Financial Statements

Natura Cosméticos S.A.

For the year ended December 31, 2016

Natura Cosméticos S.A.

Individual and Consolidated Financial statements

December 31, 2016

Contents

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Natura Cosméticos S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2016 and the related statements of income, of comprehensive income, of changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2016, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, under those standards, are further described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period These matters were selected in the context of our audit of the individual and consolidated financial statement as a whole, and in forming our opinion thereon and, accordingly, we do not express a separate opinion on these matters.

Impairment of intangible assets – Goodwill

In accordance with accounting practices adopted in Brazil and International Financial Reporting Standards, the Company is required to annually test for impairment the amounts recorded as indefinite-lived intangible assets, such as goodwill. As at December 31, 2016, the consolidated balance referring to goodwill amounted to R$ 177,666 thousand and is disclosed in Notes 2 and 14 of the individual and consolidated financial statements.

This was considered a key audit matter since the process for measuring the recoverability of these intangible assets is complex, involves a high degree of subjectivity and is based on various assumptions, such as: determining the cash generation unit, discount rate used for cash flow purposes, growth percentages in the markets and profitability of its business for various future years. These assumptions may be significantly affected by future market conditions or economic scenarios, which may not yet be precisely estimated.

Our audit procedures included, among others, the involvement of valuation experts to assist us with assessing the assumptions and methodologies used by the Company, particularly those with respect to forecasted future sales, growth rate, discount rate used for cash flows purposes and profit margin for the cash generation unit. We also focused on the adequacy of the Company's disclosures about the assumptions used for calculating the recoverability of referred to intangible asset.

Revenue recognition

The Company's revenue recognition process involves a high number of controls in order to ensure that all products billed have been delivered to their respective buyers in the appropriate accounting period and that, as such, revenue was recognized on the accrual basis, as established by accounting practices. Taking into consideration sales volume and dispersion, and the regionalization of the Company's business, the revenue recognition process involves a high degree of dependence upon the proper operation of internal controls.

This item was considered a key audit matter since the control that ensures correct revenue calculation and recognition involves estimates relating to determination of average sales delivery deadlines in the domestic market for each region of the country. Additionally, this process is complex and requires the attention of management to the specific characteristics of each geographic region in which the Company operates. Any deficiencies in the control that involves determining the average delivery deadline could have an impact on appropriate revenue recognition and, as such, on the individual and consolidated financial statements.

Our audit procedures aimed at mitigating the risk of material errors in revenue recognition included, among others:

- Obtaining an understanding on and testing internal controls over estimated average delivery deadlines per geographic region, as well as identification of sales that were not delivered and, as such, do not meet the recognition criteria;
- Recalculating amounts referring to adjustments made by the Company to reverse sales revenue billed and not delivered in the appropriate accounting period;
- Documentary tests on a sample of invoices and proofs of delivery in order to corroborate the appropriateness of the report on invoices that were issued and not delivered in the period. This report serves as a basis for calculating the reversal of revenue from sales billed and not delivered.

Additionally, we reviewed the adequacy of the Company's disclosures on this matter, included in Notes 2 and 22 of the individual and consolidated financial statements.

Legal discussions and agreements executed involving tax obligations

In accordance with legal provisions, the Company must pay State VAT (ICMS) on products sold so as to offset taxes that will not be paid in the other phases of the sale chain. This taxation method is called Substitute Taxpayer Regime (*Substituição Tributária*) and establishes the utilization of the Value Added Margin ("MVA") to determine the basis of calculation of ICMS. As not all Brazilian states regulate this rule in their legislation, the Company for various Brazilian states have entered into special tax regimes to determine specific accessory obligations and the calculation basis of the ICMS under the Substitute Taxpayer Regime to be used in each sales transaction performed by the Company.

This item was considered a key audit matter due to the volume of the amounts involved and the diversity of these arrangements.

Our audit procedures aimed at mitigating the risk of material errors in payment of tax obligations included, among others:

- Involvement of tax professionals to assist us with reviewing a sample of the special tax regimes entered into by the Company and various Brazilian states, as well as respective impacts on the individual and consolidated financial statements;
- Obtaining an understanding on and testing internal controls over review and amendments of a sample of the special tax regimes entered into with the Brazilian states involving the review of a sample of calculation basis of calculation basis of ICMS under the Substitute Taxpayer Regime and applicable rates to the operations;
- Physical inspection of supporting documentation for a sample of transactions that generate ICMS under the Substitute Taxpayer Regime, in addition to recalculating the MVA rates applied for payment of the tax under analysis.

Additionally, we reviewed the adequacy of the Company's disclosures on this matter, included in Note 17 of the individual and consolidated financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2016, prepared under Company management responsibility, which presentation is required as supplementary information under IFRS, have been subject to audit procedures in conjunction with the audit of the Company's financial statements. In order to form our opinion, we analyzed whether these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content meet the criteria defined in Accounting Pronouncement CPC 09 – Statements of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in referred to Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and independent auditor's report

Company management is responsible for other information included in the Management Report.

Our opinion on the individual and consolidated financial statements does not encompass the Management Report; accordingly, we do not express any form of audit conclusion thereon.

In connection with the individual and consolidated financial statements, we are responsible for reading the Management Report and, in so doing, considering whether such report presents significant inconsistency with the financial statements or with our knowledge obtained in the audit, or otherwise seems to present material misstatements. If, based on the work performed, we conclude that the Management Report presents material misstatements, we are required to communicate such fact. We have nothing to report in this regard.

Responsibilities of management and of those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and international financial reporting standards issued by the *International Accounting Standards Board* (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no other realistic alternative but to do so.

Those charged with governance of Company and subsidiaries are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if they could, individually or as a whole, reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of the audit conducted in accordance with Brazilian and International standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 22, 2017.

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

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

NATURA COSMÉTICOS S.A.

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

		Company		Consolidated	
ASSETS	Note	2016	2015	2016	2015
CURRENT ASSETS					
Cash and cash equivalents	5	61,431	53,127	1,091,470	1,591,843
Short-term investments	6	1,169,909	1,808,328	1,207,459	1,191,836
Trade receivables	7	828,221	677,117	1,051,901	909,013
Inventories	8	203,358	208,113	835,922	963,675
Recoverable taxes	9	71,845	124,953	329,409	320,392
Related parties	28.1.	7,972	9,026	-	-
Derivatives	4.2.	-	697,761	-	734,497
Other receivables	12	228,629	202,780	286,739	307,450
Total current assets		2,571,365	3,781,205	4,802,900	6,018,706
NON CURRENT ASSETS					
Recoverable taxes	9	32,252	31,055	280,634	289,437
Deferred income tax and social contribution	10.a)	278,300	48,525	492,996	212,608
Escrow deposits	11	249,889	238,498	303,074	287,795
Other noncurrent assets	12	15,760	7,500	23,033	17,604
Investments	13	2,104,217	2,001,232	-	-
Property, plant and equipment	14	576,494	558,105	1,734,688	1,752,350
Intangible assets	14	508,549	500,491	784,254	816,481
Total noncurrent assets		3,765,461	3,385,406	3,618,679	3,376,275
TOTAL ASSETS		6,336,826	7,166,611	8,421,579	9,394,981

		Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2016	2015	2016	2015
CURRENT LIABILITIES					
Borrowings and financing	15	1,437,203	1,624,686	1,764,488	2,161,383
Trade and other payables	16	268,080	230,100	814,939	802,887
Suppliers - related parties	28.1.	242,083	149,393	-	-
Payroll, profit sharing and related taxes		103,250	95,580	208,114	201,200
Taxes payable	17	687,223	629,374	1,075,431	1,047,961
Dividends and interest on capital payables	20.b)	79,739	-	79,739	-
Provision for acquisition of non-controlling interest	19.a)	-	190,658	-	190,658
Derivatives	4.2.	69,864	-	73,502	-
Other payables		94,298	94,230	161,686	168,831
Total current liabilities		2,981,740	3,014,021	4,177,899	4,572,920
NON CURRENT LIABILITIES					
Borrowings and financing	15	2,025,484	2,922,983	2,625,683	3,374,497
Taxes payable	17	180,490	78,501	237,513	87,744
Deferred income tax and social contribution	10.a)	-	-	23,775	34,073
Provision for loss on investments in subsidiaries	13	-	21,519	-	-
Provision for tax, civil and labor risks	18	64,561	51,035	93,624	77,858
Other non current liabilities	19.b)	88,166	50,366	266,700	170,122
Total non current liabilities		2,358,701	3,124,404	3,247,295	3,744,294
SHAREHOLDERS' EQUITY					
Capital	20.a)	427,073	427,073	427,073	427,073
Treasury shares	20.c)	(37,149)	(37,851)	(37,149)	(37,851)
Capital reserves		142,786	134,706	142,786	134,706
Earnings reserves		666,815	488,796	666,815	488,796
Proposed additional dividend	20.b)	29,670	123,133	29,670	123,133
Reserve for acquisition of non-controlling interest	20.b)	-	(79,324)	-	(79,324)
Goodwill/ Bargain Purchase on capital transactions	20.b)	(92,066)	(65,159)	(92,066)	(65,159)
Adjustment of equity evaluation		(140,744)	36,812	(140,744)	36,812
Total equity attributable to owners of the Company		996,385	1,028,186	996,385	1,028,186
Non controlling interests		-	-	-	49,581
Total shareholders' equity		996,385	1,028,186	996,385	1,077,767
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,336,826	7,166,611	8,421,579	9,394,981

NATURA COSMÉTICOS S.A.

STATEMENTS OF INCOME
AS OF DECEMBER 31,2016 AND DECEMBER 31, 2015
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Company		Consolidated	
		2016	2015	2016	2015
NET REVENUE	22	5,616,985	5,929,000	7,912,664	7,899,002
Cost of sales	23	(2,188,578)	(2,294,896)	(2,446,959)	(2,415,990)
GROSS PROFIT		3,428,407	3,634,104	5,465,705	5,483,012
OPERATING (EXPENSES) INCOME					
Selling, Marketing and Logistics expenses	23	(2,143,235)	(2,081,047)	(3,110,169)	(3,020,500)
Administrative, P&D, IT and Project Expenses	23	(673,343)	(732,241)	(1,327,093)	(1,271,533)
Equity in subsidiaries	13	216,182	235,603	-	-
Other operating (expenses) income, net	26	(9,285)	6,594	54,425	65,790
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		818,726	1,063,013	1,082,868	1,256,769
Financial income	25	952,447	1,692,298	1,073,288	1,927,228
Financial expenses	25	(1,458,877)	(2,065,692)	(1,729,297)	(2,308,627)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		312,296	689,619	426,859	875,370
Income tax and social contribution	10.b)	(15,597)	(176,106)	(118,621)	(352,638)
NET INCOME		296,699	513,513	308,238	522,732
ATTRIBUTABLE TO					
Owners of the Company		296,699	513,513	296,699	513,513
Non controlling		-	-	11,539	9,219
		296,699	513,513	308,238	522,732
EARNINGS PER SHARE - R$					
Basic	27.1.	0.6895	1.1934	0.6895	1.1934
Diluted	27.2.	0.6875	1.1928	0.6875	1.1928

NATURA COSMÉTICOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
AS OF DECEMBER 31,2016 AND DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2016	2015	2016	2015
NET INCOME		296,699	513,513	308,238	522,732
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Gain (losses) from translation of financial statements of foreign subsidiaries	13	(160,720)	56,433	(146,342)	45,178
Ganho (perda) em operações de hedge de fluxo de caixa	4.2	(2,123)	1,383	(2,346)	3,390
Effect of tax in gain (losses) of cash flow hedge	10	722	(470)	798	(1,153)
Equity in investees of gain (losses) of cash flow hedge	4.2	(223)	2,007	-	-
Effect of tax in equity in investees of gain (losses) of cash flow hedge	10	76	(682)	-	-
Other comprehensive income not reclassified to profit or loss in subsequent periods:					
Gain (losses) Acturial	19	(23,863)	2,352	(15,288)	(446)
Equity in investees of gain (losses) Acturial	19	8,575	(2,798)	-	-
Other comprehensive losses (Not tax)		119,143	571,738	145,060	569,701
ATTRIBUTABLE TO					
Owners of the Company		119,143	571,738	119,143	571,738
Non controlling		-	-	25,917	(2,037)
		119,143	571,738	145,060	569,701

(A free translation from Portuguese into English of Individual Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and of Consolidated 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 CHANGES IN SHAREHOLDERS` EQUITY
AS OF DECEMBER 31,2016 AND DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

				Capital reserves			Earning reserves						Goodwill/ Bargain Purchase on capital transactions	Adjustment of equity evaluation			
	Note	Capital	Treasury shares	Share premium	Tax incentive reserve Investments grants	Additional paid -in Capital	Legal	Tax Incentives	Earnings retention	Retained earnings	Proposed additional dividend	Reserve for acquisition of non-controlling interest	Income from operations of non - controlling	Other comprehensive income	Equity attributable to owners of the company	Non-controlling interest in subsidiaries equity	Total Shareholders equity
BALANCES AS OF DECEMBER 31, 2014		427,073	(37,851)	78,231	17,378	41,669	18,650	20,957	295,135	-	449,273	(145,465)	(19,937)	(21,413)	1,123,700	24,979	1,148,679
		-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-
Net income		-	-	-	-	-	-	-	-	513,513	-	-	-	-	513,513	9,219	522,732
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	58,225	58,225	(11,256)	46,969
Total comprehensive income		-	-	-	-	-	-	-	-	513,513	-	-	-	58,225	571,738	(2,037)	569,701
Changes in stock option plans of actions:																	
(Reversal) grant of stock options plans of actions and restricted stock	24.1	-	-	-	-	(2,572)	-	-	-	-	-	-	-	-	(2,572)	-	(2,572)
Effects of changes from the the company on the fair value of net assets acquired by Emeis Holding Pty Ltd.	13	-	-	-	-	-	-	-	-	-	-	-	8,651	-	8,651	(8,651)	-
Effects of changes from participation on subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(53,873)	-	(53,873)	-	(53,873)
Realization of reserve for acquisition of non controlling interest for purchase shares of subsidiaries abroad		-	-	-	-	-	-	-	-	-	-	66,141	-	-	66,141	-	66,141
Effects from the participation on non-controlling on the shareholders`equity subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,290	35,290
Dividends and interest on shareholders' equity for the period 2014 approved at the AGM of April 14, 2015	20.b)	-	-	-	-	-	-	-	-	-	(449,273)	-	-	-	(449,273)	-	(449,273)
Dividends declared and not distributed	20.b)	-	-	-	-	-	-	-	-	(105,733)	105,733	-	-	-	-	-	-
Interest on equity declared and not distributed	20.b)	-	-	-	-	-	-	-	-	(17,400)	17,400	-	-	-	-	-	-
Reserve for earnings retention	20.b)	-	-	-	-	-	-	-	154,054	(154,054)	-	-	-	-	-	-	-
Antecipation of dividends and interest on interest capital	20.b)	-	-	-	-	-	-	-	-	(236,326)	-	-	-	-	(236,326)	-	(236,326)
BALANCES AS OF DECEMBER 31, 2015		427,073	(37,851)	78,231	17,378	39,097	18,650	20,957	449,189	-	123,133	(79,324)	(65,159)	36,812	1,028,186	49,581	1,077,767
		-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-
BALANCES AS OF DECEMBER 31, 2015		427,073	(37,851)	78,231	17,378	39,097	18,650	20,957	449,189	-	123,133	(79,324)	(65,159)	36,812	1,028,186	49,581	1,077,767
		-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-
Net income		-	-	-	-	-	-	-	-	296,699	-	-	-	-	296,699	11,539	308,238
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	(177,556)	(177,556)	14,378	(163,178)
Total comprehensive income		-	-	-	-	-	-	-	-	296,699	-	-	-	(177,556)	119,143	25,917	145,060
Changes in stock option plans of actions and restricted stock:																	
Grant of stock options and restricted stock	24.1.	-	-	-	-	8,782	-	-	-	-	-	-	-	-	8,782	-	8,782
Exercise of restricted stock		-	702	(308)	-	(394)	-	-	-	-	-	-	-	-	-	-	-
Effects of changes from the the company on the fair value of net assets acquired by Emeis Holding Pty Ltd.	13	-	-	-	-	-	-	-	-	-	-	-	11,672	-	11,672	(11,672)	-
Effects of changes from participation on subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(207,983)	-	(207,983)	-	(207,983)
Realization of reserve for acquisition of non controlling interest for purchase shares of subsidiaries abroad	19.a)	-	-	-	-	-	-	-	-	-	-	79,324	169,404	-	248,728	-	248,728
Effects from the participation on non-controlling on the shareholders`equity subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(63,826)	(63,826)
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)
Dividends declared and not distributed (exceeding the minimum required)	20.b)	-	-	-	-	-	-	-	-	(24,070)	24,070	-	-	-	-	-	-
Interest on equity declared and not distributed (exceeding the minimum required)	20.b)	-	-	-	-	-	-	-	-	(5,600)	5,600	-	-	-	-	-	-
Dividends declared and not distributed (minimum required)	20.b)	-	-	-	-	-	-	-	-	(27,206)	-	-	-	-	(27,206)	-	(27,206)
Interest on equity declared and not distributed (minimum required)	20.b)	-	-	-	-	-	-	-	-	(61,804)	-	-	-	-	(61,804)	-	(61,804)
Reserve for earnings retention	20.b)	-	-	-	-	-	-	-	178,019	(178,019)	-	-	-	-	-	-	-
BALANCES AS OF DECEMBER 31, 2016		427,073	(37,149)	77,923	17,378	47,485	18,650	20,957	627,208	-	29,670	-	(92,066)	(140,744)	996,385	-	996,385
														-		-	

NATURA COSMÉTICOS S.A.

STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31,2016 AND DECEMBER 31,2015
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	2016	2015	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES					
Net income		296,699	513,513	308,238	522,732
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	14	100,896	86,392	260,771	239,197
Reversal for losses on transactions with derivative contracts " swap " and "forward "		637,960	(685,877)	681,949	(737,956)
Provision for tax, civil and labor contingencies	18	15,687	5,574	16,964	15,020
Monetary restatement of escrow deposits		(14,344)	(16,516)	(16,799)	(21,194)
Income tax and social contribution	10.b)	15,597	176,106	118,621	352,638
Loss on sale and disposal of fixed and intangible assets		851	(17,959)	(3,418)	(18,538)
Equity income	13	(216,182)	(235,603)	-	-
Interest and exchange variation on loans and financing		(170,831)	1,095,978	(172,312)	1,199,217
Exchange variation on other assets and liabilities		661	(5,034)	(59,892)	(14,096)
Provison (reversal) for losses on property		316	(217)	316	6,323
Provision (reversal) related to the grant of options to purchase shares		8,203	(4,325)	8,782	(2,572)
Net provision for doubtful accounts of reversal	7	18,972	8,262	19,259	6,416
Net Provision (reversal) for losses on inventories	8	(4,925)	(2,452)	31,378	14,269
Provision of health care plan and carbon credit	19.b)	4,558	5,403	4,558	6,846
Net income attributable to non-controlling		-	-	(11,539)	(9,219)
Provision for acquisition of non-controlling	19.a)	58,071	111,334	58,071	111,334
		752,189	1,034,579	1,244,947	1,670,417
(INCREASE) DECREASE IN ASSETS					
Trade receivables		(170,076)	5,178	(180,846)	(67,942)
Inventories		9,680	(3,516)	96,375	(87,967)
Recoverable taxes		51,911	(62,391)	(214)	(186,794)
Other receivables		(33,056)	21,346	15,285	(13,082)
Subtotal		(141,541)	(39,383)	(69,400)	(355,785)
INCREASE (DECREASE) IN LIABILITIES					
Domestic and foreign suppliers		39,016	(5,019)	12,052	207,918
Payroll, profit sharing and related taxes, net		7,670	(6,048)	6,914	(9,315)
Taxes payable		15,282	44,600	(100,896)	(5,064)
Participation of non controlling shareholders		-	(113,302)	-	89,332
Other payables		103,780	(8,957)	5,556	(12,925)
Subtotal		165,748	(88,726)	(76,374)	269,946
CASH GENERATED BY OPERATING ACTIVITIES		776,396	906,470	1,099,173	1,584,578
OUTHERS CASH FLOWS BY OPERATING ACTIVITIES					
Payments of income tax and social contribution		(105,364)	(10,324)	(131,173)	(70,251)
Withdrawal (payment) of escrow deposits		7,083	(3,851)	7,702	(3,277)
Payment of tax, civil and labor	18	(10,217)	-	(11,306)	-
Receivables (Payments) of derivatives		127,319	305,876	123,704	323,872
Payment of interest on borrowings and financing		(258,054)	(209,216)	(309,466)	(256,897)
NET CASH GENERATED BY OPERATING ACTIVITIES		537,163	988,955	778,634	1,578,025
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment and intangible assets	14	(146,141)	(139,630)	(305,815)	(382,894)
Receivable from sale of fixed and intangible assets		15,933	37,880	43,362	77,940
Short-term investments		(4,295,494)	(4,369,795)	(6,030,398)	(5,868,563)
Redemption of short-term investments		4,933,913	3,819,663	6,014,775	5,208,540
Capital increase in subsidiaries	13	(335,939)	(100,737)	-	-
Dividends received from subsidiaries	13	79,739	-	-	-
NET CASH GENERATED (USED) IN INVESTING ACTIVITIES		252,011	(752,619)	(278,076)	(964,977)
CASH FLOW FROM INVESTING ACTIVITIES					
Repayments of borrowings and financing - principal		(1,277,488)	(1,539,523)	(1,869,562)	(1,709,474)
Proceeds from borrowings and financing		619,751	1,988,265	1,265,114	2,258,925
Acquisition of additional shares of Emeis	19.a)	-	-	(248,728)	(66,141)
Payment of dividends and interest on capital of the prior year	20.b)	(123,133)	(685,599)	(123,133)	(685,599)
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES		(780,870)	(236,857)	(976,309)	(202,289)
Gain arising on translation foreign currency cash and cash equivalents		-	-	(24,622)	16,910
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,304	(521)	(500,373)	427,669
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		61,431	53,127	1,091,470	1,591,843
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,304	(521)	(500,373)	427,669
Non cash itens:					
Capitalization of financial leasing		40,677	80,856	40,677	80,856
Hedge accounting		1,401	8,552	1,548	8,552
Effects of changes from participation of subsidiaries abroad		52,417	20,919	-	-
Dividends and interest on interest capital declared and not distributed		118,680	123,133	118,680	123,133

NATURA COSMÉTICOS S.A.

STATEMENTS OF VALUE ADDED
AS OF DECEMBER 31,2016 AND DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

		Company				Consolidated			
	Note	2016		2015		2016		2015	
REVENUES		7,821,737		7,974,443		11,119,433		10,958,857	
Sales of products and services		7,849,994		7,976,111		11,084,280		10,899,483	
Allowance for doubtful accounts	7	(18,972)		(8,262)		(19,272)		(6,416)	
Other operating (expenses) income, net	26	(9,285)		6,594		54,425		65,790	
INPUTS PURCHASED FROM THIRD PARTIES		(4,860,548)		(4,950,232)		(6,512,297)		(6,374,417)	
Cost of sales and services		(2,644,610)		(2,682,515)		(3,739,751)		(3,220,425)	
Materials, electricity, services and others		(2,215,938)		(2,267,717)		(2,772,546)		(3,153,992)	
GROSS VALUE ADDED		2,961,189		3,024,211		4,607,136		4,584,440	
RETENTIONS		(100,897)		(86,392)		(260,771)		(239,197)	
Depreciation and amortization	14	(100,897)		(86,392)		(260,771)		(239,197)	
VALUE ADDED GENERATED BY THE COMPANY		2,860,292		2,937,819		4,346,365		4,345,243	
TRANSFERRED VALUE ADDED		1,168,629		1,927,901		1,073,288		1,927,228	
Equity in subsidiaries	13	216,182		235,603		-		-	
Financial income - includes inflation and exchange rate variations	25	952,447		1,692,298		1,073,288		1,927,228	
TOTAL VALUE ADDED TO BE DISTRIBUTED		4,028,921		4,865,720		5,419,653		6,272,471	
DISTRIBUTION OF VALUE ADDED:		(4,028,921)	100%	(4,865,720)	100%	(5,419,653)	100%	(6,272,471)	100%
Employees and social charges	24	(498,798)	12%	(452,205)	9%	(1,327,437)	24%	(1,244,978)	20%
Taxes and contributions		(1,744,048)	43%	(1,806,871)	37%	(2,009,371)	37%	(2,148,891)	34%
Financial expenses and rentals		(1,489,376)	37%	(2,093,131)	43%	(1,774,607)	33%	(2,355,870)	38%
Dividends	20.b)	(27,206)	1%	(207,290)	4%	(27,206)	1%	(207,290)	3%
Interest on capital	20.b)	(61,804)	2%	(29,036)	1%	(61,804)	1%	(29,036)	0%
Dividends and interest on capital declared and not yet distributed	20.b)	(29,670)	1%	(123,133)	3%	(29,670)	1%	(123,133)	2%
Net income atrtributable to Non controlling		-	0%	-	0%	(11,539)	0%	(9,219)	0%
Retained earnings		(178,019)	4%	(154,054)	3%	(178,019)	3%	(154,054)	2%

Additional information on the Statement of Value Added:

-	-	-	-

The amounts recorded under "Taxes and contributions" in december 2016 and 2015, the amounts of R$881,860 e R$788,743, 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$4,429,629 e R$4,421,486, in december 2016 and 2015, respectively, considering the estimated profit margin 30%.

(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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

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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.

Corporate changes in 2016:

In December 20, 2016, Natura Cosméticos SA, through Natura Australia Pty Ltd. ("Natura Australia"), acquired 525,384 common shares based on the options established in the purchase and sale agreement of non-controlling shareholders of Emeis Holding Pty Ltd ("Emeis"), which represented 21.26% of the capital stock of Emeis. Therefore, the indirect participation of Natura Cosméticos S.A. in Emeis, through its subsidiary Natura Australia, changed from 78.74% to 100%.

The purchase price of the shares was AU$ 102,387 million or equivalent to R$ 248,728, with an increase in the investment of AU$ 16,773 million and a reduction in its equity in AU$ 85.614 million Australian dollars. As a reflex effect, the Company recognized in its shareholders' equity, under the caption "Effect of changes in participation in subsidiaries abroad", a reduction in the amount of AU$ 85,614 million, equivalent to or R$ 207,983.

The realization of the provision for acquisition of non-controlling shareholders recorded in the liabilities of the Company in the amount of R$ 248,728, represented by the simultaneous purchase and sale of shares in 21.26% of the capital stock of Emeis, Had a counterpart to an increase in shareholders 'equity under "Realization of the reserve for acquisition of non-controlling interest by the purchase of shares of subsidiary abroad", shown in two columns of the statement of changes in shareholders' equity, the first in the "Reserve For acquisition of non-controlling interest in R$ 79,324 million and in the group "Goodwill / negative goodwill on capital transactions - Results of operations with non-controlling shareholders" in R$ 169,404.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of preparation

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

a) Individual and consolidated financial statements

- The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian FASB ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

The Individual and Consolidated financial statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at their fair values, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

The CVM issued, on January 12, 2017, Circular Letter 01/2017 with the purpose of guiding the relevant aspects to be observed in the preparation of the financial statements for the fiscal year ended December 31, 2016. Accordingly, The Company, in interpreting the effects of the business combination with Emeis, which had simultaneous issuance of call options and stock options with non-controlling shareholders, is making the following change in its presentation of the statement of changes in shareholders' equity:

i) The column "Reserve for acquisition of non-controlling interest", which was previously presented in the "Profit reserve" group, was reclassified to a specific group.

ii) The column "Income from non-controlling interests", which was previously presented in the "Equity valuation adjustments" group, was reclassified to the "Goodwill / discount on capital transactions" group.

The aforementioned reclassifications were also performed as at December 31, 2015 in order to keep the comparability of information. These changes do not affect the total net equity as previously stated, nor does it impact any interest on equity and dividends previously distributed.

Certain amounts included in the notes to the individual and consolidated financial statements for the year ended December 31, 2015, presented herein for comparison purposes, were reclassified for better comparability.

Except for the reclassifications mentioned in the previous paragraph, the main accounting practices applied in the preparation of the individual and consolidated financial statements are defined below. These practices have been consistently applied in the previous year presented, unless otherwise stated.

b) Operational continuity

Management has assessed the Company's ability to continue operating normally and is satisfied that it has the resources to continue its business in the future. In addition, management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, these financial statements were prepared based on the assumption of continuity.

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 consolidated financial statements

	Equity interest- %	
	2016	2015
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda.	99.99	99.99
Natura Comercial Ltda.	99.99	-
Natura Biosphera Franqueadora Ltda.	99.99	99.99
Natura Cosméticos S.A. – Chile	99.99	99.99
Natura Cosméticos C.A. - Venezuela	99.99	99.99
Natura Cosméticos S.A. – Peru	99.99	99.99
Natura Cosméticos S.A. – Argentina	99.99	99.99
Natura Inovação e Tecnologia de Produtos Ltda.	99.99	99.99
Natura Cosméticos y Servicios de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos de México, S.A. de C.V.	99.99	99.99
Natura Distribuidora de México, S.A. de C.V.	99.99	99.99
Natura Cosméticos Ltda. – Colômbia	99.99	99.99
Natura Cosméticos España S.L. – Espanha	100.00	100.00
Natura (Brasil) International B.V. – Holanda	100.00	100.00
Natura Brazil Pty Ltd – Austrália	100.00	100.00
Fundo de Investimento Essencial	100.00	100.00
Indirect interest:		
Via Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda. - Brasil	99.99	99.99
Via Natura Inovação e Tecnologia de Produtos Ltda.:		

	Equity interest- %	
	2016	2015
Natura Innovation et Technologie de Produits SAS – França	-	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
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	100.00	78.74

The consolidated financial statements 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 and Natura International Inc. - EUA.
- Natura Comercial Ltda.: engaged in the retail sale of cosmetics, fragrances in general and toiletries, through sales in the retail market. Incorporated on October 30, 2015 and incorporated by agreement into the Commercial Registry of the State of São Paulo - JUCESP 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, whose closing process was concluded on December 27, 2016.
- 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, whose closing process started in July 15, 2016.
- 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. Segment reporting

Information per operating segments is consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the operating segments and assessing their performance, is the Company’s Executive Committee.

2.4. Translation of foreign currency

a) Functional currency

Items included in the financial statements of the Company and each one of the subsidiaries included in the consolidated financial statements is measured using the currency of the main economic environment in which the companies operate ("functional currency").

In the preparation of the consolidated financial statements, the statements of income and of cash flows and all other movements of assets and liabilities of subsidiaries abroad, whose functional currency is the local currency of the respective countries where they operate, are translated into reais at the rate of Monthly exchange rate, which is close to the exchange rate prevailing on the date of the corresponding transactions. The balance sheet is translated into Brazilian reais at the year-end exchange rates.
The effects of exchange rate changes resulting from these conversions are shown under the caption "Other comprehensive income" in the statements of comprehensive income and shareholders' equity.

b) Foreign currency transactions and balances

Foreign currency-denominated transactions are translated into the Company's functional currency – Brazilian reais (R$) - at the exchange rates prevailing on the dates of the transactions. Balance sheet accounts are translated at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising on the settlement of such transactions and the translation of monetary assets and monetary liabilities denominated in foreign currency are recognized in profit or loss, in line items "Financial income" and "Financial expenses".

c) Presentation currency and translation of financial statements

The financial statements are presented in Brazilian reais (R$), which corresponds to the Group's presentation currency.

2.5. Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short term commitments box, rather than for investment or other purposes. Include cash, demand deposits and short-term investments redeemable within up to 90 days from the investment date, highly liquid or convertible to a known cash amount and subject to immaterial change in value, which are recorded at cost plus income earned through the end of the reporting period and do not exceed their fair or realizable values.

2.6. Financial instruments

2.6.1. Categories

The category depends on the purpose for which financial assets and financial liabilities were acquired or contracted and is determined on the initial recognition of the financial instruments.

Financial assets held by the Company are classified into the following categories:

Financial assets measured at fair value through profit or loss

Consist of financial assets held for trading, when acquired for such purpose, principally in the short term. These assets are measured at fair value at the end of the reporting period and any differences are recognized in profit or loss. Derivative financial instruments are also classified in this category. Assets in this category are classified in current assets.

In the case of the Company, this category includes derivative financial instruments, quotas of investment funds and securities.

The balances of outstanding derivatives are measured at their fair values at the end of the reporting period and classified in current assets or current liabilities, and changes in fair value are recorded in “Financial income” or “Financial expenses”, respectively.

Loans and receivables

Include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded in current assets, except for maturities greater than 12 months after the end of the reporting period, when applicable, which are classified as noncurrent assets. After initial measurement, these financial assets are accounted for at amortized cost, using the effective interest method (effective interest rate), less loss by decrease in recoverable value. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs incurred. In December 31, 2016 and 2015 include trade accounts receivable (note 7).

Financial liabilities held by the Company are classified into the following categories:

Financial liabilities at fair value through profit or loss

They are classified as fair value through profit or loss when the financial liability is either held for trading or it is designated as fair value through profit or loss.

Other financial liabilities

They are measured at the amortized cost using the effective interest method. As of December 31, 2016 and 2015, in the case of the Company, comprise borrowings and financing (note 15) and domestic and foreign trade payables.

2.6.2. Measurement

Regular purchases and sales of financial assets are recognized on the transaction date, i.e., on the date the Company agrees to buy or sell the asset. Loans and receivables and held-to-maturity financial assets are measured at amortized cost.

Financial assets at fair value through profit or loss are initially recognized at their fair value and transaction costs are recognized in the income statement. Gains or losses resulting from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement, in “Finance income” or “Finance costs”, respectively, for the period in which they occur.

Loans and receivables and financial assets held to maturity are measured at amortized cost. The methodology used to calculate the amortized cost of a debt instrument and allocate its interest income over the corresponding period is used. Revenue is recognized based on effective interest for debt instruments not characterized as financial assets at fair value through profit or loss. The effective interest rate accurately discounts estimated future cash receipts (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or deductions) over the estimated life of the instrument. Debt or, where appropriate, for a shorter period, to the net carrying amount on the date of initial recognition. Revenue is recognized based on effective interest for debt instruments not characterized as financial assets at fair value through profit or loss.

Changes in financial assets classified as “Available for sale”, when applicable, are recorded in “Other comprehensive income” and shareholders’ equity until the financial assets are settled, when they are ultimately reclassified to profit or loss for the year.

2.6.3. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to set off recognized amounts and the intent to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously

2.6.4. Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is downloaded when the rights to receive cash flows from the asset have expired; the company transferred its rights or risk receiving the cash flows of the asset or has assumed an obligation to pay the received cash flows in full.

2.6.5. Derivative instruments

Derivative transactions contracted by the Group consist of swaps and non-deliverable forwards (NDFs) intended exclusively to hedge against the foreign exchange risks related to the positions in balance sheets and projected cash outflows in foreign currency for capital increases in foreign subsidiaries.

They are measured at fair value, and changes in fair value are recognized through profit or loss, except when they are designated as cash flow hedges, to which changes in fair value are recorded in “Other comprehensive income” within shareholders equity.

The fair value of derivatives is measured by the Company’s treasury department based on information on each contracted transaction and related market inputs at the end of the reporting period, such as interest rates and exchange coupon. When applicable, these inputs are compared with the positions reported by the trading desks of each involved financial institution.

Hedge accounting:

Natura’s Board of Directors approved the hedge accounting practice for derivative financial instruments taken out for hedge purposes: (i) of loans taken out in foreign currency, subject to variable interest rate, or (ii) of loans taken out in the functional currency (Brazilian Real), subject to fixed interest rate. Hedged risks are, respectively: (i) risk of variation in future cash flows resulting from changes in exchange rates, to which “cash flow hedge” accounting is applicable and (ii) interest rate risk, to which “fair value hedge” accounting is applicable.

Cash flow hedge

This consists in providing hedge against variation in cash flows attributable to a specific risk related to a known asset or liability or a highly probable forecast transaction and that may affect P&L.

The effective portion of changes in fair value of derivatives that is designated and qualified as cash flow hedge is recognized in other comprehensive income and accumulated in “Gain (loss) from cash flow hedge operations” and “tax effect on gain (loss) from cash flow hedge operations.

In a “cash flow hedge”, the effective portion of gain or loss from the hedge instrument is recognized directly in equity in other comprehensive income, while the ineffective portion of hedge is immediately recognized in financial income (expenses).

For the year ended December 31,2016 the Company used derivative financial instruments, applying “cash flow hedge accounting” and, as disclosed in Note 4, for hedge against the risk of change in exchange rates related to loans in foreign currency and that: (i) are highly related to the changes in the market value of the hedged item, both at the beginning as well as during contract term (effectiveness between 80% and 125%); (ii) have documentation of the operation, hedged risk, risk management process and methodology used in assessing effectiveness; and (iii) are considered effective to reduce the risk related to the exposure to be hedged. They are accounted for according to CPC 38 – Financial Instruments: Recognizing and Measurement, which allows application of the hedge accounting methodology, with effect from measurement of their fair value on equity and from their realization on P&L in the heading related to the hedged item.

Hedge accounting is discontinued when the Company cancels the hedge relationship, the hedge instrument matures or is sold, revoked or executed, or no longer qualifies to hedge accounting. Any gains or losses recognized in other comprehensive income and accumulated in equity as of a certain date remain in equity and are recognized when the forecast transaction is eventually recognized in P&L. When the forecast transaction is no longer expected, cumulative gains or losses deferred in equity are immediately recognized in P&L for the year.

For the year ended December 31,2016, there were no losses related to the ineffective portion recognized in P&L for the year.

The fair values of derivative financial instruments are disclosed in note 4.

The Company checks, along the hedge term, the effectiveness of its derivative financial instruments, as well as changes in their fair value.

In addition, it should be mentioned that, during the year ended December 31, 2016, the Company did not enter into transactions related to hedge of fair value or hedge of net investment.

2.6. Trade receivables and allowance for doubtful debts

Trade receivables are stated at their nominal amount, less the allowance for doubtful debts, which is recognized based on the history of losses using an aging list, in an amount considered sufficient by management to cover possible losses, as described in note 7.

2.7. Inventories

Carried at the lower of average cost of purchase or production and net realizable value. Details are disclosed in note 8.

The Company considers the following when determining its provision for inventory losses: discontinued products, products with slow turnover, products with expired validity and products that do not meet quality standards.

2.8. Carbon Credits – Carbon Neutral Program

In 2007, the Company assumed with its employees, customers, suppliers and shareholders committed to be a Carbon Neutral company, which is to neutralize their emissions of Greenhouse Gas - GHG, in its complete production chain, from extraction of raw materials to post- consumption. This commitment, though not a legal obligation, since Brazil despite being a signatory to the Kyoto Protocol has no reduction target, is considered a constructive obligation under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, which requires the recognition of a provision in the financial statements if it is subject to disbursement and measurable

The liability is estimated audited through the inventories of carbon held annually and valued based on the market price for the acquisition of licenses for neutralization. On December 31, 2016, the balance recorded in the caption " Other provisions " (see note 19), refers to the total carbon emissions in the period 2007 to 2015 that have not yet been offset by corresponding projects therefore no execution of the certificate of carbon.

In line with their beliefs and principles, the Company elected to make some purchases carbon credits by investing in projects with environmental benefits arising from the voluntary market. Thus, the costs will generate carbon credits after completion or maturation of these projects.

During these exercises, these expenses were recorded at fair value as other assets (see note 12).

Upon effective delivery of the related carbon certificates to the Company, the obligation of being Carbon Neutral is effectively fulfilled; therefore the balances of assets are offset against those of liabilities.

The difference between the carrying amounts of assets and liabilities at December 31, 2016 refers to the amount of cash that the Company also will pay for future generation or acquisition of certificates.

2.9. Investments in subsidiaries and controlled entities

The Company holds interest only in subsidiaries.

Subsidiaries are entities in which the Company, directly or through other subsidiaries, has ownership rights that provide it with the ability to direct the subsidiaries' activities and to elect the majority of the subsidiaries' management members on a permanent basis. Subsidiaries are the companies over which the Company has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, which in general consists of the ability to exercise the majority of the voting rights. Potential voting rights considered when assessing the control exercised by the Company over the other entity, when they can be exercised at the time of the assessment.

Investments in subsidiaries are accounted for by the equity method of accounting. The financial statements of subsidiaries are prepared for the same reporting date of the Company. Adjustments are made, if necessary, to conform their accounting policies to those adopted by the Company.

Under the equity method of accounting, the share attributable to the Company of the profit or loss for the period of such investments is accounted for in the income statement, in line item “Equity in investees”. Unrealized gains and losses arising on transactions between the Company and the investees are eliminated based in the percentage interest held in such investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities is recorded directly in the Company’s shareholders’ equity, in line item “Other comprehensive income”.

2.10. Property,plant and equipment

Stated at cost of purchase or construction, plus interest capitalized during construction period, when applicable, for the case of eligible assets, and reduced by accumulated depreciation and impairment losses, if applicable. Additionally, the useful lives of the assets are reviewed annually.

Rights in tangible assets intended for the maintenance of Company’s and its subsidiaries’ activities, arising out of finance leases, are recorded as if they were a financed purchase, with a PPE asset and a financing liability being recognized at the inception of each transaction, the assets also being subject to depreciation calculated over the estimated useful lives of the respective assets or over the life of the contract, when the financial lease has no purchase option.

Land is not depreciated. Depreciation of the other assets is calculated under the straight-line method to distribute their cost over their useful lives.

Gains and losses on disposals are calculated by comparing the proceeds from the sale with the carrying amount, and are recognized in the income statement.

2.11. Intangible assets

2.11.1. Software

Software systems licenses purchased are also capitalized and amortized at the rates also described in note 14, and expenses on the software maintenance are recognized as expenses when incurred.

The system purchase and implementation costs are capitalized as intangible assets when there is evidence that future economic benefits will flow into the Company, taking into consideration its economic and technologic viability. Expenses on software development recognized as assets are amortized under the straight-line method over its estimated useful life. The expenses related to software maintenance are expensed when incurred.

2.11.2. Trademarks and patents

Separately purchased trademarks and patents are stated at their historic cost. Trademarks and patents acquired in a business combination are recognized at fair value on the acquisition date. Amortization is calculated on a straight-line basis at the annual rates described in note 14.

2.11.3. Intangible assets with indefinite useful lives

Are not amortized but are tested annually for losses due to impairment either individually or at the level of the cash generating unit. The assessment of indefinite life is reviewed annually to determine whether this assessment continues to be supportable. Otherwise, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net from the sale and the carrying amount of the asset and are recognized in the income statement upon disposal of the asset.

2.13. Research and product development expenses

In view of the high level of innovation and the turnover rate of the products in the Company's sales portfolio, the Company adopts the accounting policy of recognizing product research and development expenditure as expenses for the year, when incurred.

2.14. Leases

Lease classification is made at the inception of the lease. Leases where the lessor does not retain substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Leases where the Group retains substantially all the risks and rewards incidental to ownership are classified as finance leases. These leases are capitalized in balance sheet at the commencement of the lease term at the lower fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is apportioned between liabilities and the finance charges so as to permit obtaining a constant effective interest rate on the outstanding liability. The corresponding obligations, less the finance charge, are classified in current liabilities and noncurrent liabilities, according to the lease term. Property, plant and equipment items purchased through finance leases are depreciated over their useful lives, as described in note 2.11, or over the lease term, when it is shorter.

2.15. Capitalization of Interest

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a significant effort to be ready for its intended use or sale are capitalized as part of the cost of the corresponding asset. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs incurred by an entity related to the loan.

2.16.Impairment assessment

The assets net account value are annually tested to identify evidences of impairment, or also significant events or changes in circumstances that indicate the carrying value of an asset may not be recoverable. Where applicable, when there is a loss, arising from situations where the carrying amount of an asset exceeds its recoverable amount.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or CGUs).

The recoverable amount of an asset or cash-generating unit is determined defined as being the larger of the value in use and the net selling value. In the estimation of the value in use of the asset, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which it operates the cash-generating unit. The net selling value is determined, whenever possible, on the basis of the contract of sale firm in a transaction in commutative bases, between knowledgeable and interested parties, adjusted for expenses attributable to the sale of the asset, or, where there is no contract of sale firm, based on the market price of an active market, or in the price of the most recent transaction with similar assets.

2.17. Trade payables

These are initially recognized at their nominal amounts, plus interest, inflation adjustments and exchange differences through the end of the reporting period, when applicable.

2.18. Borrowings and financing

Initially recognized at fair value of proceeds received less transaction costs, plus charges, interest, adjustments and exchange differences incurred through the end of the reporting period, as shown in note 15.

2.19. Provision for acquisition of non-controlling interest

The CPC (Brazilian FASB) and the IASB (International Accounting Standards Board) do not have any specific regulation on business combination involving remaining non-controlling interest with put and call options.

In view of the foregoing, to disclose the accounting effects of a transaction with such characteristics, Company management designed an accounting policy based on and consistent with put and call options set out by CPC 36 – Consolidated Financial Statements (IFRS 10 – Consolidated Financial Statements) and by CPC 38 – Financial Instruments: Recognition and Measurement (IAS 32 - Financial Instruments: Presentation).

On the date of a business combination, the Company assesses a number of elements, mainly the voting rights proportional to its equity interest, right to elect members of the Board of Directors, and right to dividends proportional to equity interest in order to assess whether non-controlling interest owners maintain the benefits concerning the ownership of their shares. In case a positive conclusion is reached, the Company initially recognizes an obligation which reflects the fair value of the consideration arising from acquisition of remaining shares from a subsidiary with a contra-entry to a specific reserve in net equity, as this is deemed to be transactions among partners.

The later review of the obligation value (put) is restated in each reporting period to reflect estimated cash flows based on contractual variables which set the estimated amount of the consideration. The record of such obligation is matched against financial results, pursuant to CPC 38 – Financial Instruments – Recognition and Measurement IAS 32 - Financial Instruments: Presentation), since management understands that re-measuring such obligation does not change the rights of each shareholder in relation to equity interest, thus not translating into capital transactions.

2.20. Provision for tax, civil, and labor contingencies

The provisions for contingent liabilities are recognized when the Group has a legal or constructive obligation as a result of past events, and it is probable that disbursements will be required to settle the obligation, and its value can be reliably estimated. Provisions are quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks.

Adjusted for inflation through the end of the reporting period to cover probable losses, based on the nature of contingencies and the opinion of the Company's legal counsel. The bases for and nature of the provisions for tax, civil, and labor contingencies are described in note 18.

2.21. Current and deferred income tax and social contribution

Recognized in the income statement, except, when applicable, in the proportion related to items recognized directly in shareholders' equity. In this case, taxes are recognized directly in shareholders' equity, in line item "Other comprehensive income".

Except for the foreign subsidiaries, which apply the tax rates prevailing in each one of the countries where they are located, income tax and social contribution on the Company's and its Brazilian subsidiaries' profits are calculated at the tax rates of 25% and 9%, respectively.

Current income tax and social contribution expenses are calculated using the laws and regulations enacted by the end of the reporting period, pursuant to Brazilian tax regulations. Management periodically measures the positions assumed in the income tax return regarding the situations where applicable tax law is subject to possibly different interpretations and, when appropriate, recognizes provisions based on the amounts it expects to pay tax authorities.

Deferred income tax and social contribution are calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts. Deferred income tax and social contribution are calculated using the tax rates enacted on the end of the reporting period and that must be applied when the corresponding deferred income tax and social contribution assets are realized or deferred income tax and social contribution liabilities are settled.

Deferred income tax and social contribution assets are recognized only to the extent that there is a reasonable certainty that future taxable income will be available and against which temporary differences can be offset.

The amounts of deferred income tax and social contribution assets and liabilities are only utilized when there is a legally enforceable right to offset current tax assets against tax liabilities and/or when current deferred income tax and social contribution assets and liabilities are related to the income tax and social contribution levied by the same tax authorities on the taxable entity or different taxable entities, where there is intention to settle the net balances. Details are disclosed in note 10.

2.22. Stock option plan, restricted stock option plan and strategy acceleration program

The Company's executives are granted stock option plans, settled exclusively with its shares.

The stock option plan, the restricted stock option plan and the strategy acceleration program are measured at fair value at the grant date. In determining the fair value, the Company uses an adequate valuation method, details of which are disclosed in Note 24.1.

The cost of transactions settled with equity securities is recognized, together with a corresponding increase in equity under the heading "additional paid-in Capital", throughout the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee acquires the full right to prize (date of acquisition). The cumulative expense recognized for equity instruments transactions settled on each base date up to the date of acquisition reflects the extent to which the vesting period has expired and the best estimate of the number of equity securities Company to be acquired. The expense or credit in the statement of income of the period is recorded under the heading "administrative expenses".

When an award of equity instruments settlement is cancelled, it is treated as if it had been acquired on the date of cancellation, and any expense not recognized award is registered immediately. This includes any award where non-vesting conditions within the control of the company or the counterparty were not met. All cancellations of transactions settled with equity securities are treated in the same way.

The dilution effect of options open is reflected as additional share dilution in the calculation of diluted earnings per share (Note 27.2)

2.23. Profit sharing and long term incentive program

The Company recognizes a liability and a profit sharing based on criteria that it considers the profit attributable to the shareholders of the Company after certain adjustments and which is tied to the achievement of specific operational goals and objectives established and approved in the Beginning of each Financial year.
The Company makes available to eligible executives of its subsidiary Emeis Holdings Pty Ltd. a long-term incentive program, based on criteria linked to specific operational goals and objectives established at the beginning of the relationship between the parties, being such obligation recorded in Liabilities and their remeasurement with effect in result.

2.24. Dividends and interest on capital

The proposed distribution of dividends and interest on capital made by the Company’s management included in the portion equivalent to the mandatory minimum dividends is recognized in line item “Other payables” in current liabilities, as it is considered as a legal obligation provided for by the Company’s bylaws; however, the portion of dividends exceeding minimum dividends declared by management after the reporting period but before the authorization date for issuance of these financial statements is recognized in line item “Proposed additional dividends” and their effects are disclosed in note 20.(b).

For corporate and accounting purposes, interest on capital is stated as allocation of income directly in shareholders’ equity.

2.25. Treasury shares

Own equity instruments which are reacquired (Treasury shares) and recognized at acquisition cost and deducted from shareholders ' equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the company's own equity instruments. Any difference between the book value and the consideration is recognized in other capital reserves.

2.26. Actuarial gains and losses of healthcare plan

The Company offers certain extended health care benefits to retired employees who had acquired the benefit up to April 2010. The costs associated with the extension of this benefit to retirees of the Company and its subsidiaries are recognized on an accrual basis as a post-employment benefit plan as a defined benefit, using the projected unit credit method. The actuarial gains and losses are recognized in other comprehensive income.

2.27. Revenue and expense recognition

Sales revenue is recognized when all risks and rewards of ownership of the product are transferred to the customers and there are recognized on an accrual basis.

Revenues are recognized to the extent in which it is probable that the economic benefits associated with the transaction will accrue to the Company, and when such benefits can be reliably measured. Sales revenues are primarily generated through sales made by the Natura Beauty Consultants (our clients), measured based on the fair value of the consideration received (or to be received), excluding any discounts, rebates and taxes or charges with respect to such sales. Sales revenue is recognized when the significant risks and rewards of title to products have been transferred to the client, which generally occurs upon delivery thereof to the Natura Beauty Consultants.

Sales revenue is generated and accumulates initially in the subsidiary sales ledger of the Company, as of the moment in which the proof of shipping is issued in the name of our clients. However, as our revenues are recorded for accounting purposes only when the final delivery of products has occurred, the Company makes a provision to eliminate the amount of revenues with respect to products shipped but not yet received by the Natura Beauty Consultants as of the closing date of the financial statements for each period.

Regarding controlled Emeis Holdings Pty Ltd, which operates in the retail market, the revenues from sales are recognized when there is significant transfer of risks and benefits of the products, that is, at the time of delivery of goods.

Revenue from the sale of uncollected and nonrefundable receivables is recognized when there is a significant transfer of risks and economic benefits from the Company to the transferee.
The consideration arising from the exclusivity granted by the Company in relation to the provision of bank settlement services related to employees' payroll, when there is a right of contractual cancellation with burdens on the Company, is initially recognized in liabilities, and is allocated to income (Revenue recognition) linearly over the contractual term established between the parties.

2.28. Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added. The first part of this statement includes the wealth created by the Company, represented by revenue (gross sales revenue, including taxes levied thereon, other income, and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchase of materials, electricity, and services from third parties, including taxes levied at the time of the acquisition, the effects of impairment losses, and depreciation and amortization), and the value added received from third parties (equity in investees, financial income, and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

2.29. 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 when they become effective.

The project for the implementation of the new IFRS 9 pronouncements - Financial Instruments, IFRS 15 - Revenue from contracts with clients and IFRS 16 - Leasing Companies, in addition to the preliminary analysis carried out by the Management in 2016, will include the hiring of external experts to assist the Company in identifying And measurement of the final effects on the date of initial adoption, identification of the needs for modification of the computerized systems used, design and implementation of internal controls, adequate policies and procedures to collect and disclose the information requested in these

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 effective date of entry into force. During the course of 2016, the Company conducted a preliminary assessment of the impact of all three aspects of IFRS 9. This evaluation preliminaries which is based on the information currently available. According to the analyzes carried out by Management do not expect a significant impact on its balance sheet and shareholders' equity, the following considerations have been identified:

(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.

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

The methodology for calculating the expected loss provision for the aging list model, which is based on the history of losses for all the aging list, including the amounts classified as "due", is already considered By the Company. Management understands that, given the information it has available, it is the model that best reflects the loss estimate. The management of the impacts of IFRS 9 and the applicability of the probabilistic model or the maintenance of the aging list model are being analyzed by the Administration. For this purpose, Management is required to present all the necessary information, To obtain data to build a probabilistic model. If management considers that the probabilistic model better reflects the provision for expected losses, it will be necessary to change the calculation methodology and the adequacy of its internal policies and procedures.

With regard to the recording of expected credit losses on all debt securities and loans, for 12 months or on a life-time basis, the Company does not expect a significant impact on its balance sheet and shareholders' equity.

(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.

Until the financial statement closing date, Management had not completed the measurement of the effects of this new pronouncement, thus being unable to disclose such effects.

<u>IFRS 15 - Revenue from contracts with customers:</u>

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. The early adoption, although provided by IFRSs, was prohibited by brazilian capital market regulators.

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.

Until the financial statement closing date, Management had not completed the measurement of the effects of this new pronouncement, thus being unable to disclose such effects

IFRS 16 - Leases

The new standard sets out the principles for both the customer (the lessee) and the supplier (lessor) on the provision of relevant information about the leases in a manner that clearly shows the leasing operations in the financial statements. To achieve this objective, the lessee is obliged to recognize the assets and liabilities resulting from a lease. The standard includes two exemptions from recognition for tenants - leases of low-value assets and short-term leases (ie lease terms of 12 months or less). The Company and its subsidiaries have already started the project that will establish the guidelines for the application of IFRS 16. This project includes the contracting of third-party specialists to assist the Company in identifying the most relevant effects of the standard and the relative impacts to the Company, establishing internal controls. Appropriate policies and procedures necessary to collect and disclose the information required in this new policy. This pronouncement should be applied for annual periods beginning on or after January 1, 2019.

Due to the amounts payable relating to operating lease agreements disclosed in Note 29, the Company expects material impacts. However, the first-time adoption effects related to this pronouncement have not yet been measured, thus being unable to disclose such effects.

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

- Amendment to IAS 7 - These amendments are part of the initiative to improve IASB disclosures and are effective for annual periods beginning on January 1, 2017.
- Amendments to IAS 12 - These amendments clarify the accounting for deferred tax assets on unrealized losses on debt instruments measured at fair and are effective for annual periods beginning on January 1, 2017.
- Amendments to IFRS 2 - Changes addressing areas involving measurement, classification and modification of terms and / or conditions of such transactions and will be effective from annual periods beginning on 1 January 2018.
- Amendments to IFRS 4 - Changes addressing concerns about the adoption of IFRS 9 and will be effective from annual periods beginning on January 1, 2018.

The 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.

The listed standards issued and which came into effect during the 2016 financial year have not had no impact on these financial statements

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of 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 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. On December 31, 2016, this provision was made due to the settlement of non-controlling options (see note 19.a).

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.

g) Provision for expected losses on trade accounts receivable

The provision for expected losses on trade accounts receivable is estimated using an "aging list" methodology, including expected losses, even for the amounts classified as "due." The different risks under the collection operation are considered for the calculation of the provision for expected losses. Management considers this method sufficient to cover possible losses, according to the amounts shown in note 7.

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:

	Company		Consolidated	
	Fair Value		Fair Value	
Description	2016	2015	2016	2015
Derivatives (financial)	(69,864)	692,643	(73,360)	733,228
Derivatives "swap" interest rate	-	-	(142)	(3,849)
Others derivative financial instruments	-	5,118	-	5,118
Total	(69,864)	697,761	(73,502)	734,497

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

i) Foreign exchange risk

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

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

Exchange rate Protection Policy considers the values of foreign currency receivables and Payables balances of commitments already made and recorded in the financial statements from the operations of the Company and its subsidiaries, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

As of December 31, 2016 and December 31, 2015 the Group is basically exposed to risks of fluctuations in the U.S. dollar, in addition, the non-controlling in Argentina is exposed to Real currency. To 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 December 31, 2016, the Company's and the consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$ 1,596,651 e R$ 1,658,689, 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 December 31, 2016 and December 31, 2015, are hedged by swap arrangements.

Derivatives to hedge foreign exchange risk

The Company classifies derivatives into "financial", "operating" and "others derivatives financial instruments". "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings and financing. "Operating" derivatives (usually forwards) include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows. The instruments classified under "other derivative financial instruments" are derivative of the forwards type contracted to hedge the exchange rate risk related to the Company's cash in relation to the firm commitment of additional acquisition of interest in a subsidiary abroad (Emeis Holdings Pty Ltd). This transaction was settled on December 9, 2016, in connection with the final exercise of stock options. And the flow of future investment commitments (payment of capital) in subsidiaries abroad.

As of December 31, 2016, the Company had no "other derivative" or "operational" open-ended operations.

As of December 31, 2016 outstanding swap and forward contracts, with maturities between February 2017 and July 2021 were entered into the counterparties represented by the banks Bank of America (41%), HSBC (22%), Scotiabank (24%) and Bank of Tokyo (13%) as described below:

Financial derivatives – Company

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016	2015	2016	2015	2016	2015	2016	2015
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	1,614,877	1,917,821	1,596,181	2,664,811	1,591,783	2,677,972	(4,398)	13,161
Liability position:								
CDI floating rate:								
Short position in CDI	1,614,877	1,917,821	1,655,051	1,973,902	1,661,647	1,985,329	6,596	11,427
Total net financial derivatives:	-	-	(58,870)	690,909	(69,864)	692,643	(10,994)	1,734

Financial derivatives - Consolidated

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016	2015	2016	2015	2016	2015	2016	2015
Swap contracts (1)								
Asset position:								
Long position-U.S. dollar	1,679,243	1,993,560	1,658,714	2,781,786	1,652,797	2,792,986	(5,917)	11,200
Liability position:								
CDI floating rate:								
Short position in CDI	1,679,243	1,993,560	1,719,899	2,048,895	1,726,156	2,059,758	6,257	10,863
Total net financial derivatives:	-	-	(61,185)	732,891	(73,359)	733,228	(12,174)	337

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

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

For derivatives maintained by the Group as of Dezember 31, 2016 and 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:

In December 2016 the Company settled the derivative instruments denominated Non-Deliverable Forward (NDF) with Bank of America in the amount of AU $ 155.2 million (AU $ 102.4 million Australian net of the tax rate Of 34% of income tax and social contribution on profit). The weighted average exchange rate contracted for these derivatives was R$ 2.9111 x AU$ 1,0.

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 (note 25).

Sensitivity analysis

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

	Company	Consolidated
Loans and financing registered in Brazil in foreign currency (note 15)	(1,596,651)	(1,658,689)
Receivables registered in Brazil in foreign currency	-	9,380
Accounts payable registered in Brazil in foreign currencies	(2,128)	(4,429)
Value of the "financial" derivatives	1,596,181	1,658,714
Net exposure	(2,598)	4,976

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

	Company			
Description	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	(55)	(718)	(1.381)

	Consolidated			
Description	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liability exposure	Us dollar appreciation	105	1,375	2,645

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$3.33/ US$1.00) to (R$4.99/US$1.00). Scenarios II and III consider a 25% (R$4.16/US$1,00) and 50% (R$4.99/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 December 31, 2016, consolidated balance sheet includes loans issued at higher fixed rates level TJLP represent a liability of R$5,046 (R$ 185,450 in December 31, 2015). Such funding submitted in December 31, 2016 is protected derivative of the "swap".

<u>Derivative instruments to hedge the risk of interest rate</u>

On December 31, 2016 there is open a contract of "swap" maturing in August 2017 and was concluded with the counterparty represented by Banco Santander (100%) and is composed.

Derivatives "swap" - consolidated

	Notional		Accrual		Fair Value		Gain (Loss) (adjustment MTM)	
Type of transaction	2016	2015	2016	2015	2016	2015	2016	2015
swap" contracts (3):								
Asset position:								
Long position fixed rate	5,000	182,500	5,045	185,540	4,935	183,676	(110)	(1,864)
Liabilities position:								
CDI rate post fixed:								
Short position in CDI	5,000	182,500	5,077	187,586	5,077	187,525	-	(61)
Total net financial swaps:	-	-	(32)	(2,046)	(142)	(3,849)	(110)	(1,803)

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

Sensitivity analysis

On December 31, 2016, there are loans and financing denominated in foreign currency and issued at fixed rates under contract "swap ", changing the indexation of the liability to CDI fluctuation. The Company is, therefore, exposed to CDI fluctuation. The table below presents the exposure to interest rate risks of transactions pegged to CDI, including derivative transactions:

	Company	Consolidated
Total borrowings and financing - in local currency(note 15)	(1,866,036)	(2,731,482)
Operating in foreign currency with derivatives pegged to CDI (*)	(1,596,651)	(1,658,689)
Short-term investments (notes 5 e 6)	1,171,111	2,095,919
Net exposure	(2,291,576)	(2,294,252)

(*) 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:

	Company			
Description	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	15,809	(58,309)	(132,426)

	Consolidated			
Description	Company´s risk	Probable scenario	Scenario II	Scenario III
Net liabilities	Interest rate increase	15.820	(58.352)	(132.525)

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% (16.2% per year) and 50% (19.4% per year), respectively, on the CDI rate of 12.9% 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 December 31, 2016 as set out below:

Instrument Designated as Cash Flow Hedge – Company

						Others Comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair Value (1)	Total Loss (Gain)	Total Loss (Gain)
Currency swap - US$/R$	Currency	BRL	1,604,279	(62,984)	(73,532)	(10,548)	(2,123)

Instrument Designated as Cash Flow Hedge – Consolidated

						Others Comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair Value (1)	Total Loss (Gain)	Loss in the period
Currency swap - US$/R$	Currency	BRL	1,654,303	(70,739)	(81,637)	(10,898)	(2,346)

(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.

The Company designates as cash flow hedge derivative financial instruments used to offset variations arising from exchange exposure, in the market value of contracted debts, different from the functional currency. On December 31, 2016, the instruments designated as cash flow hedge totaled US$ 495,083 (four hundred and ninety-five million, eighty-three thousand) of notional amount R$ 1,654,303. In addition, in the year ended December 31, 2016, we did not record any losses related to the ineffective portion recognized in the income for the year.

b) Credit risk

Credit risk refers to risk of a counterparty not complying with its contract obligations, which would result in financial losses for the Company. Sales of the Group are made to a great number of sales representatives (Natura Beauty Consultants) and this risk is managed through a strict credit granting process. The result of this management is reflected in the 'Allowance for doubtful accounts', as explained in note 7.

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

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

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

c) Liquidity risk

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

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

Company as of December 31, 2016	Less than one year	One to two years	Two to five years	More than five years	Total	Discount effect/MTM	Carrying amount
Current:							
Borrowings and financing	1,469,333	-	-	-	1,469,333	(32,130)	1,437,203
Trade payables	510.163	-	-	-	510,163	-	510,163
Financial instruments	(58.870)				(58,870)	(10,994)	(69,864)
Noncurrent:	-						
Borrowings and financing	-	745,249	1,200,944	402,992	2,349,185	(323,700)	2,025,484

Consolidated as of December 31, 2016	Less than one year	One to two years	Two to five years	More than five years	Total	Discount effect/MTM	Carrying amount
Current:							
Borrowings and financing	1,840,920	-	-	-	1,840,920	(76,432)	1,764,488
Trade payables		-	-	-	814,939	-	814,939
Financial instruments	(61,328)				(61,328)	(12,174)	(73,502)
Noncurrent:	-						
Borrowings and financing	-	1,169,717	1,370,238	567,744	3,107,699	(482,016)	2,625,683

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

	Company		Consolidated	
	2016	2015	2016	2015
Short- and long-term borrowings and financing (note 15)	3,462,687	4,547,669	4,390,171	5,535,880
Derivatives “financial” and “swap” of interest rate	69,864	(692,643)	73,502	(729,379)
Cash and cash equivalents and Short-term investments (note 5 and 6, Except Bank Deposit Certificates – Crer pra Ver)	(1,210,999)	(1,840,039)	(2,278,588)	(2,762,263)
Net debt	2,321,552	2,014,987	2,185,085	2,044,238
Shareholders’ equity	996,385	1,028,186	996,385	1,077,767
Financial leverage ratio	233,00%	195,97%	219,30%	189,67%

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 December 31, 2016 and December 31, 2015, the measurement of all the Company’s and its subsidiaries’ derivatives falls under the Level 2 characteristics. The fair value of exchange rate derivatives (swap and forwards) is determined based on the exchange rate at the end of the reporting period, with the resulting amount being discounted to present value.

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 non-controlling interests

The amount of the estimated commitment of acquiring non-controlling interests, measured at fair value at the acquisition date, is remeasured and its subsequent changes are recognized in the income statement for the year.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2016	2015	2016	2015
Cash and banks	60,229	52,068	203,010	212,014
Bank certificates of deposit -CDB (a)	1,202	1,059	119,274	207,051
Repurchase agreements (b)	-	-	769,186	1,172,778
	61,431	53,127	1,091,470	1,591,843

(a) At December 31, 2016, Investments in Bank Deposit Certificates are restated with average rate of 101.2% of CDI (101% of CDI at December 31,2015) with daily maturity, redeemable by the issuer, and with no significant impairment.

(b) Repurchase agreements are securities issued by banks with a commitment by the bank to repurchase the security, and by the client to resell the security, at a fixed price (rate of interest) and within a predetermined term, which are backed by public or private securities (depending on the bank) and are registered with the CETIP.

6. SHORT TERM INVESTMENTS

	Company		Consolidated	
	2016	2015	2016	2015
Investments funds exclusive	1,149,568	1,786,912	-	-
Investments funds	-	-	151,363	219,845
Certificates of deposits CDB (a)	20,341	21,416	20,341	21,416
Financial letters	-	-	743,047	728,656
Government security (LFT)	-	-	292,708	221,919
	1,169,909	1,808,328	1,207,459	1,191,836

(a) Investment in Bank Deposit Certificates are restated with yield interest of 94.2% 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 December 31, 2016 and December 31, 2015 the companies Natura Cosméticos S.A , Natura Inovação e Tecnologia de Produtos Ltda, Natura Logística e Serviços Ltda, and Indústria e Comércio de Cosméticos Natura Ltda have interest in shares of the Fund Essential Investment and the value recorded is valued at fair value through profit or loss.

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

The exclusive fund are as follow:

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

Breakdown of the exclusive fund portfolio at December 31, 2016 is as follows:

	Essencial
Floating rate bank certificates of deposits (CDBs)	118,127
Repurchase agreements	769,186
Financial letters	743,047
Government security (LFT)	292,708
	1,923,068

7. TRADE RECEIVABLES

	Company		Consolidated	
	2016	2015	2016	2015
Trade receivables	943,839	773,763	1,194,846	1,032,699
Allowance for doubtful accounts	(115,618)	(96,646)	(142,945)	(123,686)
	828,221	677,117	1,051,901	909,013

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Current	777,278	625,896	962,643	799,950
Past due:				
Up to 30 days	60,704	50,981	97,867	103,650
31 to 60 days	24,529	28,529	34,263	39,939
61 to 90 days	17,198	18,045	22,550	24,757
91 to 180 days	64,130	50,312	77,523	64,403
Allowance for doubtful accounts	(115,618)	(96,646)	(142,945)	(123,686)
	828,221	677,117	1,051,901	909,013

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 81% of the outstanding balance as of December 31, 2016 (78% 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 ended December 31, 2016 and 2015 are as follows:

Company				Consolidated			
Balance at 2015	Additions (a)	Write-offs (b)	Balance at 2016	Balance at 2015	Additions (a)	Write-offs (b)	Balance at 2016
(96,646)	(230,749)	211,777	(115,618)	(123,686)	(287,279)	268,020	(142,945)

Company				Consolidated			
Balance at 2014	Additions (a)	Write-offs (b)	Balance at 2015	Balance at 2014	Additions (a)	Write-offs (b)	Balance at 2015
(88,384)	(143,090)	134,828	(96,646)	(117,270)	(163,403)	156,987	(123,686)

(a) Allowance recognized according to note 2.7

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

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

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

8. INVENTORIES

	Company		Consolidated	
	2016	2015	2016	2015
Finished products	195,653	200,953	676,835	750,151
Raw materials and packaging	-	-	182,778	202,124
Promotional material	18,200	22,580	94,630	87,201
Work in progress	-	-	13,293	24,435
Allowance for losses	(10,495)	(15,420)	(131,614)	(100,236)
	203,358	208,113	835,922	963,675

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

Company				Consolidated			
Balance at 2015	Reversals (Additions)(a)	Write-off (b)	Balance at 2016	Balance at 2015	Reversals (Additions)(a)	Write-off (b)	Balance at 2016
(15,420)	1,916	3,009	(10,495)	(100,236)	(119,103)	87,725	(131,614)

Company				Consolidated			
Balance at 2014	Reversals (Additions)(a)	Write-off (b)	Balance at 2015)	Balance at 2014	Reversals (Additions)(a)	Write-off (b)	Balance at 2015
(17.872)	(5.936)	8.388	(15.420)	(85.966)	(89.382)	75.112	(100.236)

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

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

9. RECOVABLE TAXES

	Company		Consolidated	
	2016	2015	2016	2015
ICMS on purchases of goods	2,411	6,968	409,710	350,468
IVA to be offset on the acquisition of inputs - controlled abroad in the year	-	-	26,548	30,213
ICMS recoverable on tax incentives - Sponsorship	96	223	96	223
Taxes - foreign subsidiaries	-	-	1,906	2,022
ICMS on purchases of fixed assets	3,001	2,542	19,188	28,321
PIS and COFINS on purchases of fixed assets	31,055	31,633	37,046	38,123
PIS and COFINS on purchase of goods	21,586	21,684	21,590	21,684
PIS and COFINS resulting from win on a lawsuit (a)	-	-	7,670	7,670
IRPJ and CSLL	43,791	91,256	55,316	102,680
PIS, COFINS and CSLL - withheld at source	42	56	2,682	2,519
IPI recover	2,115	1,642	28,291	22,957
Others	-	4	-	2,949
	104,097	156,008	610,043	609,829
Current				
Noncurrent	71,845	124,953	329,409	320,392
Taxes - foreign subsidiaries	32,252	31,055	280,634	289,437

(a) The amount shown relates to the recognition of tax credits of Social Integration Program - PIS and Contribution to Social Security Financing - COFINS the lawsuit challenging the constitutionality and legality of the tax base for calculating contributions cited, established by Law No. 9.718/98. As the Company obtained authorization from the Federal Revenue of Brazil to offset credits of the parent after the transit and trial of the case in 2012. The amounts referring to the subsidiary will be maintained until authorization of the same nature be obtained.

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	2015	2016	2015
Tax loss carryforwards and CSLL tax loss	43,161	142,118	57,627	165,910
Allowance for doubtful accounts (note 7)	39,310	32,860	48,601	42,053
Allowance for losses on inventories realization (note 8)	3,568	5,243	44,749	34,080
Reserve for tax, civil and labor contingencies (note 18)	21,951	17,352	31,832	26,472
Non-inclusion of ICMS in the PIS and COFINS basis (note 17.a)	845	789	101,053	85,727
Gains from changes in fair value of derivative instruments (note 4.2)	23,754	(237,239)	24,991	(249,729)
Provision for ICMS – ST (note 17.b)	56,608	27,692	56,608	27,692
Allowances for losses on advances to suppliers	1,875	2,405	1,875	2,405
Accrued benefits sharing and partnerships	14,057	10,578	14,057	10,578
Temporary differences of foreign subsidiaries	-	-	36,784	14,785
Provision for profit sharing	13,156	10,814	22,058	16,327
Depreciation rate adjustments to useful lives	(59,335)	(35,587)	(104,140)	(60,629)
Provision for interest – injunction (Interest - CNs)	28,643	18,347	28,643	18,347
Provision carbon credits	1,422	3,224	1,422	3,224
Profit on effects not eliminated in inventories	-	-	18,929	15,523
Provision for losses – property and intangible (note 14)	828	4,183	3,968	8,488
INSS with Suspended Liability (note 17)	2,854	1,578	8,560	5,940
IPI – Decree n° 8393/2015	48,364	18,287	50,169	19,805
Others expenses provision (a)	20,604	18,628	26,399	24,235
Other temporary differences	16,635	7,253	18,811	1,375
	278,300	48,525	492,996	212,608

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

Breakdown of deferred income tax and social contribution– Liabilities:

	Consolidated	
	2016	2015
Fair value of identifiable assets – Emeis Holding Pty Ltd.	23,775	30,205
Other temporary differences	-	3,868
Total	23,775	34,073

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

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

	Company	Consolidated
2016	196,055	343,201
2017	39,966	71,929
2018	7,231	13,343
2019 and thereafter	35,048	64,523
	278,300	492,996

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 December 31, 2016, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carry forwards:	R$
Mexico	189,766
Australia (Substantially by operations in the US and Brazil)	12,590
France	257,442

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

	Mexico – R$
2017	-
2018	26,930
2019 to 2022	162,836
	189,766

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2016	2015	2016	2015
Income before income tax and social contribution	312,296	689,619	426,859	875,370
Income tax and social contribution at the rate of 34%	(106,181)	(234,470)	(145,132)	(297,626)
Technological research and innovation benefit - Law 11196/05 (a)	18,222	14,104	18,222	14,104
Tax benefits	3,990	4,341	5,840	6,315
Equity in investees (note 13)	73,502	80,105	-	-
Tax impact from subsidiary abroad	-	-	678	(19,863)
Tax Benefits of interest on equity (IOE)	26,929	16,780	26,929	16,780
Fair value of restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.(b)	(19,744)	(39,154)	(19,744)	(39,154)
Other permanent differences	(12,315)	(17,812)	(5,414)	(33,194)
Income tax and social contribution expenses	(15,597)	(176,106)	(118,621)	(352,638)
Income tax and social contribution - current	(244,650)	(218,879)	(404,039)	(384,563)
Income tax and social contribution - deferred	229,053	42,773	285,418	31,925
Effective rate - %	5,0	25,5	27,8	40,3

(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) Refers to the permanent tax effect on the restatement of the firm commitment of additional acquisition of shares of Emeis Holding Pty Ltd.

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

Company				Consolidated				
2015	Charged/ (Credit) to profit or loss	(Charged)/ Credit Other comprehensive income	2016	2015	Charged/ (Credit) to profit or loss	(Charged)/Credit Other comprehensive income	Transfer between income tax and social contribution deferred tax liabilities and assets	2016
48,525	229,053	722	278,300	212,608	284,137	798	(4,547)	492,996

Company				Consolidated			
2014	Charged/ (Credit) to profit or loss	(Charged)/ Credit Other comprehensive income	2015	2014	Charged/ (Credit) to profit or loss	(Charged)/ Credit Other comprehensive income	2015
6,222	42,773	(470)	48,525	147,763	65,998	(1,153)	212,608

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

Consolidated				
2015	Charged/(Credit) to profit or loss	Transfer between income tax and social contribution deferred tax liabilities and assets	(Charged)/Credit Other comprehensive income including exchange rate	2016
(34.073)	1,281	4,547	4,470	(23,775)

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

	Company		Consolidated	
	2016	2015	2016	2015
Unaccrued tax lawsuits(i)	155,575	141,457	161,833	147,287
Accrued tax lawsuits (ii)	84,620	88,292	128,727	128,439
Unaccrued civil lawsuits	1,287	1,337	1,591	1,575
Accrued civil lawsuits (note 18)	757	777	882	1,067
Unaccrued labor lawsuits	3,663	3,140	5,035	4,602
Accrued labor lawsuits (note 18)	3,987	3,495	5,006	4,825
Total escrow deposits	249,889	238,498	303,074	287,795

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

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

12. OTHER CURRENT AND NON CURRENT ASSETS

	Company		Consolidated	
	2016	2015	2016	2015
Marketing and advertising advances	84,480	94,610	99,977	102,753
Supplier advances	141,546	101,776	144,377	122,072
Employee advances	2,698	3,207	5,602	11,731
Rent advances	-	-	19,205	19,132
Insurance	4,241	2,968	7,240	6,866
Import taxes	-	325	8,523	18,973
Assets held for sale (a)	160	-	160	7,000
Carbon credits (b)	8,998	7,078	8,998	7,078
Other	2,266	316	15,690	29,449
	244,389	210,280	309,772	325,054
Current	228,629	202,780	286,739	307,450
Non-current	15,760	7,500	23,033	17,604

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

(b) Refers to Carbon Neutral program, disclosed in note 2.9.

13. INVESTIMENTS

	Company	
	2016	2015
Investments	2,104,217	2,001,232
Provision for losses on investments in subsidiaries	-	(21,519)
Investments in subsidiaries	2,104,217	1,979,713

Information and changes in the balances for the period ended in December 31,2016

	Indústria e Comércio de Cosméticos Natura Ltda. (*)	Natura Cosméticos S.A. - Chile	Natura Cosméticos S.A. - Peru	Natura Cosméticos S.A. - Argentina	Natura Cosméticos C.A. - Venezuela	Natura Inovação e Tecnologia de Produtos Ltda. (*)	Natura Cosméticos de México S.A. (*)	Natura Cosméticos Ltda. - Colômbia	Natura (Brasil) International B.V. - Holanda (*)	Natura Cosméticos España S.L.	Natura Biosphera Franqueadora Ltda.	Natura Comercia l 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	1,357,055	124,497	14,929	192,701	229	37,930	10,605	41,190	8,639	603	4,766	16,044	325,258	2,134,446
Interest in shareholders' equity	1,326,869	124,485	14,928	192,682	229	37,926	10,604	41,186	8,639	603	4,766	16,042	325,258	2,104,217
Subsidiaries' net income (loss) for the period	65,066	35,371	9,182	45,008	-	35,632	5,203	18,789	(36,380)	-	(5,833)	(58)	44,225	216,205
Carrying amount of investments														
Balance as of December 31, 2014	1,159,394	76,653	14,030	135,115	297	38,686	1,788	11,900	14,209	603	(585)	-	179,792	1,631,882
Equity in investees	92,899	14,854	(9,958)	111,678	-	36,025	(23,108)	12,168	(27,617)	-	(3,420)	-	32,082	235,603
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	2	19,946	3,898	(27,520)	139	1,588	(199)	2,102	3,510	-	3	-	52,964	56,433
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	1,018	-	-	-	-	735	-	-	-	-	-	-	-	1,753
Gain/Losses actuarial	(3,413)	-	-	-	-	615	-	-	-	-	-	-	-	(2,798)
Effects of hedge accounting (net tax)	1,325	-	-	-	-	-	-	-	-	-	-	-	-	1,325
Effects of changes from participation on indirect subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(53,873)	(53,873)
Effects of changes from the the company on the fair value of net assets acquired by Emeis Holding Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	8,651	8,651
Capital increases	-	-	-	-	-	-	-	-	24,196	-	10,400	-	66,141	100,737
Balance as of December 31, 2015	1,251,225	111,453	7,970	219,273	436	77,649	(21,519)	26,170	14,298	603	6,398	-	285,757	1,979,713
Equity in investees	65,059	35,367	9,181	45,003	-	35,628	5,202	18,787	(36,380)	-	(5,832)	(58)	44,225	216,182
Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries	8	(15,272)	(2,223)	(71,594)	(207)	(1,251)	2,840	(3,771)	(1,588)	-	-	-	(67,662)	(160,720)
Company's contribution to the stock options plan of subsidiaries' executives and other reserves	1,207	-	-	-	-	(482)	-	-	-	-	-	-	-	725
Gain/Losses actuarial	9,517	-	-	-	-	(942)	-	-	-	-	-	-	-	8,575
Effects of hedge accounting (net tax)	(147)	-	-	-	-	-	-	-	-	-	-	-	-	(147)
Effect of change of interest in indirect subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(207,983)	(207,983)
Effect of change in the Company's interest in the fair value of the net assets acquired of Emeis Holding Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	11,672	11,672
Dividends distribution	-	(7,063)	-	-	-	(72,676)	-	-	-	-	-	-	-	(79,739)
Capital increases	-	-	-	-	-	-	24,081	-	32,309	-	4,200	16,100	259,249	335,939
Balance as of December 3, 2016	1,326,869	124,485	14,928	192,682	229	37,926	10,604	41,186	8,639	603	4,766	16,042	325,258	2,104,217

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

14. PROPERTY, PLANT AND EQUIPAMENT AND INTANGIBLE ASSETS

Property, plant and equipament

	Company						
	Weighted average annual depreciation rate - %	2015	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016
Cost Value:							
Vehicles	33	43,855	10,344	(14,062)	-	(177)	39,960
Machinery and equipment	7	178,816	2,446	(2,314)	1,837	-	180,785
Improvements in third party properties (a)	12	69,686	411	(11,421)	8,689	-	67,365
Buildings	3	331,823	-	-	-	-	331,823
Furniture and fixtures	7	14,030	186	(1,735)	774	(102)	13,153
Properties	-	4,413	-	-	-	-	4,413
IT equipment	20	95,341	7,173	(3,269)	25,984	(1,251)	123,978
Projects in progress	-	8,071	45,376	(763)	(24,143)	(6,778)	21,763
Provision for losses	-	(12,303)	(316)	-	-	10,183	(2,436)
Total cost value		733,732	65,620	(33,564)	13,141	1,875	780,804
Depreciation Value:							
Vehicles	33	(18,808)	(8,693)	7,664	-	1,822	(18,015)
Machinery and equipment	7	(44,432)	(11,918)	470	-	-	(55,880)
Improvements in third party properties (a)	12	(22,754)	(4,432)	5,144	-	-	(22,042)
Buildings	3	(18,873)	(6,005)	-	-	-	(24,878)
Furniture and fixtures	7	(3,731)	(826)	654	-	38	(3,865)
IT Equipment	20	(67,029)	(16,389)	3,082	684	22	(79,630)
Total depreciation		(175,627)	(48,263)	17,014	684	1,882	(204,310)
Total		558,105	17,357	(16,550)	13,825	3,757	576,494

	Consolidated						
	Weighted average annual depreciation rate - %	2015	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016
Cost Value:							
Vehicles	33	75,079	24,265	(21,384)	4,845	(6,591)	76,214
Templates	33	228,576	1,538	(14,237)	3,817	(18)	219,676
Tools and accessories	8	45,642	38	(1,235)	(41,237)	(233)	2,975
Facilities	6	256,580	2,538	(145)	27,713	(1,603)	285,083
Machinery and equipment	7	767,012	13,165	(36,467)	58,310	(480)	801,540
Improvements in third party properties (a)	12	158,058	21,743	(24,167)	73,105	(18,329)	210,410
Buildings	3	758,645	247	-	-	-	758,892
Furniture and fixtures	7	60,350	7,284	(4,235)	10,215	(6,889)	66,725
Properties	-	30,525	-	-	-	-	30,525
IT equipment	20	138,525	15,936	(7,909)	35,784	(7,098)	175,238
Projects in progress	-	142,936	121,422	(809)	(167,113)	(16,867)	79,569
Provision for losses	-	(24,965)	(316)	-	-	13,609	(11,672)
Total cost value		2,636,963	207,860	(110,588)	5,439	(44,499)	2,695,175
Depreciation value:							
Vehicles	33	(29,282)	(15,652)	12,050	(2,971)	4,409	(31,446)
Templates	33	(170,542)	(27,373)	13,872	26	17	(184,000)
Tools and accessories	8	(25,696)	(448)	1,235	22,135	789	(1,985)
Facilities	6	(94,884)	(13,204)	106	(7,040)	1,128	(113,894)
Machinery and equipment	7	(275,723)	(49,265)	28,080	5,593	1,840	(289,475)
Improvements in third party properties (a)	12	(68,872)	(30,198)	15,804	(11,827)	10,957	(84,136)
Buildings	3	(107,698)	(16,203)	-	(1)	7	(123,895)
Furniture and fixtures	7	(18,539)	(8,505)	3,016	(3,727)	3,065	(24,690)
IT equiment	20	(93,377)	(23,652)	7,373	(2,044)	4,734	(106,966)
Total depreciation		(884,613)	(184,500)	81,536	144	26,946	(960,487)
Total		1,752,350	23,360	(29,052)	5,583	(17,553)	1,734,688

Intangible

	Company						
	Weighted average annual depreciation rate - %	2015	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes	2016
Cost Value:							
Software and others	10	665,215	80,205	(234)	(13,141)	284	732,329
Total cost value		665,215	80,205	(234)	(13,141)	284	732,329
Amortization Value:							
Software and others	10	(164,724)	(52,633)	-	(684)	(5,739)	(223,780)
Total amortization value		(164,724)	(52,633)	-	(684)	(5,739)	(223,780)
Total		500,491	27,572	(234)	(13,825)	(5,455)	508,549

	Consolidated						
	Weighted average annual amortization rate - %	2015	Additions	Write-offs	Transfers (fixed and intangible assets)	Others changes including exchange rate	2016
Cost Value:							
Software and others	10	821,976	93,648	(150)	(15,778)	(12,587)	887,109
Trademarks and patents (d)	4	112,440	632	-	8,314	(21,916)	99,470
Goodwill Emeis (Brazil PTY) (b)	-	101,003	-	-	(1)	(17,601)	83,401
Relationship with clients (d)	11	1,814	-	-	-	(316)	1,498
Fundo de Comércio		5,596	3,359	-	2,026	(3,409)	7,572
Total cost value		1,042,829	97,639	(150)	(5,439)	(55,829)	1,079,050
Amortization Value:							
Software and others	10	(213,034)	(72,088)	7	2,897	5,394	(276,824)
Trademarks and patents (d)	4	(12,743)	(3,395)	-	(3,016)	1,831	(17,323)
Relationship with clients (d)	11	(571)	(788)	-	(25)	735	(649)
Total amortization		(226,348)	(76,271)	7	(144)	7,960	(294,796)
Total		816,481	21,368	(143)	(5,583)	(47,869)	784,254

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

(b) Goodwill on the acquisition of Emeis Holdings Pty Ltd. Management reviewed the potential impairment of the goodwill recorded using the discounted cash flow methodology, and no impairment loss was identified. The value in use determination process involves assumptions, judgments and estimates on cash flows, such as revenue growth rates, costs and expenses, estimates of future investments, working capital, perpetuity and discount rates. This is in line with paragraph 35 of CPC 01 R1 - Impairment of Assets. All the assumptions used are described below:

(i) Discount rate of future cash flows - 14.6% p.a. According to Management's assessment, this is a conservative percentage that reflects the weighted cost of capital;

(ii) 5-year cash flow projection with a 2.0% perpetuity rate;

(iii) Revenue growth: based on the projection of new stores opening in already established markets and also in new geographies within Asia, America and Europe;

(iv) Change in operating income: considers the company's historical margin, estimated inflation in key global markets, and incremental expenses due to the opening of new stores.

(v) Investments: projects already in progress and new investments were considered, in line with the strategy of growth and expansion in the global market;

(c) The amount of the purchase of a commercial location where Natura Comercial and 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 December 31, 2016, the Company and its subsidiaries had property, plant and equipment as an attachment in defense of legal proceedings in the amount of R $ 2,416, consisting substantially of molds and land.

b) Leases

As of December 31, 2016, the amount recorder under “Buildings” arising from lease transactions totaling R$ 371,828 (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$437,274 (Consolidated) (R$435,313 as of December 31, 2015 – Consolidated).

There was no capitalization of charges arising from the leasing transactions in the period ended December 31, 2016.

15. BORROWINGS AND FINANCING

	Company		Consolidated		
	2016	2015	2016	2015	Reference
Local Currency					
FINEP (Financing Agency for Studies and projects)	-	-	149.916	160.752	A
Debentures	1.461.237	1.461.395	1.461.237	1.461.395	B
BNDES	37.944	57.925	118.497	170.300	C
BNDES EXIM	-	-	298.011	-	D
Working capital / NCE	-	-	40.502	256.125	E
BNDES – FINAME	1.126	1.754	8.313	13.592	F
Financial lease (Note 14.b)	365.729	360.435	437.274	435.313	G
FINEP (Grants and Government Assistance)	-	-	-	11	
International operation – Peru	-	-	48.392	66.879	H
International operation – Mexico	-	-	64.661	96.007	I
International operation – Australia	-	-	67.123	62.085	J
International operation - Colombia	-	-	37.556	31.367	K
Total in local currency	1.866.036	1.881.509	2.731.482	2.753.826	
	1.866.036	1.881.509	2.731.482	2.753.826	
Foreign Currency					
BNDES	12.629	21.845	31.985	51.628	L
Resolution 4131/62	1.584.022	2.644.315	1.626.704	2.730.426	M
Total in foreign currency	1.596.651	2.666.160	1.658.689	2.782.054	
Grand total	3.462.687	4.547.669	4.390.171	5.535.880	
Current	1.437.203	1.624.686	1.764.488	2.161.383	
Non Current	2.025.484	2.922.983	2.625.683	3.374.497	

Reference	Currency	Maturuty	Charges	Guarantees
A	Real	May ,2019 and June, 2023	Interest of 5% p.y for the installment maturing in 2019 and 3.5% p.y for the installment maturing in june,2023;	Guarantee of Natura Cosméticos S.A.
B	Real	February, 2019	Interest o107% to 108% % of CDI maturing in February,2017, February,2018 and February, 2019;	None
C	Real	Through December, 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	Novo sol	Through March,2016	Interest of 6.3% p.y.	Guarantee of Natura Cosméticos S.A.
I	Peso Mexicano	Through June, 2016	Interest of 0,98% a.a. to 1,2% p.y. + TIIE (e)	Guarantee of Natura Cosméticos S.A.
J	Australian dollar	December, 2017	BBSY + interest 1% and Libor + interest 1%. (f)	Bank guarantee
K	Peso Colombiano	Through March,2016	Interest of 8.3%py	Guarantee of Natura Cosméticos S.A.
L	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
M	Dollar	Through may,2018	Exchange fluctuation + Libor + Over Libor of 1.32% p.y. to 2,90% p.y. (a)	Guarantee of Indústria e Comércio de Cosméticos Natura Ltda.

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

(b) IPCA – Consumer price index expanded

(c) Loans for which the financial instruments of the type "swap" with the exchange of fixed rate for CDI were hired.

(d) PSI-Investment Support Program.

(e) TIIE-interest rate of interbank equilibrium Mexico

(f) BBSY - Bank Bill Swap Bid Rate

Maturities of non-current liabilities are as follows:

	Company		Consolidated	
	2016	2015	2016	2015
2018	719,139	1,348,209	1,109,594	1,512,462
2019	1,039,265	329,512	1,071,855	381,556
2020	43,459	1,041,225	101,995	1,110,143
2021 em diante	223,621	204,037	342,239	370,336
	2,025,484	2,922,983	2,625,683	3,374,497

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

a) Description on bank loans

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

   The Company and its subsidiaries Indústria e Comércio de Cosméticos Natura Ltda. and Natura Inovação e Tecnologia de Produtos Ltda. have credit facility agreements with the BNDES to facilitate direct investments in the Company and its subsidiaries in order to improve certain product lines, train research and development employees, optimize in the Cajamar, SP industrial facilities, build new distribution centers an recently the deployment of an industrial plant in Benevides, Pará and investments at a distribution center in Parque Anhanguera in São Paulo, and projects related to digital accessibility.

2. 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:

	Company		Consolidated	
	2016	2015	2016	2015
Gross finance lease obligations - minimum lease payments:				
Less than one year	52,820	49,496	65,090	60,962
More than one year and less than five years	237,897	226,618	292,663	279,939
More than five years	402,991	465,651	522,959	603,024
	693,708	741,765	880,712	943,925
Future financing charges on finance leases	(327,979)	(381,330)	(443,438)	(508,612)
Financial lease obligations - accounting balance	365,729	360,435	437,274	435,313
Accounting balance of property, plant and equipment	312,632	318,304	371,828	382,397

c) Contract Covenants

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

Contracts with BNDES from July 2011 have restrictive covenants establishing the following financial indicators:

- EBITDA margin exceeding 15%; and

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

On December 31, 2016, the Company had fully complied with all such covenants.

With respect to non-financial covenants (when applicable), they are reflected in contracts in market standards and do not represent a risk to the Company

16. TRADE AND OTHER PAYABLES

	Company		Consolidated	
	2016	2015	2016	2015
Domestic trade payables	249,087	215,981	703,473	669,228
Foreign trade payables (a)	2,128	9,703	4,429	30,077
“Drawn risk” operation (b)	16,865	4,416	107,037	103,582
	268,080	230,100	814,939	802,887

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

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

17. TAX PAYBLES

	Company		Consolidated	
	2016	2015	2016	2015
Taxes on revenue (PIS/COFINS) (judicial remedy) (a)	2,484	2,321	297,216	252,138
Ordinary ICMS	129,504	158,437	129,975	158,464
ICMS ST to payable (b)	175,086	81,445	175,086	81,445
IRPJ and CSLL to payable	50,998	117,280	103,322	189,363
IRPJ and CSLL (injunction) (c)	342,288	268,712	342,289	268,712
Taxas on revenue - foreign subsidiaries	-	-	31,150	38,351
IPI (preliminary injuction)	142,246	53,785	147,556	58,249
INSS – suspension of the enforceability	8,393	4,461	25,178	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	16,316	14,997	36,250	24,579
TAX- subsidiaries abroad	-	-	21,563	38,226
Service tax (ISS and INSS)	398	525	3,359	2,755
	867,713	707,875	1,312,944	1,135,705
Escrow deposits (note 11)	(71,209)	(78,501)	(114,559)	(117,949)
Current	687,223	629,374	1,075,431	1,047,961
Non current	180,490	78,501	237,513	87,744

(a) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the inclusion of ICMS in the tax basis of Integration Program Tax on Revenue (PIS) and Social Security Funding Tax on Revenue (COFINS). On June 2007, the Company and its subsidiary were authorized by the court to pay PIS and COFINS without the inclusion of ICMS in their tax basis, starting April 2007. The balances recognized as of December 31, 2016 refer to the unpaid amounts of PIS and COFINS, from April 2007 to December 31, 2016, the collection of which is on hold. Part of the balance, in the adjusted amount of R$ 38,690 is deposited in escrow related to the consolidated.

(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.

(d) The Company and its subsidiary, Indústria e Comércio de Cosméticos Natura Ltda., In the operations in which it acts exclusively as distributor, judicially discuss the condition brought by Decree No. 8,393 / 2015, which equated the industrial one, for purposes of tax incidence On Industrialized Products - IPI, interdependent wholesale establishments that market products provided for in said legal provision. The balances recorded as of December 31, 2016 refer to amounts not colected under IPI, as a result of express judicial authorization.

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	
	2016	2015	2016	2015
Tax	34,542	29,920	47,044	40,622
Civil	11,457	10,839	14,321	17,923
Labor	18,562	10,276	32,259	19,313
Total	64,561	51,035	93,624	77,858
Escrow deposits (note 11)	(18,155)	(14,064)	(20,056)	(16,383)

Tax contingencies

The provision for tax risks is broken down as follows:

	Company					
	2015	Additions	Reversals	Transfer of tax liabilities	Inflation adjustment	2016
Legal fees (a)	17,199	6,214	(5,071)	-	1,438	19,780
CSLL deductibility (Law 9316/96) (b)	9,015	-	(4,853)	-	282	4,444
Others	3,706	4,158	(1,955)	3,925	484	10,318
Total provision for tax contingencies	29,920	10,372	(11,879)	3,925	2,204	34,542
Escrow Deposits (note 11)	(9,792)	(2,100)	2,968	(3,825)	(662)	(13,411)

	Consolidated					
	2015	Additions	Reversals	Transfer of tax liabilities	Inflation adjustment	2016
Legal fees (a)	27.120	8.687	(6.733)	-	2.372	31.446
CSLL deductibility (Law 9316/96) (b)	9.015	-	(4.853)	-	282	4.444
Others	4.487	4.158	(1.955)	3.925	539	11.154
Total provision for tax contingencies	40.622	12.845	(13.541)	3.925	3.193	47.044
Escrow Deposits (note 11)	(10.491)	(2.100)	2.968	(3.825)	(720)	(14.168)

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

(*i*) Tax infraction notices issued against the Company in August 2003, December 2006 and December 2007, by Brazilian IRS, claiming IRPJ and CSLL debts related to deductibility of yield of debentures issued by the Company, in 1999, 2001 and 2002, respectively. The infraction notices related to 2001 and 2002 are pending a decision by the Administrative Board of Tax Appeals (ABTA). The legal advisors have assessed that the case involves remote loss.

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

(ii) Tax infraction notices in connection with IRPJ and CSLL, issued on June 30, 2009 and August 30, 2013, questioning deductibility for tax purposes of goodwill amortization, resulting from incorporation of shares of Natura Empreendimentos by Natura Participações S.A. and subsequent merger of both companies with Natura Cosméticos S.A. In December 2012, a decision was handed down by ABTA on the proceeding referring to tax infraction notice of 2009, which was partially in favor of the Company to reduce the uprated fine. In terms of merit, the decision was unfavorable, reason why the Company is awaiting formalization of the decision in order to file an appeal with the Higher Board of Tax Appeals (ABTA). In relation to the tax infraction notice of 2013, in June 2014, the Company was informed of the unfavorable decision related to its opposition. The Company filed an appeal with ABTA, which is currently pending judgment. It should be noted that CARF handed down favorable decisions on similar cases, which represent important case law for the Company. In the opinion of the Company's lawyers, the operation, as structured, and its tax effects are defensible, reason why the risk of loss is assessed as remote.

(iii) IPI, PIS and COFINS tax infraction notices issued against the subsidiary, in December 2012, referring to taxable events occurred in 2008, alleging that the subsidiary would have adopted incorrect prices in sales to the parent company. In May and June 2013, the proceedings were judged by Brazilian IRS Appellate Division in Ribeirão Preto/SP, which decided (a) in favor of the subsidiary, cancelling the tax debt claimed in the PIS/COFINS tax infraction notice and (b) against the subsidiary maintaining the tax debt claimed in the IPI tax infraction notice.

On auto respect of PIS offense / COFINS on December 29, 2016, the 2nd administrative level (CARF) sustained the ruling of the Bureau of Judgment Brazil Federal Revenue Service in Ribeirão Preto / SP cancel the assessment. Pending publication of the judgment. In relation to the IPI tax assessment notice, pending judgment of the appeal filed by 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.

(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 adhesion to the program and conversion of the judicial deposit into Federal Government proceeds are currently pending. The amount deposited with the court amounts to R$ 7,533 (R$ 7,118 at December 31, 2015), which includes risk assessment as probable and possible.

Civil risk

	Company					
	2015	Additions	Reversals	Payments	Inflation adjustment	2016
Several civil lawsuits (a)	6,267	8,680	(526)	(7,605)	95	6,911
Lawyer fees - environmental civil lawsuit (b)	2,696	173	(150)	-	165	2,884
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	1,876	412	-	(760)	134	1,662
Total provision for civil risks	10,839	9,265	(676)	(8,365)	394	11,457
Escrow deposits (note 11)	(777)	(215)	328	-	(93)	(757)

	Consolidated					
	2015	Additions	Reversals	Payments	Inflation adjustment	2016
Several civil lawsuits (a)	12,354	8,859	(5,361)	(7,746)	574	8,680
Lawyer fees - environmental civil lawsuit (b)	2,696	173	(150)	-	166	2,885
Lawyer fees - IBAMA (c)	997	-	-	-	98	1,095
Civil lawsuits and lawyer fees -Nova Flora Participações Ltda (d).	1,876	412	-	(760)	133	1,661
Total provision for civil risks	17,923	9,444	(5,511)	(8,506)	971	14,321
Escrow deposits (note 11)	(1,067)	(305)	577	-	(87)	(882)

(a) As of December 31, 2016, the Company and its subsidiaries are parties in approximately 2,800 civil lawsuits and administrative proceedings (approximately 2,000 as of December 31, 2015), of which approximately 2,000 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$ 1,260 (R$ 548 December 31, 2015), including claims with chances of loss assessed as possible and remote.

(b) The provision includes R$ 2,073 with respect to legal fees, ad exitum, for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset ("Murumuru"). Award was made in the records of that action, deciding to exclude Natura demand. However, as the prosecution filed an appeal, the case is awaiting final decision. Our legal counsel's opinion is that the risk of losses is remote.

(c) These refer to lawyer fees for the adoption of the judicial measures considered applicable by the Company's legal advisors, which aim at the revoking of the assessment notices issued by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) against the Company in 2010 and 2011 for supposed irregular access to the Brazilian genetic patrimony or related traditional knowledge, as well as it supposed failure in sharing the benefits under the effective term of Provisional Executive Order (MP) 2.186/2001, superseded by Law No. 13.123/2015, regulation still pending. The Company received until December 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.

(d) The accrued amount comprises 5 proceedings involving Nova Flora Participações Ltda. on corporate matters referring to the withdrawal of an former partner of the Company. The balance deposited with the courts for the tax infraction notices above amounts to R$ 0,6 million (R$ 0,6 million December 31, 2015).

Labor risks

As of December 31, 2016, the Company and its subsidiaries are parties in approximately 1,600 labor lawsuits filed by former employees and third parties (approximately 1,200 as of December 31, 2015), claiming the payment of severance amounts, salary premiums, overtime and other amounts due, as a result of joint liability. The provision is periodically reviewed based on the progress of lawsuits and history of losses on labor claims to reflect the best current estimate.

	Company					
	2015	Additions	Reversals	Payments	Inflation adjustment	2016
Total provision for labor contingencies	10,276	9,873	(1,268)	(1,852)	1,533	18,562
Escrow deposits (note 11)	(3,495)	(892)	699	-	(299)	(3,987)

	Consolidated					
	2015	Additions	Reversals	Payments	Inflation adjustment	2016
Total provision for labor contingencies	19,313	16,690	(2,962)	(2,800)	2018	32,259
Escrow deposits (note 11)	(4,825)	(819)	882	-	(244)	(5,006)

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 December 31, 2016, contingent liabilities comprise 748 cases (654 at December 31, 2015), as under:

	Company		Consolidated	
	2016	2015	2016	2015
Tax	618,680	636,777	1,489,961	771,225
Civil	14,571	6,330	23,579	12,456
Labor	62,258	38,623	138,702	85,382
Total contingent liabilities (Unaccrued)	695,509	681,730	1,652,242	869,063
Escrow deposits (note 11)	(135,555)	(122,566)	(139,713)	(126,509)

The tax cases comprise the following main proceedings:

(a) Dismissal of applications for offset filed in order to use PIS and COFINS credits, computed on expenses incurred with freight on sales of products subject to one-time levy taxation. The Company awaits judgment of the case at the administrative level. The total amount being disputed is R$ 23,551 (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$ 527,473 (R$ 432,307 at December 31, 2015) and R$ 106,534 (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 December 31, 2016 is R$ 119,997.

(d) Tax Deficiency Notice drawn by the São Paulo State Financie 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. The total amount in dispute as of December 31, 2016 is R$ 446,999.

The Company has other amounts deposited with the courts in connection with proceedings assessed as involving remote chances of loss, which aggregate R$ 24,970 (R$ 23,368 at December 31, 2015) Company and R$ 28,746 (R$ 26,955 at December 31, 2015) Consolidated, as explained in note 11 – Judicial deposits.

19. OTHER LIABILITIES

(a) Provision for acquisition of non-controlling interest

Liabilities recorded in accordance with the obligation entered into in the sale and purchase agreement of Emeis Holdings Pty Ltd., and its updating reflected the company's performance (a multiple of 12 times EBITDA, plus the cash balance and net of financial obligations). In the year ended December 31, 2016, the restatement of this liability impacted the financial expense in the caption "Provision for acquisition of non-controlling interests" (see Note 25) in the amount of R$ 58,071 (R$ 111,334 on December 2015).

As described in Note 1, on December 20, 2016, the Company, through Natura Australia Pty Ltd. acquired 21.26% of the capital stock of Emeis Holdings Pty Ltd., participation. , Consequently, the provision was fully liquidated.

(b) Other current liabilities

	Company		Consolidated	
	2016	2015	2016	2015
Government subvention (*)	12,203	13.843	160.060	100.576
Retirees' healthcare plan (**)	51,993	24.155	65.190	43.549
Carbon credit	6,070	11.042	6.070	11.042
Exclusivity contract	12,000	-	12.000	-
Other provisions	5,900	1.326	23.380	14.955
Total	88,166	50.366	266.700	170.122

(*) Refers to loans and short- and long-term that reflect the government grant, for the period ended December 31, 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 of the obligation was 16 years

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

- 1,398 active employees of Natura Group, 931 of which are parent Company's employees;
- 89 retirees and dependents of Natura Group, 67 of which are from the parent company.

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

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

In relation to the previous year, changes were observed in the discount rate, which increased from 6.90% pa. To 5.68% a.a. In real terms (net of estimated long-term inflation) - equivalent 12.25% pa To 10.80% a.a. In nominal terms. The change in the discount rate represented an increase of R$ 11,797 (Consolidated) over the defined benefit liability. This effect was included in amounts recognized in Other Comprehensive Income.

Below we present the changes in actuarial liabilities for the years ended December 31, 2016 and 2015:

December 31, 2016:	Company	Consolidated
Balance at beginning of year	(24,155)	(43,549)
Cost of the company's current service - recognized in income	(1,167)	(1,699)
Interest cost - recognized in income	(2,927)	(5,263)
Benefits paid directly by the company	119	609
Actuarial gains / (losses) in Other comprehensive income	(23,863)	(15,288)
Balance at end of year	(51,993)	(65,190)

December 31, 2015:	Company	Consolidated
Balance at beginning of year	(23,068)	(37,697)
Cost of the company's current service - recognized in income	(1,340)	(1,972)
Interest cost - recognized in income	(2,316)	(4,385)
Benefits paid directly by the company	217	951
Actuarial gains / (losses) in Other comprehensive income	2,352	(446)
Balance at end of year	(24,155)	(43,549)

20. SHAREHOLDER'S EQUITY

a) Issued Capital

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

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

b) Dividend and interest on capital payment policy

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

- Increase in the amounts resulting from the reversal, in the period, of previously recognized reserves for contingencies.

- Decrease in the amounts intended for the recognition, in the period, of the legal reserve and reserve for contingencies.

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

On April 20, 2016 payment of dividends totaling R$105,733 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.

On December 14, 2016, the Board resolved to distribute interest on capital in the total gross amount of R$ 61,804 (R$ 52,533, net of IRRF) for the period from January 1, 2016 to November 30 2016, which was paid on February 10, 2017.

Additionally, on February 22, 2017, the Board approved an "ad referendum" of the Annual and Extraordinary Shareholders 'Meeting, which will be held on April 11, 2017, the proposal for payment of dividends and interest on shareholders' equity for the month Of December 2016, in the amounts of R$ 51,276 and R$ 5,600 (R$ 4,760 net of IRRF), respectively, related to the results obtained in 2016, which added up to R$ 61,804 (R $ 52,533, net of IRRF) Paid on February 10, 2017 correspond to a distribution of approximately 40% of the net income earned in 2016.

Dividends were calculated as follows:

	Controladora	
	2016	2015
Net income for the year	296.699	513.513
Mandatory minimum dividend	30%	30%
Annual minimum dividend	89.010	154.054
Proposed dividends	51.276	313.023
Interest on equity	67.404	46.436
Withholding income tax (IRRF) on interest on equity	(10.111)	(7.487)
Total dividends and interest on equity, net of IRRF	108.569	351.972
Amount in excess of mandatory minimum dividend, net of IRRF	19.559	197.918
Dividends per share - R$	0,1192	0,7275
Interest on equity per share, net - R$	0,1331	0,0905
Total compensation per share, net - R$	0,2523	0,8180

As mentioned in Note 2.21, the amount in excess of mandatory minimum dividend, declared by management after the accounting period to which the financial statements refer, but before the date on which their issuance was approved, shall not be recognized as a liability in the respective financial statements, and the effects of the amount of supplemental dividends will be disclosed in an explanatory note. Therefore, at December 31, 2016 and 2015, the following installments referring to amount in excess of mandatory minimum dividend were recorded in equity as "Proposed additional dividend":

	Company	
	2016	2015
Dividends	24,070	105,733
Interest on equity	5,600	17,400
	29,670	123,133

The amount related to the mandatory minimum dividend declared and not paid on December 31, 2016 is R$ 79,739

c) Treasury shares

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

	2016		
	Number of Share	R$ (thounsands)	Average price per share R$
Balance at December 31, 2015	954.584	37,851	39.65
Utilized	(17.700)	(702)	39.65
Balance at December 31, 2016	936.884	37,149	39.65

The minimum and maximum cost of the balance of treasury shares in the period ended December 31, 2016 is R$ 31.49 and 45.13, respectively.

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.

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, decided not to constitute the legal reserve on the net income onwards from the year in which this limit was reached.

f) Retained earnings reserve

At a meeting held on February 22, 2017 by the Board of Directors, the financial statements and the proposal for the retention of profits for the fiscal year ended December 31, 2016 were submitted, which will be submitted for approval at the Ordinary and Extraordinary General Meeting of Shareholders To be held on April 11, 20176. The constitution of the profit reserve comprised the equivalent of 60% of the total income earned in the year 2016 in the amount of R$ 178,019.

The Ordinary and Extraordinary General Meeting that will appreciate these financial statements will also make the necessary decisions in order to comply with the legal provisions on the limit of the balance of the profit reserve.

g) Provision for acquisition of non-controlling interests

This refers to the matching entry of the remainder of non-controlling interests in the capital of Emeis Holdings Pty Ltd., which was initially recorded in the Company’s liabilities for the obligation under a purchase and sale agreement, and simultaneous issuance of put options and stock options. The realization of this provision occurs upon the exercise of options, limited to the amount initially recorded. This provision was fully realized on December 20, 2016, when the options for the purchase of non-controlling interest were exercised, as described in note 1.

h) Goodwill/negative goodwill on capital transactions - Result from operations with non-controlling shareholders

This refers to the effect of changes in ownership interest upon the acquisition of the remaining part of non-controlling interests when the Company already has control.

i) 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.

In addition to the direct sales operation, the Company has operations in the retail, e-commerce and franchise markets. Segregation by this type of operation is still not considered significant for disclosure by the decision maker.

The disclosure below has the following segregation: Brazil ("Operation Brazil"), Latin America ("LATAM Transaction", including LATAM Corporate), Emeis Holdings Pty Ltd. ("Aesop") (includes the results of Holdings Natura Brazil Pty Ltd And Natura Cosmetics Australia Pty Ltd.) and Others ("includes the results of France, Natura (Brazil) International BV - Netherlands, Natura Brazil Inc. - USA").

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

- Brazil: 67.7 %
- LATAM: 24.8 %
- Emeis Holdings Pty Ltd. ("Aesop"): 7.3 %
- Outros: 0.2 %

The accounting practices for each segment are described in Note 2. The Company segments' performance was measured based on its net operating income, net income for the year and noncurrent assets. This measurement basis excludes the effects of interest, income tax and social contribution, depreciation and amortization.

The tables below present summarized financial information for the segments as of December 31, 2016 and 2015 (income statements) and December 31, 2015 (balance sheet). The figures provided to the Executive Committee with respect to income and total assets are consistent with the balances recorded in the financial information, as well as the accounting policies adopted.

	2016				
	Net revenue	Net profit (loss)	Depreciation and Amortization	Financial income	Tax
Brazil	5,356,845	196,801	(203,129)	(614,335)	(51,117)
LATAM	1,961,376	91,973	(18,528)	(40,595)	(47,772)
Emeis Holding Pty Ltd. (“Aesop”)	579,727	44,225	(38,381)	(1,079)	(19,732)
Others	14,716	(36,300)	(733)	-	-
Consolidated (attributable to controlling shareholders of the Company)	7,912,664	296,699	(260,771)	(656,009)	(118,621)

	2015				
	Net revenue	Net profit (loss)	Depreciation and Amortization	Financial income	Tax
Brazil	5,610,222	407,937	(193,206)	(395,668)	(261,109)
LATAM	1,842,359	105,645	(16,712)	18,271	(69,117)
Emeis Holding Pty Ltd. (“Aesop”)	431,533	27,624	(26,909)	(4,002)	(22,412)
Others	14,888	(27,693)	(2,370)	-	-
Consolidated (attributable to controlling shareholders of the Company)	7,899,002	513,513	(239,197)	(381,399)	(352,638)

	2016			2015		
	Non current Assets	Current Liabilities	Total Assets	Non current Assets	Current Liabilities	Total Assets
Brazil	3,133,219	3,543,273	6,988,043	2,873,979	3,782,501	7,823,633
LATAM	165,693	516,310	901,414	168,483	676,744	1,028,410
Emeis Holding Pty Ltd. (“Aesop”)	313,380	103,822	508,367	325,861	113,675	513,031
Others	6,387	14,494	23,755	7,952	-	29,907
Consolidated	3,618,679	4,177,899	8,421,579	3,376,275	4,572,920	9,394,981

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.

22. NET REVENUE

	Company		Consolidated	
	2016	2015	2016	2015
Gross revenue:				
Domestic market	7,735,563	7,874,186	7,754,729	7,884,951
Foreign market	-	-	3,236,722	2,917,439
Other sales	4	83	1,691	4,083
	7,735,567	7,874,269	10,993,142	10,806,473
Returns and cancellations	(24,397)	(17,847)	(47,686)	(40,655)
Taxes on sales	(2,094,185)	(1,927,422)	(3,032,792)	(2,866,816)
Net revenue	5,616,985	5,929,000	7,912,664	7,899,002

23. OPERATING EXPENSES AND COST OF SALES

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

	Company		Consolidated	
	2016	2015	2016	2015
Cost of sales	2,188,578	2,294,896	2,446,959	2,415,990
Selling, Marketing and Logistics expenses	2,143,235	2,081,047	3,110,169	3,020,500
Administrative, P&D, IT and Project Expenses	673,343	732,241	1,327,093	1,271,533
Total	5,005,156	5,108,184	6,884,221	6,708,023

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

	Company		Consolidated	
	2016	2015	2016	2015
Cost of sales	2,188,578	2,294,896	2,446,959	2,415,990
Raw material/packaging Material	2,188,578	2,294,896	1,962,313	1,936,541
Workforce	-	-	247,476	212,956
Depreciation and amortization	-	-	77,298	79,085
Others	-	-	159,872	187,408
Marketing and selling expenses	2,143,235	2,081,047	3,110,169	3,020,500
Freight	280,814	302,691	284,669	309,613
Marketing, sales force and other sales expenses	1,836,279	1,752,307	2,790,077	2,676,741
Depreciation and amortization	26,142	26,049	35,423	34,146
Administrative expenses, P&D, IT and Projects	673,343	732,241	1,327,093	1,271,533
Development in Innovation	-	-	184,491	208,807
Other administrative expenditure	598,589	671,898	994,552	936,760
Depreciation and amortization	74,754	60,343	148,050	125,966
Total	5,005,156	5,108,184	6,884,221	6,708,023

24. EMPLOYEE BENEFITS

	Company		Consolidated	
	2016	2015	2016	2015
Payroll , profit sharing and bonuses	369,007	359,506	1,033,513	969,525
Pension Plan (note 24.2)	2,692	3,022	3,753	4,642
Gain based on stocks (note 24.1)	7,688	(4,326)	8,782	(2,572)
Charges on restricted stock (note 24.1)	1,880	581	2,585	827
Taxes payable	25,354	25,445	83,322	87,946
Health medical care, food, transportation and others benefits	92,177	67,977	195,738	184,610
	498,798	452,205	1,327,693	1,244,978

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. Additionally, on July 4, 2016, the Company's Board of Directors approved the inclusion / exclusion of beneficiaries and also revisited the amount of Restricted Stock Option Plan of actions for the year 2016.

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

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

The Restricted Stock Option Plan implemented in 2015 consists in the grant of 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		2015	
	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	24.43	2,566	27.81	2,944
Cancelled	47.32	(2,419)	51.23	(2,006)
Exercised	-	-	-	-
Balance at period/year end	36.17	6,381	37.91	6,234

	Stock Restricted (thousands)	Stock Restricted (thousands)
	2016	2015
Balance at beginning of Year/period	510	-
Granted	512	556
Cancelled	(129)	(46)
Exercised	(18)	-
Balance at period/year end	875	510

Out of the 6,381 outstanding options as of December 31, 2016 (6,234 outstanding options as of December 31, 2015), 1,692 outstanding options are vested (1,548 outstanding options as of December 31, 2015).

The expense relating to the fair value of stock options and restricted stock, including charges on restricted stock, recognized in the period ended December 31, 2016, according to the period elapsed for entitlement to exercise the options and restricted shares, was of R$ 9,568 e R$ 11,367 Company and consolidated, respectively. At December 31, 2015, reversal of expenses totaled (R$ 3,745) and (R$ 1,745) 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 December 31, 2016 –Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
April 22, 2009	36.07	7.83	291,689	0.57	291,689
March 19, 2010	52.93	10.82	414,432	1.49	414,432
March 23, 2011	61.77	16.45	504,121	2.49	504,121
March 18, 2013	67.50	12.10	481,332	4.53	481,332
March 17, 2014	45.12	8.54	682,814	5.54	-
March 16, 2015 (24 months - vested)	28.22	9.70	265,401	6.29	-
March 16, 2015 (36 months - vested)	28.22	10.10	265,401	6.29	-
March 16, 2015 (48 months - vested)	28.22	10.57	265,401	6.29	-
July 28, 2015 (Strategy Acceleration Plan-48 months - vested)	26.81	12.46	632,500	6.67	-
July 28, 2015 (Strategy Acceleration Plan-60 months - vested)	26.81	12.40	632,500	6.67	-
March 15, 2016 (24 months - vested)	26.69	14.31	143,790	7.31	-
March 15, 2016 (36 months - vested)	26.69	14.65	130,863	7.31	-
March 15, 2016 (48 months - vested)	26.69	14.85	130,863	7.31	-
July 11, 2016 (48 months – vesting)	23.84	26.96	770,000	7.64	-
July 11, 2016 (60 months – vesting)	23.84	26.96	770,000	7.64	-
			6,381,107		1,691,574

As of December 31, 2016 – restricted stock

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

As of December 31, 2015 – Stock option plan

Grant date	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options
April 22, 2009	33.94	7.83	293,783	1.33	293.783
March 19, 2010	49.80	10.82	588,894	2.25	588.894
March 23, 2011	58.12	16.45	665,534	3.25	665.534
March 18, 2013	63.51	12.10	904,805	5.30	-
March 17, 2014	42.50	8.54	966,967	6.30	-
March 16, 2015 (24 months - vested)	28.38	9.70	944,812	7.30	-
March 16, 2015 (36 months - vested)	28.38	10.10	944,812	7.30	-
March 16, 2015 (48 months - vested)	28.38	10.57	944,812	7.30	-
July 28, 2015 (Strategy Acceleration Plan-48 months - vested)	26.97	12.46	935,000	7.70	-
July 28, 2015 (Strategy Acceleration Plan-60 months - vested)	26.97	12.40	935,000	7.70	-
			8,124,419		1.548.211

As of December 31, 2015 – restricted stock

Grant date	Existing stock	Fair value	Remaining contractual life (years)	Vested stock
March 16, 2015 (24 months - vested)	169,944	22.27	7.30	-
March 16, 2015 (36 months - vested)	169,944	21.33	7.30	-
March 16, 2015 (48 months - vested)	169,944	20.42	7.30	-
	509,832			

On December 31, 2016, the market price was R$ 23.02 (R $ 23.49 on 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)	July 11, 2015 (Strategy Acceleration Plan months – vested -48 months vested)	July 11, 2015 (Strategy Acceleration Plan months – vested -60 months vested)	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested	March 16, 2015 (48 months - vested)
Volatility	37.2%	37.2%	37.2%	39.4%	39.4%	37.2%	37.2%	37.2%
Dividend yield	3.4%	3.4%	3.4%	4.6%	4.6%	3.4%	3.4%	3.4%
Expected option life of the year	2 anos	3 anos	4 anos	4 anos	5 anos	2 anos	3 anos	4 anos
Risk-free annual interest rate	12.9%	13.2%	13.2%	11.5%	11.5%	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							
	Stock option plan					Restricted stock		
	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested	March 16, 2015 (48 months - vested)	July 28, 2015 (Strategy Acceleration Plan months – vested -48 months vested)	July 28, 2015 (Strategy Acceleration Plan months – vested -60 months vested)	March 16, 2015 (24 months - vested)	March 16, 2015 (36 months - vested	March 16, 2015 (48 months - vested)
Volatility	30.4%	30.4%	30.4%	32.0%	32.0%	30.4%	30.4%	30.4%
Dividend yield	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Expected option life of the year	2 anos	3 anos	4 anos	4 anos	5 anos	2 anos	3 anos	4 anos
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 December 31, 2016 and December 31,2015, did not have actuarial liabilities there were no actuarial liabilities on behalf of the Company and its subsidiaries arising from the supplementary pension plan.

The contributions made by the Company and its subsidiaries totaled R$2,692 (Company) and R$ 3,753 in the period ended December 31, 2016 (R$ 3,022 Company and R$4,642 Consolidated in the period ended December 31, 2015), and were recorded as expenses in the period.

25. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	2016	2015	2016	2015
Financial income:				
Interest on short-term investments	188,326	194,616	255,437	267,773
Inflation adjustment and foreign exchange gains (a)	700,729	559,293	745,365	630,517
Gains on swap and forward transactions (c)	42,960	881,008	45,467	962,611
Gains on the adjustment to market value of swap and forward derivatives	-	34,469	-	38,240
Other financial income	20,432	22,912	27,019	28,087
Total	952,447	1,692,298	1,073,288	1,927,228
	952.447	1.692.298	1.073.288	1.927.228
Financial expenses:				
Interest on financing	(267,248)	(260,575)	(317,589)	(317,761)
Inflation adjustment and foreign exchange losses (b)	(275,593)	(1,410,528)	(359,742)	(1,496,749)
Losses on swap and forward transactions (d)	(653,848)	(234,716)	(698,774)	(268,011)
Losses on the adjustment of fair value of “financial” and “operational” derivatives	(14,423)	-	(12,292)	-
Inflation Provision for acquisition of non-controlling interest (note 19.a)	(58,071)	(111,334)	(58,071)	(111,334)
(“Forward”) derivative instruments engaged to hedge the provision for acquisition of non-controlling interests, including mark-to-market (MTM) adjustment.	(65,136)	-	(65,136)	-
Update of provision for tax, civil and labor risks	(79.093)	(32.795)	(108.923)	(59.263)
Effect of reclassification of government subsidy (CPC07)	(10.198)	(8.655)	(65.768)	(45.174)
Other financial expenses	(35.267)	(7.089)	(43.002)	(10.335)
Total	(1.458.877)	(2.065.692)	(1.729.297)	(2.308.627)
Financial expenses, net	(506.430)	(373.394)	(656.009)	(381.399)

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

	Company		Consolidated	
	2016	2015	2016	2015
Gains on monetary and exchange variations				
Exchange rate on loans	699,399	559,293	744,743	589,821
Exchange variation of import	1,330	-	622	-
Exchange variation of receivables export	-	-	-	26,427
Exchange rate changes in accounts payable in foreign subsidiaries	-	-	-	14,269
(a)	700,729	559,293	745,365	630,517
Losses on monetary and exchange variations:				
Exchange rate on loans	(275,271)	(1,408,031)	(290,712)	(1,493,751)
Exchange variation of import	-	(2,380)	-	(1,527)
Exchange variation of export receivables	-	-	(17,364)	-
Exchange rate changes in accounts payable in foreign subsidiaries	-	-	(41,674)	-
Exchange variation of financing	(322)	(117)	(9,992)	(1,471)
(b)	(275,593)	(1,410,528)	(359,742)	(1,496,749)
	(275,271)	(1,408,031)	(290,712)	(1,493,751)
Gains on forward and swap and fowards transactions:				
Exchange variation of swap instruments	-	825,965	-	883,666
Gain on exchange coupon “swap”	42,960	55,043	45,467	56,792
Exchange variation of “forward” instruments	-	-	-	10,259
Revenue from Pre swap rate				
(c)	-	-	-	11,894
	42,960	881,008	45,467	962,611
Losses on swap and forward transactions				
Financial costs swap instruments	(422,573)	-	(449,764)	-
Financial costs – swap	(231,275)	(234,716)	(247,515)	(268,011)
Loss on interest rate swap	-	-	(1,495)	-
(d)	(653,848)	(234,716)	(698,774)	(268,011)

26. NET OTHER INCOME (EXPENSES)

	Company		Consolidated	
	2016	2015	2016	2015
Gain (loss) on sale of property, plant and equipment	(851)	17,314	3,418	41,251
Crédit ICMS (a)	4,725	-	4,725	-
Subsidy BNDES, FINAME and FINEP (b)	10,198	8,655	65,769	45,174
Crer para ver (c)	(32,305)	(19,390)	(32,305)	(19,390)
ICMS-ST (d)	(18,580)	-	(18,580)	-
Sale of customer portfolio	27,000	-	27,000	-
Other net operating income (expenses)	528	15	4,398	(1,245)
Net Other income (expenses)	(9,285)	6,594	54,425	65,790

(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.

(d) Refers to the requirement of ICMS tax substitution by the different states.

(e) This refers to revenue from the sale of the customer portfolio with past due accounts over 180 days, which were no longer included in the balance of the Company’s trade accounts receivable on the date the risks and benefits are transferred. The Company's policy is to write off trade notes overdue for more than 180 days. It should be noted that this sale was made without right of return and with transfer of credit risk to the buyer.

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.

	2016	2015
Net income attributable to owners of the Company	296,699	513,513
Weighted average of common outstanding shares	431,239,264	431,239,264
Weighted average of treasury shares	(949,409)	(954,584)
Weighted average of outstanding common shares	430,289,855	430,284,680
Basic earnings per share - R$	0.6895	1.1934

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.

	2016	2015
Net income attributable to owners of the Company	296,699	513,513
Weighted average of outstanding common shares	430,289,855	430,284,680
Adjustment for stock options	1,275,824	211,897
Weighted average of outstanding common shares	431,565,679	430,496,577
Diluted earnings per share - R$	0,6875	1,1928

At December 31, 2016, a total of 6,035,573 outstanding options (6,245,169 at December 31, 2015), were not considered in the calculation of diluted earnings per share due to the fact that the exercise price is higher than average market price of the common shares during the period ended on those dates, therefore there was no dilution effect.

28. RELATED-PARTY TRANSACTIONS

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

	Company	
	2016	2015
Current assets:		
Natura Inovação e Tecnologia de Produtos Ltda. (a)	1,527	1,986
Natura Logística e Serviços Ltda. (b)	438	1,641
Indústria e Comércio de Cosméticos Natura Ltda. (c)	4,126	5,263
Natura Biosphera Franqueadora Ltda.	185	136
Aesop Brasil Comercio de Cosméticos Ltda. (subsidiária da Emeis Holdings Pty Ltd.)	922	-
Natura Comercial Ldta.	774	-
	7,972	9,026
Current liabilities:		
Trade payables:		
Indústria e Comércio de Cosméticos Natura Ltda. (c)	217,980	122,309
Natura Logística e Serviços Ltda. (d)	741	6,468
Natura Inovação e Tecnologia de Produtos Ltda. (e)	23,362	20,616
	242,083	149,393

Related-party transactions are as follows:

	Company			
	Sale of products		Purchase of products	
	2016	2015	2016	2015
Natura Cosméticos S.A. – Brasil	5,937	432	-	-
Aesop Brasil Comércio de Cosméticos Ltda	-	-	2,606	432
Natura Comercial Ldta.	-	-	3,331	-
	5,937	432	5,937	432

	Consolidate			
	Sale of products		Sale of products	
	2016	2015	2016	2015
Indústria e Comércio de Cosméticos Natura Ltda.	3,204,664	3,177,924	-	-
Natura Cosméticos S.A. – Brasil	-	-	2,729,261	2,835,854
Natura Cosméticos S.A. – Peru	-	-	60,629	53,628
Natura Cosméticos S.A. – Argentina	-	-	157,285	89,258
Natura Cosméticos S.A. – Chile	-	-	75,253	70,386
Natura Cosméticos S.A. – México	-	-	104,998	75,420
Natura Cosméticos Ltda. – Colômbia	-	-	71,817	49,793
Natura Europa SAS – França	-	-	2,929	2,784
Natura International Inc.-EUA	-	-	459	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	2,033	801
	3,204,664	3,177,924	3,204,664	3,177,924

	Service provided		Services received	
	2016	2015	2016	2015
Administrative structure: (f)				
Natura Logística e Serviços Ltda.	16,170	146,451	-	-
Natura Cosméticos S.A. – Brasil	-	-	9,436	98,083
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	4,787	33,099
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	1,865	14,638
Natura Biosphera Franqueadora Ltda.	-	-	82	631
	16,170	146,451	16,170	146,451
Products and technology research and development: (g)				
Natura Inovação e Tecnologia de Produtos Ltda.	230,707	237,803	-	-
Natura Cosméticos S.A. - Brasil	-	-	230,707	237,803
	230,707	237,803	230,707	237,803
Research and testing “in vitro”: (h)				
Natura Innovation et Technologie de Produits SAS - França	133	46	-	-
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	133	46
	133	46	133	46
Lease of properties and shared charges: (i)				
Indústria e Comércio de Cosméticos Natura Ltda.	8,074	7,324	-	-
Natura Logística e Serviços Ltda.	-	-	5,759	5,225
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	2,315	2,099
	8,074	7,324	8,074	7,324

(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 December 31, 2016 and December 31, 2015, as well as the intercompany transactions that affected the period then ended in December 31, 2016 and 2015, refer to operations conducted between the Company and its subsidiaries.

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

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

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

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

On June 5, 2012, an agreement was entered,still present,into between Indústria e Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., ("Bres Itupeva"), for the construction and lease of a distribution center (HUB), in the city of Itupeva/SP. Messrs. Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal and Pedro Luiz Barreiros Passos, members of the group of controlling shareholders of Natura Cosméticos S.A., indirectly hold controlling interests in Bres Itupeva..

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

On December 1, 2015, Natura Cosméticos S.A. and Raia Drogasil 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 Raia Drogasil S.A.

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			2015		
	Compensation			Compensation		
	Fixed (a)	Variable (b)	Total	Fixed	Variable (b)	Total
Board of Directors	5,147	2,305	7,452	5,745	-	5,745
Officers (statutory)	18,836	11,433	30,269	11,478	4,563	16,041
	23,983	13,738	37,721	17,223	4,563	21,786
Executives (not statutory)	42,137	12,941	55,078	32,627	7,467	40,094

(a) In the item Officers (statutory) it is included the amount of R$ 4.385 referred to the amortization of the Confidentiality and Non-Compete Agreement, during the period ended on December 31, 2016.

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

As a result of an agreement Management entered into with a Company's former director, at the Annual and Special Shareholders' Meeting to be held on April 11, 2017, a matter will be put to vote regarding the transfer of shares restricted to members of the Restricted Stock Option Plans granted in years 2015 and 2016 that were not vested on the date of their termination. For this reason, the "Corporate Directors" account includes the cost of the restricted shares granted to such former director, with all other terms and conditions of the Restricted Stock Option Plans granted in 2015 and 2016 applicable to such restricted shares remaining unchanged, including vesting schedules

28.3. Share-based payments

Breakdown of Company officers and executives' compensation:

	2016			2015		
	Stock options grant			Stock options grant		
	Stock option balance (number) (a)	Avarege fair value stock option	Average Exercise price - R$ (b)	Stock option balance (number) (a)	Avarege fair value stock option	Average Exercise price - R$ (b)
Officers	2,529,024	12,52	36,17	2,088,457	14,74	37,88
Executives	3,160,255	12,65	36,17	2,967,455	12,56	37,88

	2016		2015	
	Restricted Stock		Restricted Stock	
	Stock balance (number) (a)	Avarage fair value of shares	Stock balance (number) (a)	Avarage fair value of shares
Officers	231,262	22,50	102,331	21,34
Executives	365,500	23,23	221,500	21,34

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

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

29. COMMITMENTS ASSUMED

29.1. Inputs supply contracts

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. entered into a contract for the supply of electric power to its manufacturing activities, 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 December 31, 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:

	2016	2015
Less than one year	1,253	4,062
More than one year and less than five years	5,781	3,537
Total	7,034	7,599

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

	Company		Consolidate	
	2016	2015	2016	2015
Less than one year	13,883	17,808	71,265	48,184
More than one year and less than five years	29,795	43,156	200,549	130,125
More than five years	-	702	71,847	39,184
Total	43,678	61,666	343,661	217,493

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 December 31, 2016, insurance coverage is as follows:

Item	Type of coverage	Insured amount
Industrial complex/inventories	Any damages to buildings, facilities, and machinery and equipment	990,000
Vehicles	Fire, theft and collision for 1,036 vehicles	55,732
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 financial information statements were approved by the Board of Directors and authorized for issue at the meeting held on February 22, 2016,