8
Building	2
Templates	3
Properties	<u>2</u>
Total	<u>128</u>

b) Leases

As of June 30, 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\$ 430,823 (Consolidated) (R\$435,313 as of December 31, 2015 – Consolidated).

Balance of capitalized interest

	<u>2016/06</u>	<u>2015/12</u>
Financial expenses recorded under “Buildings”		
Balance at beginning	5,354	5,741
Depreciation	<u>(194)</u>	<u>(387)</u>
Balance at	<u>5,160</u>	<u>5,354</u>

15. BORROWINGS AND FINANCING

	Company		Consolidated		Reference
	2016/06	2015/12	2016/06	2016/03	
<u>Local Currency</u>					
FINEP (Financing Agency for Studies and projects)	-	-	97,873	160,752	A
Debentures	1,462,250	1,461,394	1,462,250	1,461,395	B
BNDES	42,275	57,925	122,901	170,301	C
BNDES EXIM	-	-	182,727	-	D
Working capital / NCE	-	-	50,526	256,124	E
BNDES – FINAME	1,355	1,755	62,631	13,592	F
Financial lease (Note 14.b)	357,576	360,435	430,823	435,313	G
FINEP (Grants and Government Assistance)	-	-	11	11	H
International operation – Peru	-	-	47,790	66,879	I
International operation – Mexico	-	-	67,443	96,007	J
International operation – Australia	-	-	51,607	62,085	K
International operation - Colombia	-	-	36,004	31,367	L
<u>Total in local currency</u>	<u>1,863,456</u>	<u>1,881,509</u>	<u>2,612,586</u>	<u>2,753,826</u>	
<u>Foreign Currency</u>					
BNDES	15,006	21,845	36,674	51,628	M
Resolution 4131/62	1,972,009	2,644,315	2,085,821	2,730,426	N
<u>Total in foreign currency</u>	<u>1,987,015</u>	<u>2,666,160</u>	<u>2,122,495</u>	<u>2,782,054</u>	
Grand total	<u>3,850,471</u>	<u>4,547,669</u>	<u>4,735,081</u>	<u>5,535,880</u>	
Current	<u>1,807,305</u>	<u>1,624,686</u>	<u>2,133,356</u>	<u>2,161,383</u>	
Non Current	<u>2,043,166</u>	<u>2,922,983</u>	<u>2,601,725</u>	<u>3,374,497</u>	

Natura Cosméticos S.A.

Reference	Currency	Maturity	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	June, 2018	For 30% of the credit facility, SELIC rate + 0.4% p.a.; for 70% of the facility, Long-Term Interest Rate (TJLP). Both facilities further include the BNDES basic remuneration (2% p.a.) and the Intermediary Bank remuneration.	Guarantee of Natura Cosméticos S.A.
E	Real	Through August,2017	Interest of 8% p.y. (c) and Interest of 107% of CDI (c)	Guarantee of Natura Cosméticos S.A.
F	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.
G	Real	Through August,2026	Interest of 9%py + IPCA (b)	Alienation chattel of leases contracts.
H	Real	July, 2016	None	None
I	Novo sol	Through March,2016	Interest of 5.9%py to 6.3% p.y.	Guarantee of Natura Cosméticos S.A.
J	Peso Mexicano	Through June, 2016	Interest of 0,98% a.a. to 1,2% p.y. + TIII (e)	Guarantee of Natura Cosméticos S.A.
K	Australian dollar	December, 2017	BBSY + interest 1% and Libor + interest 1%. (f)	Bank guarantee
L	Peso Colombiano	Through March,2016	Interest of 8.3%py	Guarantee of Natura Cosméticos S.A.
M	Dollar	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
N	Dollar	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) TIII-interest rate of interbank equilibrium Mexico
- (f) BBSY - Bank Bill Swap Bid Rate

Maturities of non-current liabilities are as follows:

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
From January 2017	478,403	1,348,209	547,574	1,512,462
2018	318,921	329,512	588,322	381,556
2019	1,039,532	1,041,225	1,082,165	1,110,143
2020 and thereafter	<u>206,310</u>	<u>204,037</u>	<u>383,664</u>	<u>370,336</u>
	<u>2,043,166</u>	<u>2,922,983</u>	<u>2,601,725</u>	<u>3,374,497</u>

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 and 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. Export Financing - BNDES Exim

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

3. Financing agreement with the FINEP

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

4. Machinery and Equipment Financing - FINAME

The 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.

5. 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.

6. NCE

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

7. Debentures

On February 25, 2014, the CIA conducted the 5th issue of simple debentures, not convertible into shares, nominative and, unsecured, Natura Cosmetics SA, amounting to R\$ 600 million. 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:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Gross finance lease obligations - minimum lease payments:				
Less than one year	52,726	49,496	64,719	60,962
More than one year and less than five years	238,114	226,618	293,440	279,939
More than five years	<u>426,732</u>	<u>465,651</u>	<u>558,410</u>	<u>603,024</u>
	717,572	741,765	916,569	943,925
Future financing charges on finance leases	<u>(359,996)</u>	<u>(381,330)</u>	<u>(485,746)</u>	<u>(508,612)</u>
Financial lease obligations - accounting balance	<u>357,576</u>	<u>360,435</u>	<u>430,823</u>	<u>435,313</u>
Accounting balance of property, plant and equipment	<u>315,483</u>	<u>318,304</u>	<u>377,141</u>	<u>382,397</u>

c) Contract Covenants

On June 30, 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 June 30, 2016, the Company had fully complied with all such covenants.

16. TRADE AND OTHER PAYABLES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/05</u>	<u>2016/06</u>	<u>2015/05</u>
Domestic trade payables	170,034	215,981	619,544	669,228
Foreign trade payables (a)	6,540	9,703	9,278	30,077
“Drawn risk” operation (b)	<u>15,284</u>	<u>4,416</u>	<u>113,215</u>	<u>103,582</u>
	<u>191,858</u>	<u>230,100</u>	<u>742,037</u>	<u>802,887</u>

(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 PAYABLES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Taxes on revenue (PIS/COFINS) (judicial remedy) (a)	2,403	2,321	273,318	252,138
Ordinary ICMS	111,672	158,437	112,168	158,464
ICMS ST to payable (b)	103,652	81,445	103,652	81,445
IRPJ and CSLL to payable	84,194	117,280	114,001	151,833
IRPJ and CSLL (injunction) (c)	302,393	268,712	302,393	268,712
IPI and IRRF	97,118	64,263	104,054	73,210
INSS – suspension of the enforceability	6,616	4,461	21,635	17,469
UFIR adjustment to federal taxes	-	2,102	-	2,144
Action for annulment of INSS debt	-	3,810	-	3,810
Withholding PIS/COFINS/CSLL	4,605	4,519	6,356	9,618
TAX- subsidiaries abroad	-	-	74,520	114,107
Service tax (ISS and INSS)	<u>306</u>	<u>525</u>	<u>2,413</u>	<u>2,755</u>
	<u>712,959</u>	<u>707,875</u>	<u>1,114,510</u>	<u>1,135,705</u>
Escrow deposits (note 11)	<u>(75,141)</u>	<u>(78,501)</u>	<u>(116,498)</u>	<u>(117,949)</u>
Current	<u>604,509</u>	<u>629,374</u>	<u>951,690</u>	<u>1,047,961</u>
Non current	<u>108,450</u>	<u>78,501</u>	<u>162,820</u>	<u>87,744</u>

- (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 June 30, 2016 refer to the unpaid amounts of PIS and COFINS, from April 2007 to June 30, 2016, the collection of which is on hold. Part of the balance, in the adjusted amount of R\$ 36,946 is deposited in escrow to Consolidated which R\$ 273,318 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				
	<u>2015/12</u>	Inflation <u>adjustment</u>	<u>Payments</u>	<u>Transfer to provision for tax risk</u>	<u>2016/06</u>
Action for annulment of INSS debt	3,810	115	-	(3,925)	-
UFIR adjustment to federal taxes	<u>2,102</u>	<u>57</u>	<u>(2,159)</u>	-	-
	<u>5,912</u>	<u>172</u>	<u>(2,159)</u>	<u>(3,925)</u>	<u>=</u>

	Consolidated				
	<u>2015/12</u>	Inflation <u>adjustment</u>	<u>Payments</u>	<u>Transfer to provision for tax risk</u>	<u>2016/06</u>
Action for annulment of INSS debt	3,810	115	-	(3,925)	-
UFIR adjustment to federal taxes	<u>2,144</u>	<u>59</u>	<u>(2,203)</u>	=	=
	<u>5,954</u>	<u>174</u>	<u>(2,203)</u>	<u>(3,925)</u>	<u>=</u>

18. PROVISION FOR TAX, CIVIL AND LABOR RISKS

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

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Tax	34,039	29,920	45,312	40,622
Civil	11,348	10,839	14,969	17,923
Labor	<u>13,973</u>	<u>10,276</u>	<u>23,871</u>	<u>19,313</u>
Total	<u>59,360</u>	<u>51,035</u>	<u>84,152</u>	<u>77,858</u>
Escrow deposits (note 11)	<u>(17,554)</u>	<u>(14,064)</u>	<u>(19,821)</u>	<u>(16,383)</u>

Tax contingencies

The provision for tax risks is broken down as follows:

	Company					<u>2016/06</u>
	<u>2015/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Transfer of tax liabilities</u>	<u>Inflation adjustment</u>	
Legal fees (a)	17,199	2,095	(2,292)	-	763	17,765
CSLL deductibility (Law 9316/96) (b)	9,015	-	(4,853)	-	159	4,321
Others	<u>3,706</u>	<u>4,158</u>	<u>-</u>	<u>3,925</u>	<u>164</u>	<u>11,953</u>
Total provision for tax contingencies	<u>29,920</u>	<u>6,253</u>	<u>(7,145)</u>	<u>3,925</u>	<u>1,086</u>	<u>34,039</u>
Escrow Deposits (note 11)	<u>(9,792)</u>	<u>(2,100)</u>	<u>2,968</u>	<u>(3,825)</u>	<u>(281)</u>	<u>(13,030)</u>

	Consolidated					<u>2016/06</u>
	<u>2015/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Transfer of tax liabilities</u>	<u>Inflation adjustment</u>	
Legal fees (a)	27,120	2,909	(2,985)	-	1,184	28,228
CSLL deductibility (Law 9316/96) (b)	9,015	-	(4,853)	-	159	4,321
Others	<u>4,487</u>	<u>4,158</u>	<u>-</u>	<u>3,925</u>	<u>193</u>	<u>12,763</u>
Total provision for tax contingencies	<u>40,622</u>	<u>7,067</u>	<u>(7,838)</u>	<u>3,925</u>	<u>1,536</u>	<u>45,312</u>
Escrow Deposits (note 11)	<u>(10,491)</u>	<u>(2,100)</u>	<u>2,968</u>	<u>(3,825)</u>	<u>(309)</u>	<u>(13,757)</u>

(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 updated 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. 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 adherence 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\$ 7,323 (R\$ 7,118 at December 31, 2015), which includes risk assessment as probable and possible.

Civil risk

	Company					2016/06
	<u>2015/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Inflation adjustment</u>	
Several civil lawsuits (a)	6,267	3,580	-	(3,146)	30	6,731
Lawyer fees - environmental civil lawsuit (b)	2,696	173	-	-	120	2,989
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	<u>1,876</u>	<u>412</u>	=	<u>(760)</u>	<u>100</u>	<u>1,628</u>
Total provision for civil risks	<u>10,839</u>	<u>4,165</u>	=	<u>(3,906)</u>	<u>250</u>	<u>11,348</u>
Escrow deposits (note 11)	<u>(777)</u>	<u>(194)</u>	<u>1</u>	=	<u>(62)</u>	<u>(1,032)</u>
	Consolidated					
	<u>2015/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Inflation adjustment</u>	<u>2016/06</u>
Several civil lawsuits (a)	12,354	3,665	(3,815)	(3,407)	480	9,277
Lawyer fees - environmental civil lawsuit (b)	2,696	173	-	-	120	2,989
Lawyer fees - IBAMA (c)	997	-	-	-	78	1,075
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	<u>1,876</u>	<u>412</u>	=	<u>(760)</u>	<u>100</u>	<u>1,628</u>
Total provision for civil risks	<u>17,923</u>	<u>4,250</u>	<u>(3,815)</u>	<u>(4,167)</u>	<u>778</u>	<u>14,969</u>
Escrow deposits (note 11)	<u>(1,067)</u>	<u>(194)</u>	<u>117</u>	=	<u>(71)</u>	<u>(1,215)</u>

- (a) As of June 30, 2016, the Company and its subsidiaries are parties to 2,295 civil lawsuits and administrative proceedings (2,033 as of December 31, 2015), of which 2,056 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\$ 994 (R\$ 548 December 31, 2015), including claims with chances of loss assessed as possible and remote.
- (b) The provision includes R\$ 2,035 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 June 2016, 70 fines from IBAMA, totaling R\$ 13,768 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 a former partner of the Company. The balance deposited with the courts for the tax infraction notices above amounts to R\$ 577 (R\$ 554 December 31, 2015).

Labor risks

As of June 30, 2016, the Company and its subsidiaries are parties to 1,422 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					2016/06
	<u>2015/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Inflation adjustment</u>	
Total provision for labor contingencies	<u>10,276</u>	<u>4,465</u>	<u>(281)</u>	<u>(1,275)</u>	<u>788</u>	<u>13,973</u>
Escrow deposits (note 11)	<u>(3,495)</u>	<u>(490)</u>	<u>594</u>	=	<u>(101)</u>	<u>(3,492)</u>

	Consolidated					2016/06
	2015/12	Additions	Reversals	Payments	Inflation adjustment	
Total provision for labor contingencies	<u>19,313</u>	<u>6,879</u>	<u>(1,634)</u>	<u>(1,737)</u>	<u>1,050</u>	<u>23,871</u>
Escrow deposits (note 11)	<u>(4,825)</u>	<u>(564)</u>	<u>683</u>	=	<u>(143)</u>	<u>(4,849)</u>

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 June 30, 2016, contingent liabilities comprise 699 cases (654 at December 31, 2015), as under:

	Company		Consolidated	
	2016/06	2015/12	2016/06	2015/12
Tax	661,330	636,777	1,356,555	771,225
Civil	13,162	6,330	26,812	12,456
Labor	<u>44,582</u>	<u>38,623</u>	<u>99,486</u>	<u>85,382</u>
Total contingent liabilities (Unaccrued)	<u>719,074</u>	<u>681,730</u>	<u>1,482,853</u>	<u>869,063</u>
Escrow deposits (note 11)	<u>(106,582)</u>	<u>(122,566)</u>	<u>(110,606)</u>	<u>(126,509)</u>

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\$ 70,642 (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\$ 441,722 (R\$ 432,307 at December 31, 2015) and R\$ 99,543 (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 June 30, 2016 is R\$ 114,046.

- (d) Tax Deficiency Notice drawn by the São Paulo State Finance Department against the business unit branch of subsidiary Indústria e Comércio de Cosméticos Natura Ltda., seeking collection of State VAT (ICMS) under the tax substitution (ST) regime on the amount of products shipped off to the Parent Company's business unit. Objection to this notice was filed on May 25, 2016 and it currently awaits a decision. The total amount in dispute as of June 30, 2016 is R\$ 424,133.

The Company has other amounts deposited with the courts in connection with proceedings assessed as involving remote chances of loss, which aggregate R\$ 44,409 (R\$ 23,368 at December 31, 2015) Company and R\$ 48,037 (R\$ 26,955 at December 31, 2015) Consolidated, as explained in note 11 – Judicial deposits .

Contingent Assets

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 June 30, 2016, amounted to R\$ 318,681 (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 June 30, 2016 is R\$241,487(R\$190,658 at December 31, 2015), the related expenses are recognized for the period of six months ended June 30, 2016 the update in the amount R\$50,829 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 June 30, 2016 was calculated considering projected EBITDA for the period of twelve months to

be ended thereon. The contract establishes a multiple of 12 times the EBITDA, plus cash balance, net of financial obligations.

(b) Other non current liabilities

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Government subvention (*)	18,522	13,843	211,610	100,576
Retirees' healthcare plan (**)	26,204	24,680	47,032	43,549
Carbon credit	12,949	11,042	12,949	11,042
Other provisions	<u>4,050</u>	<u>801</u>	<u>15,541</u>	<u>14,955</u>
Total	<u>61,725</u>	<u>50,366</u>	<u>287,132</u>	<u>170,122</u>

(*) Refers to loans and short- and long-term that reflect the government grant, for the period ended June 30, 2016 and the year ended December 31, 2015 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:

	<u>2015</u>
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 aging 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 six-month period ended June 30, 2016, the Company did not identify any significant change requiring a new calculation.

For the period of six months ended in June 30, 2016 and for the year ended in December 31, 2015, the plan is reflected on the income statement as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Company current service cost	(584)	(1,340)	(850)	(1,972)
Cost of interest	(1,464)	(2,684)	(2,633)	(4,385)
Recognition of actuarial Losses/(Gains) in OCI	<u>-</u>	<u>2,352</u>	<u>-</u>	<u>(446)</u>
	<u>(2,048)</u>	<u>(1,672)</u>	<u>(3,483)</u>	<u>(6,803)</u>

20. SHAREHOLDER'S EQUITY

a) Issued Capital

As of June 30, 2016, the Company's capital was R\$427,073.

For the period of six months ended in June 30, 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 17, 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 June 30, 2016 and December 31, 2015, line item 'Treasury shares' is broken down as follows:

	2016		
	Number of <u>Share</u>	R\$ <u>(thousands)</u>	Average price per share <u>R\$</u>
Balance at beginning and end of period	<u>954,584</u>	<u>37,851</u>	<u>39.65</u>

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 six months ended on June 30, 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. SEGMENT 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").

Net revenue by geography is as follows in the period of six months ended in June, 30 2016:

- Brazil: 67.5 %
- LATAM: 25.4 %
- Emeis Holdings Pty Ltd. ("Aesop"): 6.9 %
- Outros: 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 June 30, 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.

	2016/06					
	<u>Net revenue</u>	<u>Net profit (loss)</u>	<u>Depreciation and Amortization</u>	<u>Financial income</u>	<u>Tax</u>	
Brazil	2,509,397	(8,866)	(100,897)	(368,085)	10,740	
LATAM	942,559	41,739	(9,439)	(25,667)	(17,455)	
Emeis Holding Pty Ltd. ("Aesop")	256,101	5,807	(16,853)	(2,977)	(7,597)	
Others	<u>7,302</u>	<u>(16,836)</u>	<u>(254)</u>	<u>-</u>	<u>-</u>	
Consolidated (attributable to controlling shareholders of the Company)	<u>3,715,359</u>	<u>21,844</u>	<u>(127,443)</u>	<u>(396,729)</u>	<u>(14,312)</u>	
	2015/06					
	<u>Net revenue</u>	<u>Net profit (loss)</u>	<u>Depreciation and Amortization</u>	<u>Financial income</u>	<u>Tax</u>	
Brazil	2,658,418	211,264	(89,137)	(194,083)	(81,565)	
LATAM	754,732	27,478	(7,902)	7,403	(26,572)	
Emeis Holding Pty Ltd. ("Aesop")	150,693	7,395	(11,949)	2,928	(3,698)	
Others	<u>6,849</u>	<u>(9,811)</u>	<u>(886)</u>	<u>-</u>	<u>-</u>	
Consolidated (attributable to controlling shareholders of the Company)	<u>3,570,692</u>	<u>236,326</u>	<u>(109,874)</u>	<u>(183,752)</u>	<u>(111,835)</u>	
	2016/06		2015/12			
	<u>Non current Assets</u>	<u>Current Liabilities</u>	<u>Total Assets</u>	<u>Non current Assets</u>	<u>Current Liabilities</u>	<u>Total Assets</u>
Brazil	3,037,648	3,825,753	7,131,843	2,873,979	3,782,501	7,823,633
LATAM	145,567	551,483	868,214	168,483	676,744	1,028,410
Emeis Holding Pty Ltd. ("Aesop")	286,451	95,596	452,836	325,861	113,675	513,031
Others	<u>6,591</u>	<u>6,061</u>	<u>24,240</u>	<u>7,952</u>	<u>-</u>	<u>29,907</u>
Consolidated	<u>3,476,257</u>	<u>4,478,893</u>	<u>8,477,133</u>	<u>3,376,275</u>	<u>4,572,920</u>	<u>9,394,981</u>

Except for subsidiary Emeis Holding Pty Ltd. ("Aesop"), the Company has predominantly a 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	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Gross revenue:				
Domestic market	3,609,091	3,678,829	3,614,653	3,680,827
Foreign market	-	-	1,522,876	1,161,779
Other sales	<u>29</u>	<u>55</u>	<u>759</u>	<u>566</u>
	3,609,120	3,678,884	5,138,288	4,843,172
Returns and cancellations	(9,631)	(8,744)	(23,314)	(17,100)
Taxes on sales	<u>(973,905)</u>	<u>(849,516)</u>	<u>(1,399,615)</u>	<u>(1,255,380)</u>
Net revenue	<u>2,625,584</u>	<u>2,820,624</u>	<u>3,715,359</u>	<u>3,570,692</u>

23. OPERATING EXPENSES AND COST OF SALES

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

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Cost of sales	986,248	1,076,555	1,159,305	1,084,777
Selling, Marketing and Logistics expenses	1,004,648	1,006,572	1,462,010	1,393,817
Administrative, P&D, IT and Project Expenses	<u>336,028</u>	<u>361,620</u>	<u>663,077</u>	<u>577,231</u>
Total	<u>2,326,924</u>	<u>2,444,747</u>	<u>3,284,392</u>	<u>3,055,825</u>

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

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Cost of sales	<u>986,248</u>	<u>1,076,555</u>	<u>1,159,305</u>	<u>1,084,777</u>
Raw material/packaging Material	986,248	1,076,555	906,241	850,565
Workforce	-	-	126,416	107,766
Depreciation and amortization	-	-	39,118	37,380
Others	-	-	87,530	89,066
Marketing and selling expenses	<u>1,004,648</u>	<u>1,006,572</u>	<u>1,462,010</u>	<u>1,393,817</u>
Freight	133,429	143,341	135,737	146,186
Marketing, sales force and other sales expenses	857,897	850,212	1,308,356	1,232,916
Depreciation and amortization	13,322	13,019	17,917	14,715
Administrative expenses, P&D, IT and Projects	<u>336,028</u>	<u>361,620</u>	<u>663,077</u>	<u>577,231</u>
Development in Innovation	-	-	95,392	100,141
Other administrative expenditure	299,850	333,524	497,277	419,311
Depreciation and amortization	<u>36,178</u>	<u>28,096</u>	<u>70,408</u>	<u>57,779</u>
Total	<u>2,326,924</u>	<u>2,444,747</u>	<u>3,284,392</u>	<u>3,055,825</u>

24. EMPLOYEE BENEFITS

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Payroll , profit sharing and bonuses	193,612	187,557	530,331	484,230
Pension Plan (note 24.2)	1,371	1,512	1,859	2,273
Gain based on stocks (note 24.1)	3,588	(6,832)	3,203	(7,195)
Charges on restricted stock (note 24.1)	1,250	283	1,670	398
Taxes payable	12,411	11,904	41,134	40,841
Health medical care, food, transportation and others benefits	<u>47,209</u>	<u>28,010</u>	<u>99,031</u>	<u>70,589</u>
	<u>259,441</u>	<u>222,434</u>	<u>677,228</u>	<u>591,136</u>

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			
	2016/06		2015/12	
	Average exercise price per share - R\$	Options (thousands)	Average exercise price per share - R\$	Options (thousands)
Balance at beginning of Year/period	37.91	6,234	47.30	5,296
Granted	26.54	421	27.81	2,944
Cancelled	57.18	(696)	51.23	(2,006)
Exercised	-	-	-	-
Balance at period/year end	<u>39.03</u>	<u>5,959</u>	<u>37.91</u>	<u>6,234</u>

	Stock Restricted (thousands)	Stock Restricted (thousands)
	2016/06	2015/12
	Balance at beginning of Year/period	510
Granted	509	556
Cancelled	(36)	(46)
Exercised	-	-
Balance at period/year end	<u>983</u>	<u>510</u>

Out of the 5,959 outstanding options as of June 30, 2016 (6,234 outstanding options as of December 31, 2015), 1,658 outstanding options are vested (1,548 outstanding options as of December 31, 2015). No options were exercised in the period of six months ended June 30, 2016.

The expense relating to the fair value of stock options and restricted stock, including charges on restricted stock, recognized in the period of six months ended June 30, 2016, according to the period elapsed for entitlement to exercise the options and restricted shares, was of R\$ 4,838 e R\$ 4,874 Company and consolidated, respectively. At June 30, 2015, reversal of expenses totaled R\$ (6,549) and R\$ (6,797) 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 June 30, 2016 – Stock option plan

<u>Grant date</u>	<u>Exercise price - R\$</u>	<u>Fair value</u>	<u>Existing options</u>	<u>Remaining contractual life (years)</u>	<u>Vested options</u>
April 22, 2009	35.51	7.83	293,783	0.82	293,783
March 19, 2010	52.10	10.82	538,865	1.74	538,865
March 23, 2011	60.81	16.45	551,268	2.75	551,268
March 18, 2013	66.44	12.10	547,239	4.78	273,620
March 17, 2014	44.46	8.54	831,204	5.79	-
March 16, 2015 (24 months - vested)	28.36	9.70	301,802	6.81	-
March 16, 2015 (36 months - vested)	28.36	10.10	301,802	6.81	-
March 16, 2015 (48 months - vested)	28.36	10.57	301,802	6.81	-
July 28, 2015 (Strategy Acceleration Plan-48 months - vested)	26.95	12.46	935,000	7.18	-
July 28, 2015 (Strategy Acceleration Plan-60 months - vested)	26.95	12.40	935,000	7.18	-
March 15, 2016 (24 months - vested)	26.54	14.31	140,348	7.82	-
March 15, 2016 (36 months - vested)	26.54	14.65	140,348	7.82	-
March 15, 2016 (48 months - vested)	26.54	14.85	140,348	7.82	-
			<u>5,958,809</u>		<u>1,657,536</u>

As of June 30, 2016 – restricted stock

<u>Grant date</u>	<u>Existing stock</u>	<u>Fair value</u>	<u>Remaining contractual life (years)</u>	<u>Vested stock</u>
March 16, 2015 (24 months - vested)	172,577	22.27	6.81	-
March 16, 2015 (36 months - vested)	172,577	21.33	6.81	-
March 16, 2015 (48 months - vested)	172,577	20.42	6.81	-
March 15, 2016 (24 months - vested)	154,911	25.70	7.82	-
March 15, 2016 (36 months - vested)	154,911	24.82	7.82	-
March 15, 2016 (48 months - vested)	154,911	23.97	7.82	-
	<u>982,464</u>			

As of December 31, 2015 – Stock option plan

<u>Grant date</u>	<u>Exercise price - R\$</u>	<u>Fair value</u>	<u>Existing options</u>	<u>Remaining contractual life (years)</u>	<u>Vested options</u>
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	<u>935,000</u>	7.70	-
			<u>8,124,419</u>		<u>1,548,211</u>

As of December 31, 2015 – restricted stock

<u>Grant date</u>	<u>Existing stock</u>	<u>Fair value</u>	<u>Remaining contractual life (years)</u>	<u>Vested stock</u>
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)	<u>169,944</u>	20.42	7.3	-
	<u>509,832</u>			

As of June 30, 2016, market price per share was R\$ 26.91 (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 2016 were:

	Grant in					
	Stock option plan			Restricted stock		
	March 15, 2016 (24 months - vested)	March 15, 2016 (36 months - vested)	March 15, 2016 (48 months - vested)	March 15, 2016 (24 months - vested)	March 15, 2016 (36 months - vested)	March 15, 2016 (48 months - vested)
Volatility	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%
Dividend yield	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Expected option life of the year	2 years	3 years	4 years	2 years	3 years	4 years
Risk-free annual interest rate	12.9%	13.2%	13.2%	12.9%	13.2%	13.2%

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					Restricted stock		
	Stock option plan			July 28, 2015	July 28, 2015	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested)	March 16, 2015 (48 months - vested)
	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 Acceleration Plan months - vested -60 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 June 30, 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\$1,371 (Company) and R\$ 1,859 in the period of six months ended June 30, 2016 (R\$ 1,512 Company and R\$2,273 Consolidated in the period of six months ended June 30, 2015), and were recorded as expenses in the period.

25. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Financial income:				
Interest on short-term investments	106,094	85,678	133,898	112,968
Inflation adjustment and foreign exchange gains (a)	577,848	331,355	614,064	374,521
Gains on swap and forward transactions (c)	24,252	376,373	25,305	416,214
Gains on the adjustment of fair value of “financial” and “operational” derivatives	-	13,047	-	17,578
Other financial income	<u>9,565</u>	<u>10,989</u>	<u>12,306</u>	<u>13,261</u>
Total	<u>717,759</u>	<u>817,442</u>	<u>785,573</u>	<u>934,542</u>
Financial expenses:				
Interest on financing	(137,758)	(110,902)	(161,317)	(141,284)
Inflation adjustment and foreign exchange losses (b)	(187,330)	(699,296)	(245,836)	(743,362)
Losses on swap and forward transactions (d)	(516,278)	(98,896)	(550,855)	(118,655)
Losses on the adjustment of fair value of “financial” and “operational” derivatives	(21,258)	-	(20,094)	-
Inflation Provision for acquisition of non-controlling interest (note 19.a)	(50,829)	(67,781)	(50,829)	(67,781)
(“Forward”) derivative instruments engaged to hedge the provision for acquisition of non-controlling interests, including mark-to-market (MTM) adjustment.	(65,457)	-	(65,457)	-
Other financial expenses	<u>(47,926)</u>	<u>(23,085)</u>	<u>(87,914)</u>	<u>(47,212)</u>
Total	<u>(1,026,836)</u>	<u>(999,960)</u>	<u>(1,182,302)</u>	<u>(1,118,294)</u>
Financial expenses, net	<u>(309,077)</u>	<u>(182,518)</u>	<u>(396,729)</u>	<u>(183,752)</u>

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	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Gains on monetary and exchange variations				
Exchange rate on loans	576,703	331,355	613,476	352,586
Exchange variation of import	1,145	-	588	591
Exchange variation of receivables export	-	-	-	11,012
Exchange rate changes in accounts payable in foreign subsidiaries	-	-	-	<u>10,332</u>
(a)	<u>577,848</u>	<u>331,355</u>	<u>614,064</u>	<u>374,521</u>
Losses on monetary and exchange variations:				
Exchange rate on loans	(187,145)	(698,188)	(196,646)	(743,002)
Exchange variation of import	-	(1,108)	-	-
Exchange variation of export receivables	-	-	(18,579)	-

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Exchange rate changes in accounts payable in foreign subsidiaries	-	-	(29,057)	-
Exchange variation of financing	<u>(185)</u>	<u>-</u>	<u>(1,554)</u>	<u>(360)</u>
(b)	<u>(187,330)</u>	<u>(699,296)</u>	<u>(245,836)</u>	<u>(743,362)</u>
Gains on forward and swap and forwards transactions:				
Exchange variation of swap instruments	-	348,413	-	374,431
Gain on exchange coupon "swap"	24,252	27,960	25,305	28,826
Exchange variation of "forward" instruments	-	-	-	8,331
Revenue from Pre swap rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,626</u>
(c)	<u>24,252</u>	<u>376,373</u>	<u>25,305</u>	<u>416,214</u>
Losses on swap and forward transactions				
Financial costs swap instruments	(389,165)	-	(415,619)	-
Financial costs – swap	(127,113)	(98,896)	(133,929)	(116,389)
Loss on interest rate swap	<u>-</u>	<u>-</u>	<u>(1,307)</u>	<u>(2,266)</u>
(d)	<u>(516,278)</u>	<u>(98,896)</u>	<u>(550,855)</u>	<u>(118,655)</u>

26. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Gain (loss) on sale of property, plant and equipment	(3,413)	3,738	(2,455)	4,109
Crédit ICMS (a)	6,245	-	6,245	-
Subsidy BNDES, FINAME and FINEP (b)	4,022	3,867	25,162	18,971
Crer para ver (c)	(20,719)	(8,193)	(20,719)	(8,193)
Other net operating income (expenses)	<u>389</u>	<u>2,682</u>	<u>(4,907)</u>	<u>3,482</u>
Net Other income (expenses)	<u>(13,476)</u>	<u>2,094</u>	<u>3,326</u>	<u>18,369</u>

(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 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.

	<u>2016/06</u>	<u>2015/06</u>
Net income attributable to owners of the Company	21,844	236,326
Weighted average of common outstanding shares	<u>431,239,264</u>	<u>431,239,264</u>
Weighted average of treasury shares	<u>(954,584)</u>	<u>(954,584)</u>
Weighted average of outstanding common shares	<u>430,284,680</u>	<u>430,284,680</u>
Basic earnings per share - R\$	<u>0.0508</u>	<u>0.5492</u>

27.2. Diluted

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

	<u>2016/06</u>	<u>2015/06</u>
Net income attributable to owners of the Company	21,844	236,326
Weighted average of outstanding common shares	<u>430,284,680</u>	<u>430,284,680</u>
Adjustment for stock options	<u>333,755</u>	<u>912,192</u>
Weighted average number of common shares for diluted earnings per share calculation purposes	<u>430,618,435</u>	<u>431,196,872</u>
Diluted earnings per share - R\$		
Net income attributable to owners of the Company	<u>0.0507</u>	<u>0.5481</u>

At June 30, 2016, a total of 5,958,809 outstanding options (4,828,157 at June 30, 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:

	<u>Company</u>	
	<u>2016/06</u>	<u>2015/12</u>
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	1,281	1,986
Natura Logística e Serviços Ltda. (b)	521	1,641
Indústria e Comércio de Cosméticos Natura Ltda. (c)	3,875	5,263
Natura Biosphera Franqueadora Ltda.	95	136
Natura Comercial Ltda.	<u>82</u>	<u>-</u>
	<u>5,854</u>	<u>9,026</u>
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	130,222	122,309
Natura Logística e Serviços Ltda. (d)	1,013	6,468
Natura Inovação e Tecnologia de Produtos Ltda. (e)	<u>16,519</u>	<u>20,616</u>
	<u>147,754</u>	<u>149,393</u>
Dividends and interest on capital payable	<u>386</u>	<u>365</u>

Related-party transactions are as follows:

	<u>Company</u>			
	<u>Sale of products</u>		<u>Sale of products</u>	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Natura Cosméticos S.A. – Brasil	328	-	-	-
Natura Comercial Ltda.	<u>-</u>	<u>-</u>	<u>328</u>	<u>-</u>
	<u>328</u>	<u>-</u>	<u>328</u>	<u>-</u>

	<u>Consolidated</u>			
	<u>Sale of products</u>		<u>Sale of products</u>	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Indústria e Comércio de Cosméticos Natura Ltda.	1,520,290	1,477,969	-	-
Natura Cosméticos S.A. – Brasil	-	-	1,262,771	1,339,510
Natura Cosméticos S.A. – Peru	-	-	34,999	20,342
Natura Cosméticos S.A. – Argentina	-	-	76,313	42,129
Natura Cosméticos S.A. – Chile	-	-	42,712	23,452
Natura Cosméticos S.A. – México	-	-	63,653	29,110
Natura Cosméticos Ltda. – Colômbia	-	-	37,506	21,738
Natura Europa SAS – França	-	-	1,732	1,381
Natura Inovação e Tecnologia de Produtos Ltda.	<u>-</u>	<u>-</u>	<u>604</u>	<u>307</u>
	<u>1,520,290</u>	<u>1,477,969</u>	<u>1,520,290</u>	<u>1,477,969</u>

	Service provided		Services received	
	<u>2016/06</u>	<u>2015/06</u>	<u>2016/06</u>	<u>2015/06</u>
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	9,379	89,002	-	-
Natura Cosméticos S.A. – Brasil	-	-	5,191	59,579
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	3,006	19,952
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,135	9,119
Natura Biosphera Franqueadora Ltda.	-	-	47	352
	<u>9,379</u>	<u>89,002</u>	<u>9,379</u>	<u>89,002</u>
Products and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	111,731	128,641	-	-
Natura Cosméticos S.A. - Brasil	-	-	111,731	128,641
	<u>111,731</u>	<u>128,641</u>	<u>111,731</u>	<u>128,641</u>
Research and testing “in vitro”: (h)				
Natura Innovation et Technologie de Produits SAS - França	40	84	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	40	84
	<u>40</u>	<u>84</u>	<u>40</u>	<u>84</u>
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	3,966	3,639	-	-
Natura Logística e Serviços Ltda.	-	-	2,829	2,596
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,137	1,043
	<u>3,966</u>	<u>3,639</u>	<u>3,966</u>	<u>3,639</u>
Total	<u>1,645,734</u>	<u>1,699,335</u>	<u>1,645,734</u>	<u>1,699,335</u>

- (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 June 30, 2016 and December 31, 2015, as well as the intercompany transactions that affected the period then ended in June 30, 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 June 30, 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 e 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:

	2016/06			2015/06		
	Compensation			Compensation		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Board of Directors	2,477	1,297	3,774	3,048	1,524	4,572
Officers (statutory)	<u>7,017</u>	<u>9,405</u>	<u>16,422</u>	<u>5,765</u>	<u>4,859</u>	<u>10,624</u>
	<u>9,494</u>	<u>10,702</u>	<u>20,196</u>	<u>8,813</u>	<u>6,383</u>	<u>15,196</u>
Executives (not statutory)	<u>16,143</u>	<u>9,371</u>	<u>25,514</u>	<u>17,521</u>	<u>8,406</u>	<u>25,927</u>

(*) 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:

	2016/06			2015/06		
	Stock options grant			Stock options grant		
	Stock option balance (number) (a)	Average fair value stock option	Average Exercise price - R\$ (b)	Stock option balance (number) (a)	Average fair value stock option	Average Exercise price - R\$ (b)
Officers	<u>2,839,943</u>	<u>12.06</u>	<u>39.03</u>	<u>658,457</u>	<u>11.95</u>	<u>44.81</u>
Executives	<u>2,245,839</u>	<u>11.28</u>	<u>39.03</u>	<u>2,754,726</u>	<u>10.95</u>	<u>44.81</u>

	2016/06		2015/06	
	Restricted Stock		Restricted Stock	
	Stock balance (number) (a)	Average fair value of shares	Stock balance (number) (a)	Average fair value of shares
Officers	<u>297,465</u>	<u>22.52</u>	<u>149,331</u>	<u>21.34</u>
Executives	<u>345,500</u>	<u>23.17</u>	<u>214,500</u>	<u>21.34</u>

- (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, as follows:

- (a) agreement effective until 2017, whereby a minimum monthly volume of 3.6 Megawatts shall be purchased, equivalent to R\$ 373;
- (b) agreement effective until 2018, whereby a minimum monthly volume of 0.8 Megawatts shall be purchased, equivalent to R\$ 110.

As of June 30, 2016, the subsidiary was in compliance with this agreement's commitments.

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

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

	<u>2016/06</u>	<u>2015/12</u>
Less than one year	2,506	4,062
More than one year and less than five years	<u>5,553</u>	<u>3,537</u>
Total	<u>8,059</u>	<u>7,599</u>

29.2. Operating lease transactions

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

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

As of June 30, 2016, and December 31, 2015, the commitment made for future payments of these operating leases had the following maturities:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2016/06</u>	<u>2015/12</u>	<u>2016/06</u>	<u>2015/12</u>
Less than one year	15,991	17,808	49,550	48,184
More than one year and less than five years	36,865	43,156	114,482	130,125
More than five years	<u>-</u>	<u>702</u>	<u>26,976</u>	<u>39,184</u>
Total	<u>52,856</u>	<u>61,666</u>	<u>191,008</u>	<u>217,493</u>

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 June 30, 2016, insurance coverage is as follows:

<u>Item</u>	<u>Type of coverage</u>	<u>Insured amount</u>
Industrial complex/inventories	Any damages to buildings, facilities, and machinery and equipment	990,000
Vehicles	Fire, theft and collision for 1,033 vehicles	54,529
Loss of profits	No loss of profits due to material damages to facilities buildings and production machinery and equipment	
Industrial complex/inventories	Any damages to buildings, facilities, and 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 July 27, 2016.