# Individual and Consolidated Interim Financial Information

## Natura Cosméticos S.A.

For the year ended December 31, 2015

# Natura Cosméticos S.A.

Financial statements

December 31, 2015

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**(A free translation from Portuguese into English of Individual and Consolidated Financial Statements 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)**

# Independent auditor's report on financial statements

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

## Introduction

We have audited the accompanying individual and consolidated financial statements of Natura Cosméticos S.A. (Company), identified as Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2015, and the related statement of income, statements of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

## Management's responsibility for the financial statements

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 the International Financial Reporting Standards (IFRS) issued by the "International Accounting Standards Board – IASB", and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the Company's financial statements 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 the Company's internal controls. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Natura Cosméticos S.A. as of December 31, 2015, and the individual and consolidated performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) as issued by the "International Accounting Standards Board – IASB".

**Other matters**

**Statements of value added**

We have also audited the individual and consolidated statement of value added for the year ended December 31, 2015, prepared under the responsibility of the Company's management, and which presentation is required by the Brazilian Corporation Law for publicly-held companies, and as supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements as a whole.

São Paulo, February 17 2016.

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

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

Alessandra Aur Raso
Accountant CRC-1SP248878/O-7

(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.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

## 1. GENERAL 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.

Changes in tax legal in 2015:

On January 29, 2015, Decree No. 8.393 was published to standardize the levy of Federal value-added tax (IPI) for wholesalers and manufacturers that are interrelated. Such standard taxation applies to cosmetics subject to IPI at a rate in excess of 15%, effective as of May 2015.

This measure impacts the Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. where it operates only as a distributor .

Corporates changes in 2015:

In December 2015, the Company, through its holding Natura Australia Pty Ltd. ("Natura Australia"), acquired 183,111 common shares, based on the options established in the purchase and sale agreement, from non-controlling shareholders of Emeis, which represented 7.40% of the Company's capital. As such, indirect ownership interest of Natura Cosméticos S.A. in Emeis, through its subsidiary Natura Australia Pty Ltd., increased from 71.34% to 78.74%.

The stock purchase was for AU$ 23,524 million Australian dollars, the following balancing entries to cash being recognized: an investment increase by AU$ 4,243 million Australian dollars and a decrease in equity by AU$19,281 million Australian dollars. As a reflex, the Company recognized in equity, under the heading "Effect of changes in ownership interest in foreign subsidiaries", a decrease by AU$ 19,281 million Australian dollars, or R$ 53,873.

The realization of 7.40% of the provision for acquisition of non-controlling interests recorded in the Company's liabilities for R$66,141 was matched against an increase in equity, under the heading "Realization of reserve for acquisition of non controlling interest for purchase shares of subsidiaries abroad."

## 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 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.

Certain amounts included in the financial statements of December 31, 2014, presented herein for comparative purposes have been reclassified for better comparability. These amounts refer substantially to reclassifications between financial expenses and financial income related to loans and gain (loss) on derivative financial instruments. Additionally, in respect of the Statement of Value Added (SVA), further to the foregoing, there were also reclassifications principally among "Personnel and social charges", "Materials, electricity, third party services and others" and "Taxes and contributions" related to personnel expenses and labor and social security charges.

Except for the reclassification mentioned in the previous paragraph, the significant accounting practices applied to the preparation of these individual and consolidated financial statements are presented below. These policies have been consistently applied

in the previous annual reporting period presented, except as otherwise indicated.

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- % | |
|---|---|---|
| | 2015 | 2014 |
| Direct interest: | | |
| Indústria e Comércio de Cosméticos Natura Ltda. | 99.99 | 99.99 |
| Natura Biosphera Franqueadora Ltda. | 99.99 | 99.99 |
| Natura Cosméticos S.A. – Chile | 99.99 | 99.99 |
| Natura Cosméticos C.A. - Venezuela | 99.99 | 99.99 |
| Natura Cosméticos S.A. – Peru | 99.99 | 99.99 |
| Natura Cosméticos S.A. – Argentina | 99.99 | 99.99 |
| Natura Inovação e Tecnologia de Produtos Ltda. | 99.99 | 99.99 |
| Natura Cosméticos y Servicios de México, S.A. de C.V. | 99.99 | 99.99 |
| Natura Cosméticos de México, S.A. de C.V. | 99.99 | 99.99 |
| Natura Distribuidora de México, S.A. de C.V. | 99.99 | 99.99 |
| Natura Cosméticos Ltda. – 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 – Australia | 100.00 | 100.00 |
| Fundo de Investimento Essencial | 100.00 | 100.00 |
| Indirect interest: | | |
| Via Indústria e Comércio de Cosméticos Natura Ltda.: | | |
| Natura Logística e Serviços Ltda. - Brasil | 99.99 | 99.99 |
| Via Natura Inovação e Tecnologia de Produtos Ltda.: | | |
| Natura Innovation et Technologie de Produits SAS – França | 100.00 | 100.00 |
| Via Natura (Brasil) International B.V. - Holanda: | | |
| Natura Europa SAS - França | 100.00 | 100.00 |
| Natura Brasil Inc. - EUA – Delaware | 100.00 | 100.00 |
| Via Brasil Inc. – EUA - Delaware | | |
| Natura International Inc. - EUA - Nova York | 100.00 | 100.00 |

| | Equity interest- % | |
|---|---|---|
| | 2015 | 2014 |
| Via Natura Brazil Pty Ltda: | | |
| Natura Cosmetics Australia Pty Ltd. - Australia | 100.00 | 100.00 |
| Via Natura Cosmetics Australia Pty Ltd. – Australia: | | |
| Emeis Holdings Pty Lty - Australia | 78.74 | 71.34 |

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..
- Natura Biosphera Franqueadora Ltda. (previously Natura Cosmetics and Services Ltda.): engaged in trading, including by electronic means, of products from Natura brand.
- Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia and Natura Distribuidora de Mexico, S.A. de C.V.: their activities are an extension of the activities conducted by the parent company Natura Cosméticos S.A. - Brazil.
- Natura Cosméticos CA. - Venezuela: The company is in the process of closing and there are no material investments or balances in its accounting records.
- Natura Inovação e Tecnologia de Produtos Ltda.: it is engaged in product and technology development and market research. It is the only owner of Natura Innovation et Technologie de Products SAS - France, a research and technology satellite center opened in 2007 in Paris.
- Natura Cosméticos y Servicios de Mexico, S.A. de C.V.: engaged in the provision of administrative and logistics services to companies Natura Cosméticos de Mexico, S.A. de C.V. e Natura Distribuidora de Mexico, S.A. de C.V..
- Natura Cosméticos de Mexico, S.A. de C.V.: engaged in the import and sale of

cosmetics, fragrances in general, and hygiene products to Natura Distribuidora de Mexico, S.A. de C.V..

- Natura Cosméticos España S.L.: company in start-up stage and its activities will be an extension of the activities carried out by its parent company Natura Cosméticos S.A. - Brazil.
- Natura (Brazil) International B.V - Netherlands.: holding controller of the Natura Europe SAS – France, Natura Brazil Inc. and Natura International Inc.
- Natura Logística e Serviços Ltda.: engaged of separate services, packing and mailing goods, logistic consulting, manager human resources and training in human resources
- Natura Innovation et Technologie de Produits SAS - France: engaged mainly in research activities developed for in vitro testing as an alternative to animals testing, for to the safety and efficiency of test active compounds, skincare products and new packaging materials.
- Natura Brazil Inc.: Holding controller of Natura International Inc.
- Natura International Inc: trends capture office in design, fashion and technology, transforming them into ideas, concepts and prototypes.
- Natura Europa SAS - France: activities are concentrated in the purchase, sale, import, export and distribution of cosmetics, fragrances, and toiletries
- Natura Brazil Pty Ltd – Holding controller of Natura Cosmetics Australia Pty Ltd operations.
- Natura Cosmetics Australia Pty Ltd – Holding controller of Emeis Holdings Pty Ltd.
- Emeis Holdings Pty Ltda: Activities focused on developing manufacturing and marketing of premium cosmetics, which operates under the brand of "Aesop", with its products sold in retail stores and own stores.
- Fundo de Investimento Essencial: refer to fixed income funds of private credit.

2.3. 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").

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.

In preparing the consolidated financial statements, the statements income statement and the statement of cash flows, and all other changes in foreign subsidiaries' assets and liabilities, whose functional currency is the local currency, of the respective countries in which they operate, are translated into Brazilian reais at the average monthly exchange rate, which approximates the exchange rate prevailing at the date of the underlying transactions. Balance sheets are translated into Brazilian reais at the exchange rates prevailing at yearend.

The effects of exchange differences resulting from these translations are presented in line item 'Other comprehensive income' and in shareholders' equity. .

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 only derivative financial instruments. 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.

Held-to-maturity financial assets

Comprise investments in certain financial assets classified by treasury at their origination as held to maturity, and are measured at amortized cost using the effective interest method, less losses due to reduction of the recoverable amount. The Society does not have investments held to maturity during the years ended December 31, 2015 and 2014.

Available-for-sale financial assets

When applicable, this category includes non-derivative financial assets that either designated as available for sale or are not classified into any of the other categories, such as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit and loss. These financial assets include shares of investment funds and government debt securities. In this category are registered instruments which are held for an indefinite period and may be sold to meet liquidity needs or changes in market conditions.

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, 2015 and 2014 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, 2015 and 2014, 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. 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 are 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).

Fair value hedge

Changes in fair value of derivatives designated and qualified as fair value hedge are recorded in P&L together with any changes in fair value of items subject matter of hedge attributable to the hedged risk. The changes in fair

value of hedge instruments and in the item subject matter of hedge attributable to the hedge risk are recognized in income statement heading related to the hedged item.

Hedge of a net investment

Transactions entered into to minimize exposure to foreign exchange differences arising from translation of the net investment, or a portion thereof, in foreign subsidiaries of the Company on account of the balance sheet translation. The ineffective portion of the hedge is allocated to equity and whenever there is ineffectiveness, this is accounted for directly to financial income (expenses). For the year ended December 31, 2015, the Company had no hedge accounting structure designated as 'Hedge of net investment.'

For the year ended December 31,2015 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.

For the year ended December 31,2015, there were no losses related to the ineffective portion recognized in P&L for the year.

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.

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

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

2.6.6. Effective interest method

Used to calculate the amortized cost of a debt instrument and allocate its interest income over the related period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

2.7. 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.

2.8. 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.

2.9. 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, 2015, 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, 2015 refers to the amount of cash that the Company also will pay for future generation or acquisition of certificates

2.10. 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".

2.11. 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.

2.12. Intangible assets

2.12.1. 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.

2.12.2. 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.

2.12.3. 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 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.

2.20. 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.

2.21. 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)

2.22. Profit sharing

The Company recognizes a profit sharing liability and an expense based on a formula that takes into consideration the net income attributable to the owners of the Company after certain adjustments, which is linked to the achievement of operational goals and specific objectives, established and approved at the beginning of each year.

2.23. 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.

2.24. 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.

2.25. Actuarial gains and losses of healthcare plan and other costs related to employees benefit plans

The Company also provides certain benefits to extend medical assistance to retired employees who had acquired the money by April 2010. Costs relating to contributions made by the Company and its subsidiaries to the plans are recognized on an accrual basis. The cost of benefits under the defined benefit plans is established separately for each plan using the projected unit credit method.

## 2.26. 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. 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.

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.

Income from tax incentives, received in the form of a monetary asset, is recognized in the income statement when received as a balancing item to costs and investment already incurred by the Company in the jurisdiction where the tax incentive is granted. There are no established conditions to be met by the Company that might affect the recognition of tax incentives.

The portion of tax incentives recognized in the income statement is allocated to the tax incentive reserves, in the “Earnings reserves”, in shareholders’ equity and it is not used on the basis of distribution of dividends.

## 2.27 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.

## 2.28 New standards and interpretations and amendments to standards

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

IFRS 9 Financial Instruments

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

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

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

to make a greater provision for losses, resulting in an adverse impact on its equity, and will perform a detailed analysis to determine the extent of the impact in the future.

(a) Classification and measurement

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

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

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

(b) Impairment

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

(c) Hedge accounting

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

IFRS 15 - Revenue from contracts with customers:

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

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

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

- IFRS 14 – Regulatory Deferral Accounts - Applicable to years started on or after January 1, 2016;
- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisitions of interests - Applicable to years started on or after January 1, 2016, with early adoption not being allowed in Brazil;
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization - The amendments are effective prospectively for years started on or after January 1, 2016;
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants – The amendments are effective retrospectively for years started on or after January 1, 2016;
- Amendments to IAS 27 – Equity method in separate financial statements - The amendments are effective for years started on or after January 1, 2016, with its early adoption being allowed, which is under analysis in Brazil.
- Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture - The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- Annual Improvements - 2011-2013 Cycle - Effective for annual periods from January 1, 2016, including: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting, Amendments to IAS 1 Disclosure Initiative and Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

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

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

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

## 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements 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, social contribution, and other taxes

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

b) Provision for tax, civil, and labor contingencies

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

c) Reitirees` healthcare plan

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

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

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

e) Provision for acquisition of non-controlling interest

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

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 General considerations and policies

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

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

### 4.2. Financial risk factores

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

a) Market risk

The Group is exposed to Market risks arising from their business activities. These risks mainly comprise possible changes in exchange and interest rates.

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

| Description | Company Fair Value | | Consolidated Fair Value | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Derivatives (financial) | 692,643 | 316,377 | 733,228 | 326,258 |
| Derivatives "swap" interest rate | - | - | (3,849) | (9,235) |
| Others derivative financial instruments | 5,118 | - | 5,118 | - |
| Total | 697,761 | 316,377 | 734,497 | 317,023 |

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, 2015 and December 31, 2014, the Group is basically exposed to risks of fluctuations in the U.S. dollar, in addition, the non-controlling in Argentina is exposed to Real currency. To hedge against foreign exchange exposures, the Group and the subsidiaries contracts derivative (swaps) and non-deliverable forward (NDF) transactions. The Foreign Exchange Hedging Policy establishes that the derivatives contracted by the Group should limit loss due to exchange rate depreciation related to the net income estimated for the current year considering the expected depreciation against the U.S. dollar. This limit sets the cap on the maximum foreign exchange exposure that the Group can undertake in relation to the U.S. dollar.

As of December 31, 2015, the Company's and the consolidated balance sheets include accounts denominated in foreign currency (excluding amounts raised from international transactions in local currencies) which, in the aggregate, represent net liabilities of R$ 2,666,160 and R$ 2,782,054, respectively (in December 31, 2014, $ 2,173,200 e R$ 2,309,889, respectively). These

accounts are substantially represented by borrowings and financing which, as of December 31, 2015 and December 31, 2014, are hedged by swap arrangements.

Derivatives to hedge foreign exchange risk

The Company classifies derivatives into "financial" and "operating". "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings and financing. "Operating" derivatives (usually forwards) include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows. Instruments classified as "other derivative financial instruments" are "forwards" derivatives contracted to hedge against foreign exchange risk on Company's cash in connection with the firm commitment to purchase additional ownership interest in a foreign subsidiary (Emeis Holdings Pty Ltd). At December 31, 2015 and December 31, 2014, there are no outstanding "operational" derivative transactions.

As of December 31, 2015, outstanding swap and forward contracts, with maturities between April 2016 and July 2021, were entered into the counterparties represented by the banks Bank of America (42%), HSBC (31%), Scotiabank (19%), Bank of Tokyo (8%), broken down as follows:

Financial derivatives – Company

| | Notional | | Accrual | | Fair value | | Gain (Loss) (adjustment MTM) | |
|---|---|---|---|---|---|---|---|---|
| Type of transaction | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Swap contracts (1) | | | | | | | | |
| Asset position: | | | | | | | | |
| Long position-U.S. dollar | 1,917,821 | 1,780,037 | 2,664,811 | 2,168,388 | 2,677,972 | 2,150,084 | 13,161 | (18,304) |
| Liability position: | | | | | | | | |
| CDI floating rate: | | | | | | | | |
| Short position in CDI | 1,917,821 | 1,780,037 | 1,973,902 | 1,819,985 | 1,985,329 | 1,833,707 | 11,427 | 13,722 |
| Total net financial derivatives: | - | - | 690,909 | 348,403 | 692,643 | 316,377 | 1,734 | (32,026) |

Financial derivatives - Consolidated

| | Notional | | Accrual | | Fair value | | Gain (Loss) (adjustment MTM) | |
|---|---|---|---|---|---|---|---|---|
| Type of transaction | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Swap contracts (1) | | | | | | | | |
| Asset position: | | | | | | | | |
| Long position-U.S. dollar | 1,993,560 | 1,893,774 | 2,781,786 | 2,298,040 | 2,792,986 | 2,276,543 | 11,200 | (21,497) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Liability position: | | | | | | | | |
| CDI floating rate: | | | | | | | | |
| Short position in CDI | 1,993,560 | 1,893,774 | 2,048,895 | 1,936,832 | 2,059,758 | 1,950,285 | 10,863 | 13,453 |
| Total net financial derivatives: | - | - | 732,891 | 361,208 | 733,228 | 326,258 | 337 | (34,950) |

(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 December 31, 2015 and December 31, 2014, 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.

Operating forwards – Consolidated

Over the year 2015, the Company, through its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., entered into operating derivatives contracts to hedge against the effects of exchange fluctuation on import and export costs and expenses. The derivatives contracted, denominated Forwards or Non-Deliverables Forwards (NDFs), were settled within the same year, and a gain amounting to R$ 10,259 (a loss amounting to R$1,094 as of December 31, 2014) was recognized in P&L. These derivative instruments are not designated as hedging accounting.At December 31, 2015 and 2014, there were no outstanding positions involving operating derivatives.

"Others derivative financial instruments" – company and consolidated:

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

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, and they are broken down as follows:

| | Notional | | Accrual | | Fair value | | Gain (Loss) (adjustment MTM) | |
|---|---|---|---|---|---|---|---|---|
| Type of transaction | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Forward contracts (2): | | | | | | | | |
| Asset position: | | | | | | | | |
| Long position – R$. reais | 99,700 | - | 217,186 | - | 208,896 | - | (8,290) | - |
| Liability position | | | | | | | | |
| Long position – R$. reais | 99,700 | - | 214,225 | - | 203,778 | - | (10,447) | - |
| Total net financial swaps: | - | - | 2,961 | - | 5,118 | - | 2,157 | - |

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

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

For derivatives maintained by the Group as of December 31, 2015 and December 31, 2014, due to the fact contracts are directly entered into with the financial institutions and not through São Paulo Stock Exchange (BM&FBOVESPA), there are no margin calls deposited as guarantee of the related transactions.

Sensitivity analysis

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

| | Company | Consolidated |
|---|---|---|
| Loans and financing registered in Brazil in foreign currency (note 15) | (2,666,160) | (2,782,054) |
| Receivables registered in Brazil in foreign currency | - | 11,506 |
| Accounts payable registered in Brazil in foreign currencies | (9,703) | (30,077) |

| | | |
|---|---|---|
| Provision for acquisition of non controlling interests | (190,658) | (190,658) |
| Curve value of "other derivative financial instruments" entered into to hedge the provision for acquisition of non-controlling interests | 217,186 | 217,186 |
| Accrual value of the "financial" derivatives | 2,664,811 | 2,781,786 |
| Net passive exposure | 15,476 | 7,689 |

The tables below show the gain (loss) that would have been recognized in profit or loss for exercise ended December 31, 2014 based on the following scenarios:

| | Company | | | |
|---|---|---|---|---|
| Description | Company´s risk | Probable scenario | Scenario II | Scenario III |
| Net liability exposure | Us dollar appreciation | 651 | 4,682 | 8,714 |

| | Consolidated | | | |
|---|---|---|---|---|
| Description | Company´s risk | Probable scenario | Scenario II | Scenario o III |
| Net liability exposure | Us dollar appreciation | 323 | 2,326 | 4,329 |

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$ 4.07/ US$ 1.00) to (R$ 6.10 /US$ 1.00). Scenarios II and III consider a 25% (R$ 5.09 /US$ 1.00) and 50% (R$ 6.10 /US$ 1.00) respectively, appreciation of U.S. dollar, respectively. Probable scenarios II and III are presented as required by CVM Instruction 475/08. In assessing possible changes in exchange rates, management uses the probable scenario, which is being presented for compliance with IFRS 7 – Financial Instruments: Disclosures.

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

ii) Interest rate risk

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

The Company's cash flow risk associated with the interest rate arises from investments and short- and long-term loans and financing issued at floating rates. The Company's management adopts the policy of maintaining its rates of

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

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

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

On December 31, 2015, consolidated balance sheet includes loans issued at higher fixed rates level TJLP represent a liability of R$185,540 (R$ 185,536 in December 31, 2014). Such funding submitted in December 31, 2015, is protected derivative of the "swap".

Derivative instruments to hedge the risk of interest rate

On December 31, 2015, outstanding contracts "swap" mature between February 2016 and August 2017, were entered into with counterparties represented by Itaú (70%), HSBC (27%) and Santander (3%) and are as follows.

Derivatives “swap” - consolidated

| | Notional | | Accrual | | Fair value | | Gain (Loss) (adjustment Mtm) | |
|---|---|---|---|---|---|---|---|---|
| Type of transaction | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| swap” contracts (3): | | | | | | | | |
| Asset position: | | | | | | | | |
| Long position fixed rate | 182,500 | 182,500 | 185,540 | 185,536 | 183,676 | 176,904 | (1,864) | 8,632 |
| Liabilities position: | | | | | | | | |
| CDI rate post | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| fixed: | | | | | | | | |
| Short position in CDI | 182,500 | 182,500 | 187,586 | 186,613 | 187,525 | 186,139 | (61) | 474 |
| Total net financial swaps: | - | - | (2,046) | (1,077) | (3,849) | (9,235) | (1,803) | 8,158 |

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

Sensitivity analysis

As described in the foreign exchange risk section above and in the item "Interest rate risk", on December 31, 2015, 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) | (1,881,509) | (2,753,826) |
| Operating in foreign currency with derivatives pegged to CDI (*) | (2,664,811) | (2,781,786) |
| Short-term investments (notes 5 e 6) | 1,809,387 | 2,571,665 |
| Net liability exposure | (2,736,933) | (2,963,947) |

(*) 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 | (15,874) | (116,593) | (217,312) |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| Description | | Company´s risk | Probable scenario | Scenario II | Scenario III |
| Net liabilities | Interest rate increase | (17,191) | (126,264) | (235,337) | |

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% (18.4% per year) and 50% (22.1% per year), respectively, on the CDI rate of 14.7% 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, 2015 as set out below:

Instrument Designated as Cash Flow Hedge – Company

| | | | | | | Others Comprehensive income | |
|---|---|---|---|---|---|---|---|
| | Hedged item | Notional currency | Notional value | Accrual value | Fair Value (1) | Total Loss(Gain) | Loss (Gain) in the period |
| Currency swap - US$/R$ | Currency | BRL | 1,456,690 | 386,324 | 377,899 | (8,425) | 1,383 |

Instrument Designated as Cash Flow Hedge – Consolidated

| | | | | | | Others Comprehensive income | |
|---|---|---|---|---|---|---|---|
| | Hedged item | Notional currency | Notional value | Accrual value | Fair Value (1) | Total Loss(Gain) | Loss (Gain) in the period |
| Currency swap - US$/R$ | Currency | BRL | 1,511,541 | 416,084 | 407,532 | (8,552) | 3,390 |

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

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

At December 31, 2015, foreign exchange rate hedging instruments designated as cash flow hedge had total notional value of US$ 503,458 (five hundred and three thousand and four hundred fifty eight american dollars) (R$ 1,511,541). For the year ended December 31, 2015 a gain in consolidated of R$ 3,390 (R$2,237 without taxes), was recognized in other comprehensive income, all considered as effective.

At December 31, 2014, foreign exchange rate hedging instruments designated as cash flow hedge had total notional value of USD 193,333 (one hundred and fifteen millions of American dollars) (R$ 464,723). For the year ended December 31, 2014 a loss of R$11,942 (R$ 7,882 without taxes) was recognized in other comprehensive income, all considered as effective.

b) Credit risk

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

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

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

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

c) Liquidity risk

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

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

| Company as of December. 2015 | Less than one year | One to two years | Two to five years | More than five years | Total | Discount effect/MTM | Carrying amount 2015 |
|---|---|---|---|---|---|---|---|
| Current: | | | | | | | |
| Borrowings and financing | 1,628,069 | - | - | - | 1,628,069 | (3,383) | 1,624,686 |
| Provision for acquisition of non-controlling interest | 190,658 | - | - | - | 190,658 | - | 190,658 |
| Trade payables | 379,493 | - | - | - | 379,493 | - | 379,493 |
| Financial instruments | (693,870) | - | - | - | (693,870) | (3,891) | (697,761) |
| Noncurrent:: | | | | | | | |
| Borrowings and financing | - | 1,394,491 | 1,501,068 | 470,381 | 3,365,940 | (442,957) | 2,922,983 |

| Consolidated as of December, 2015 | Less than one year | One to two years | Two to five years | More than five years | Total | Discount effect/MTM | Carrying amount 2015 |
|---|---|---|---|---|---|---|---|
| Current: | | | | | | | |
| Borrowings and financing | 2,187,835 | - | - | - | 2,187,835 | (26,452) | 2,161,383 |
| Provision for acquisition of non-controlling interest | 190,658 | - | - | - | 190,658 | - | 190,658 |
| Trade payables | 802,887 | - | - | - | 802,887 | - | 802,887 |
| Financial instruments | (733,805) | - | - | - | (733,805) | (692) | (734,497) |
| Noncurrent:: | - | | | | | | |
| Borrowings and financing | - | 1,580,825 | 1,724,049 | 679,518 | 3,984,392 | (609,895) | 3,374,497 |

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, 2015 and December 31, 2014 are as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Short- and long-term borrowings and financing (note 15) | 4,547,669 | 3,128,436 | 5,535,880 | 3,981,210 |
| Derivatives "financial" and derivativos "swap" of interest rate | (692,643) | (316,377) | (729,379) | (317,023) |
| Cash and cash equivalents and Short-term investments (note 5 and 6) | (1,861,455) | (1,311,844) | (2,783,679) | (1,695,986) |
| Net debt | 1,993,571 | 1,500,215 | 2,022,822 | 1,968,201 |
| Shareholders' equity | 1,028,186 | 1,123,700 | 1,077,767 | 1,148,679 |
| Financial leverage ratio | 193.89% | 133.51% | 187.69% | 171.34% |

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, 2015 and December 31, 2014, the measurement of all the Company's and its subsidiaries' derivatives falls under the Level 2 characteristics. The fair value of exchange rate derivatives (swap and forwards) is determined based on the exchange rate at the end of the reporting period, with the resulting amount being discounted to present value.

Fair values of financial instruments measured at amortized cost

Short-term investments

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

Borrowings, financing and debentures

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

The fair value of borrowings and financing contracted at fixed interest rates does not have significant variation related to the book value disclosed in note 15.

Trade and other payables

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

The subsidiaries do not have any guarantee for overdue bonds.

Provision for acquisition of noncontrolling interests

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

## 5. CASH AND CASH AND EQUIVALENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Cash and banks | 52,068 | 52,703 | 212,014 | 153,945 |
| Bank certificates of deposit -CDB (a) | 1,059 | 945 | 207,051 | 209,754 |
| Repurchase agreements (b) | - | - | 1,172,778 | 800,475 |

| | | | |
|---|---|---|---|
| 53,127 | 53,648 | 1,591,843 | 1,164,174 |

(a) At December 31,2015, Investments in Bank Deposit Certificates are restated with average rate of 101.0% of CDI (100.0% of CDI at December 31,2014) 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Exclusives investments funds | 1,786,912 | 1,235,345 | - | - |
| Investments funds | - | - | 219,845 | 42,447 |
| Certificates of deposits CDB (a) | 21,416 | 22,851 | 21,416 | 22,851 |
| Financial letters | - | - | 728,656 | 143,556 |
| Government security | - | - | 221,919 | 322,958 |
| | 1,808,328 | 1,258,196 | 1,191,836 | 531,812 |

(a) Investment in Bank Deposit Certificates are restated with yield interest of 98.50% of CDI and are referring to the amounts that will be given to Instituto Natura due to the sales of the Crer para ver products.

The Company concentrates most of investments in an exclusive fund investment. On December 31, 2015 and December 31, 2014 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, 2015 is as follows:

| | Essencial |
|---|---|
| Floating rate bank certificates of deposits (CDBs) | 201,999 |
| Repurchase agreements | 1,172,778 |
| Financial letters | 728,656 |
| Government security (LFT) | 221,919 |
| | 2,325,352 |

## 7. TRADE RECEIVABLES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Trade receivables | 773,763 | 778,941 | 1,032,699 | 964,757 |
| Allowance for doubtful accounts | (96,646) | (88,384) | (123,686) | (117,270) |
| | 677,117 | 690,557 | 909,013 | 847,487 |

The aging list of trade receivables is as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current | 625,896 | 628,994 | 799,950 | 761,930 |
| Past due: | | | | |
| Up to 30 days | 50,981 | 53,710 | 103,650 | 80,220 |
| 31 to 60 days | 28,529 | 24,081 | 39,939 | 28,759 |
| 61 to 90 days | 18,045 | 20,273 | 24,757 | 23,884 |
| 91 to 180 days | 50,312 | 51,883 | 64,403 | 69,964 |
| Allowance for doubtful accounts | (96,646) | (88,384) | (123,686) | (117,270) |
| | 677,117 | 690,557 | 909,013 | 847,487 |

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 80% of the outstanding balance as of December 31, 2015 (83% as of December 31, 2014), 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 year ended December 31, 2015 and 2014 are as follows:

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

| Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|
| 2013 | Additions (a) | Write-offs (b) | 2014 | 2013 | Additions (a) | Write-offs (b) | 2014 |
| (79,623) | (164,892) | 156,131 | (88,384) | (99,917) | (165,345) | 147,992 | (117,270) |

(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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Finished products | 200,953 | 192,666 | 750,151 | 729,449 |
| Raw materials and packaging | - | - | 202,124 | 145,394 |
| Promotional material | 22,580 | 27,351 | 87,201 | 77,332 |
| Work in progress | - | - | 24,435 | 23,768 |
| Allowance for losses | (15,420) | (17,872) | (100,236) | (85,966) |
| | 208,113 | 202,145 | 963,675 | 889,977 |

The changes in the allowance for inventory losses for the year ended December 31, 2015 and 2014 are as follows:

| Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|
| 2014 | (Additons) (a) | Write-off (b) | 2015 | 2014 | (Additons) (a) | Write-off (b) | 2015 |
| (17,872) | (5,936) | 8,388 | (15,420) | (85,966) | (89,382) | 75,112 | (100,236) |

| Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|
| 2013 | (Additons) (a) | Write-off (b) | 2014 | 2013 | (Additons) (a) | Write-off (b) | 2014 |
| (19,284) | (7,939) | 9,351 | (17,872) | (99,113) | (85,295) | 98,442 | (85,966) |

(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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| ICMS on purchases of goods | 6,968 | 171 | 350,468 | 243,679 |
| Refundable ICMS on interstate sales | 223 | 351 | 223 | 351 |
| Taxes - foreign subsidiaries | - | - | 40,841 | 34,212 |
| ICMS on purchases of fixed assets | 2,542 | 4,811 | 28,321 | 31,401 |
| PIS and COFINS on purchases of fixed assets | 31,633 | 16,664 | 38,123 | 23,653 |
| PIS and COFINS on purchase of goods | 21,684 | 48,793 | 21,684 | 48,583 |
| PIS and COFINS resulting from win on a lawsuit (a) | - | - | 7,670 | 7,881 |
| IRPJ and CSLL on freight (b) | 91,256 | 21,269 | 94,953 | 27,727 |
| PIS, COFINS and CSLL - withheld at source | 56 | - | 1,640 | 2,902 |
| IPI recover | 1,642 | 1,395 | 22,957 | 2,483 |
| Others | 4 | 163 | 2,949 | 163 |
| | 156,008 | 93,617 | 609,829 | 423,035 |
| Current | 124,953 | 73,733 | 320,392 | 240,329 |
| Noncurrent | 31,055 | 19,884 | 289,437 | 182,706 |

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

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

## 10. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deffered

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

Break down of deffered income tax and social contribution– Assets:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Tax loss carryforwards and CSLL tax loss | 142,118 | 2,434 | 165,910 | 12,521 |
| Allowance for doubtful accounts (note 7) | 32,860 | 30,524 | 43,290 | 37,090 |
| Allowance for losses on inventories realization (note 8) | 5,243 | 6,077 | 35,083 | 22,013 |
| Reserve for tax, civil and labor contingencies (note 18) | 17,352 | 18,502 | 25,064 | 25,068 |
| Non-inclusion of ICMS in the PIS and COFINS basis (note 17.a) | 789 | 732 | 85,727 | 72,409 |
| Gains from changes in fair value of derivative instruments (note 4.2 ) | (240,103) | (107,568) | (252,637) | (107,788) |
| Provision for ICMS – ST (note 17.b) | 27,692 | 17,998 | 27,692 | 17,998 |
| Allowances for losses on advances to suppliers | 2,405 | 2,575 | 2,405 | 3,451 |
| Accrued contractual obligations | 2,865 | 4,219 | 2,182 | 7,131 |
| Accrued benefits sharing and partnerships | 10,578 | 9,809 | 10,578 | 9,809 |
| Temporary differences of foreign subsidiaries | - | - | 12,545 | 10,209 |
| Provision for profit sharing | 10,814 | 13,160 | 16,327 | 27,083 |
| Depreciation rate adjustments to useful lives | (35,587) | (15,339) | (60,629) | (39,826) |
| Provision for interest – injunction (Interest - CNs and interest on goodwill amortization)-(note 17) | 18,347 | 10,965 | 18,347 | 10,965 |
| Provision carbon credits | 3,224 | 1,463 | 3,224 | 1,463 |
| Profit on effects not eliminated in inventories | - | - | 5,481 | 19,792 |
| Provision for losses – property and intangible (note 14) | 4,183 | 4,257 | 8,488 | 6,338 |
| INSS with Suspended Liability (note 17) | 1,578 | 840 | 5,940 | 4,155 |
| IPI – Decree n° 8.393/2015 | 18,287 | - | 19,805 | - |
| Others expenses provision (a) | 18,628 | 4,218 | 25,643 | 7,195 |
| Other temporary differences | 7,252 | 1,356 | 12,143 | 687 |
| | 48,525 | 6,222 | 212,608 | 147,763 |

(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.

Break down of deffered income tax and social contribution– Liabilities:

| | Consolidated | |
|---|---|---|
| | 2015 | 2014 |
| Fair value of identifiable assets – Emeis Holding Pty Ltd. | 30,205 | - |
| Other temporary differences | 3,868 | - |
| Total | 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 | 15,858 | 63,366 |
| 2017 | 11,567 | 52,845 |
| 2018 | 13,272 | 60,632 |
| 2019 and thereafter | 7,828 | 35,765 |
| | 48,525 | 212,608 |

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, 2015, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax loss carry forwards:

| | |
|---|---|
| Mexico | 337,047 |
| Australia (Substantially by operations in the US and Brazil) | 17,419 |
| France | 291,119 |

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

| | Mexico |
|---|---|
| 2016 | 21,056 |
| 2017 | 9,359 |
| 2018 to 2022 | 306,632 |
| | 337,047 |

b) Reconciliation of income tax and social contribution

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |

| | | | | |
|---|---|---|---|---|
| Income before income tax and social contribution | 689,619 | 991,515 | 875,370 | 1,096,393 |
| Income tax and social contribution at the rate of 34% | (234,470) | (337,115) | (297,626) | (372,774) |
| Technological research and innovation benefit - Law 11.196/05 (a) | 14,104 | 25,274 | 14,104 | 25,274 |
| Tax incentives | 4,341 | 4,852 | 6,315 | 6,450 |
| Equity in investees (note 13) | 80,105 | 28,777 | - | - |
| Tax effect generated by non-controlling abroad | - | - | (19,863) | (20,164) |
| Tax benefit of interest on equity | 16,780 | 17,073 | 16,780 | 17,073 |
| Transition Tax Regime - RTT (Provisional Executive Order - MP 449/08) - as amended by Law No. 11638/07 | - | (1,244) | - | (2,015) |
| Fair value of restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd.(b) | (39,154) | - | (39,154) | - |
| Tax impact on finance lease treatment | (6,997) | (1,117) | (7,866) | (1,187) |
| Other permanent differences | (10,815) | 4,803 | (25,328) | (7,829) |
| Income tax and social contribution expenses | (176,106) | (258,697) | (352,638) | (355,172) |
| | | | | |
| Income tax and social contribution - current | (218,879) | (205,547) | (384,563) | (305,108) |
| Income tax and social contribution - deferred | 42,773 | (53,150) | 31,925 | (50,064) |
| | | | | |
| Effective rate - % | 25.5 | 26.1 | 40.3 | 32.4 |

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

(b) This refers to the permanent tax effect on restatement of the firm commitment to purchase additional ownership interest in Emeis Holding Pty Ltd. The methodology for restating this commitment is described in Note (a

The changes in income tax and social contribution for the year ended in December 31, 2015 and 2014 were as follows:

| 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 |

| Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|
| 2013 | (Charged)/Credit To profit or loss | (Charged)/Credit Other comprehensive income | 2014 | 2013 | (Charged)/Credit To profit or loss | (Charged)/Credit Other comprehensive income | 2014 |
| 56,038 | (53,150) | 3,334 | 6,222 | 193,767 | (50,064) | 4,060 | 147,763 |

The changes in deferred liabilities income tax and social contribution for the year ended in December 31, 2015 in consolidated were as follows:

| Consolidated | | | |
|---|---|---|---|
| 2014 | (Charged)/Credit To profit or loss | Charged)/Credit Other comprehensive income | 2015 |
| - | (34,073) | - | (34,073) |

## 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, 2015 and December 31, 2014 are as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Unaccrued tax lawsuits(i) | 141,457 | 135,033 | 147,287 | 140,445 |
| Accrued tax lawsuits (ii) | 88,292 | 72,349 | 128,439 | 108,602 |
| Unaccrued civil lawsuits | 1,337 | 1,180 | 1,575 | 1,555 |
| Accrued civil lawsuits (note 18) | 777 | 2,602 | 1,067 | 2,928 |
| Unaccrued labor lawsuits | 3,140 | 4,293 | 4,602 | 5,699 |
| Accrued labor lawsuits (note 18) | 3,495 | 2,674 | 4,825 | 4,095 |
| Total escrow deposits | 238,498 | 218,131 | 287,795 | 263,324 |

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

## 12. OTHER CURRENT AND NON CURRENT ASSETS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Marketing and advertising advances | 94,610 | 154,690 | 102,753 | 165,897 |
| Supplier advances | 101,776 | 57,833 | 135,135 | 94,886 |
| Employee advances | 3,207 | 4,341 | 11,731 | 8,458 |
| Rent advances | - | - | 19,132 | 6,676 |
| Insurance | 2,968 | 2,883 | 6,866 | 11,640 |
| Import taxes | 325 | 126 | 5,910 | 2,055 |
| Assets held for sale (a) | - | 4,413 | 7,000 | 29,165 |
| Carbon credits (b) | 7,078 | 7,947 | 7,078 | 7,947 |
| Other | 316 | 5,836 | 29,449 | 7,413 |
| | 210,280 | 238,069 | 325,054 | 334,137 |
| Current | 202,780 | 177,396 | 307,450 | 248,482 |
| Non-current | 7,500 | 60,673 | 17,604 | 85,655 |

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

(b) Carbon Neutral program, disclosed in note 2.9

## 13. INVESTMENTS

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| Investments in subsidiaries | 1,979,713 | 1,631,882 |

## Information and changes in the balances for the year ended in December 31,2015 and December 31,2014

| | Indústria e Comércio de Cosméticos Natura Ltda. (*) | Natura Cosméticos S.A. - Chile | Natura Cosméticos S.A. - Peru | Natura Cosméticos S.A. - Argentina | Natura Cosméticos C.A. - Venezuela | Natura Inovação e Tecnologia de Produtos Ltda. (*) | Natura Cosméticos de México S.A. (*) | Natura Cosméticos Ltda. - Colômbia | Natura (Brasil) International B.V. - Holanda (*) | Natura Cosméticos España S.L. | Natura Biosphera Franqueadora Ltda. | Natura Brazil Pty Ltd (*) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Equity interest | 99,99% | 99,99% | 99,99% | 99,99% | 99,99% | 99,99% | 99,99% | 99,99% | 100,00% | 100,00% | 99,99% | 100,00% | |
| Subsidiaries' shareholders' equity | 1,292,126 | 111,464 | 7,971 | 219,295 | 436 | 77,657 | (21,521) | 26,173 | 14,298 | 603 | 6,399 | 285,757 | 2,020,658 |
| Interest in shareholders' equity | 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 |
| Subsidiaries' net income (loss) for the year | 92,908 | 14,855 | (9,959) | 111,689 | - | 36,029 | (23,110) | 12,169 | (27,617) | - | (3,420) | 32,082 | 235,626 |
| Carrying amount of investments | | | | | | | | | | | | | |
| Balance as of December 31, 2013 | 1,120,557 | 62,537 | 15,568 | 99,645 | 262 | 34,990 | 8,226 | 7,049 | 15,606 | 606 | 26 | 157,849 | 1,522,921 |
| Equity in investees | 40,148 | 15,410 | (2,445) | 41,607 | - | 20,006 | (20,443) | (4,163) | (23,134) | - | (2,861) | 20,512 | 84,637 |
| Exchange rate change and other adjustments on the translation of investments in foreign subsidiaries | (65) | (1,294) | 907 | (7,819) | 35 | (1) | (1,076) | (1,373) | (1,630) | (3) | - | 6,306 | (6,013) |
| Company's contribution to the stock options plan of subsidiaries' executives and other reserves | 2,091 | - | - | - | - | 1,173 | - | - | - | - | - | - | 3,264 |
| Gain/Losses actuarial | (1,929) | - | - | - | - | (482) | - | - | - | - | - | - | (2,411) |
| Effects of hedge accounting (not tax) | (1,408) | - | - | - | - | - | - | - | - | - | - | - | (1,408) |
| Effects of changes from participation on indirect subsidiary | - | - | - | - | - | - | - | - | - | - | - | (19,937) | (19,937) |
| Dividends distribution | - | - | - | - | - | (17,000) | - | - | - | - | - | - | (17,000) |
| Capital increases | - | - | - | 1,682 | - | - | 15,081 | 10,387 | 23,367 | - | 2,250 | 15,062 | 67,829 |
| 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 (not tax) | 1,325 | - | - | - | - | - | - | - | - | - | - | - | 1,325 |
| Effects of changes from participation on indirect subsidiaries (note 1) | - | - | - | - | - | - | - | - | - | - | - | (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 |
| Dividends distribution | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 |

(*) 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

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# 14. PROPERTY, PLANT AND EQUIPAMENT AND INTANGIBLE ASSETS

**Property, plant and equipament**

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average annual depreciation rate - % | 2014 | Addictions | Write-offs | Transfers (fixed and intangible assets) | Others changes | 2015 |
| **Cost Value:** | | | | | | | |
| Vehicles | 33 | 46,250 | 14,552 | (17,513) | - | 566 | 43,855 |
| Machinery and equipment | 7 | 201,702 | 865 | (24,585) | 830 | 4 | 178,816 |
| Improvements in third party properties (a) | 10 | 67,505 | 157 | - | 2,024 | - | 69,686 |
| Buildings | 3 | 250,967 | 80,856 | - | - | - | 331,823 |
| Furniture and fixtures | 7 | 13,415 | 377 | (93) | 43 | 288 | 14,030 |
| Properties | - | - | - | - | - | 4,413 | 4,413 |
| IT equipment | 20 | 84,669 | 1,577 | (125) | 9,249 | (29) | 95,341 |
| Projects in progress | - | 35,579 | 83,849 | (73) | (111,295) | 11 | 8,071 |
| Provision for losses | - | (12,520) | 217 | - | - | - | (12,303) |
| **Total cost value** | | 687,567 | 182,450 | (42,389) | (99,149) | 5,253 | 733,732 |
| **Depreciation Value:** | | | | | | | |
| Vehicles | 33 | (20,999) | (10,012) | 9,847 | - | 2,356 | (18,808) |
| Machinery and equipment | 7 | (39,343) | (14,340) | 9,251 | - | - | (44,432) |
| Improvements in third party properties (a) | 10 | (18,663) | (4,091) | - | - | - | (22,754) |
| Buildings | 3 | (12,718) | (6,155) | - | - | - | (18,873) |
| Furniture and fixtures | 7 | (3,025) | (765) | 58 | - | 1 | (3,731) |
| IT Equipment | 20 | (51,886) | (15,269) | 117 | - | 9 | (67,029) |
| **Total depreciation** | | (146,634) | (50,632) | 19,273 | - | 2,366 | ( 175,627) |
| **Total** | | 540,933 | 131,818 | (23,116) | (99,149) | 7,619 | 558,105 |

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average annual depreciation rate - % | 2014 | Addictions | Write-offs | Transfers (fixed and intangible assets) | Others changes | 2015 |
| **Cost Value:** | | | | | | | |
| Vehicles | 33 | 71,909 | 26,360 | (25,446) | 4,424 | (2,168) | 75,079 |
| Templates | 33 | 194,598 | 32,889 | (8,715) | 9,874 | (70) | 228,576 |
| Tools and accessories | 8 | 52,427 | 5,024 | (269) | (17,694) | 6,154 | 45,642 |
| Facilities | 6 | 202,068 | 8,166 | (4,704) | 48,314 | 2,736 | 256,580 |
| Machinery and equipment | 7 | 648,217 | 19,867 | (23,268) | 126,703 | (4,507) | 767,012 |
| Improvements in third party properties (a) | 10 | 105,891 | 22,316 | (3,219) | 15,283 | 17,787 | 158,058 |
| Buildings | 3 | 675,066 | 81,001 | - | 2,578 | - | 758,645 |
| Furniture and fixtures | 7 | 46,820 | 10,556 | (1,377) | 2,966 | 1,385 | 60,350 |
| Properties | - | 26,113 | - | (17,752) | - | 22,164 | 30,525 |
| IT equipment | 20 | 121,843 | 9,564 | (1,582) | 13,162 | (4,462) | 138,525 |
| Projects in progress | - | 301,202 | 185,179 | (14,474) | (332,231) | 3,260 | 142,936 |
| Provision for losses | - | (18,642) | (6,323) | - | - | - | (24,965) |
| **Total cost value** | | 2,427,512 | 394,599 | (100,806) | (126,621) | 42,279 | 2,636,963 |
| **Depreciation value:** | | | | | | | |
| Vehicles | 33 | (29,684) | (15,025) | 14,028 | 100 | 1,299 | (29,282) |
| Templates | 33 | (150,113) | (28,999) | 8,650 | (83) | 3 | (170,542) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Tools and accessories | 8 | (22,146) | (3,593) | 2 | - | 41 | (25,696) |
| Facilities | 6 | (87,452) | (10,595) | 4,725 | 28 | (1,590) | (94,884) |
| Machinery and equipment | 7 | (239,177) | (52,583) | 9,543 | - | 6,494 | (275,723) |
| Improvements in third party properties (a) | 10 | (40,649) | (21,212) | 1,030 | - | (8,041) | (68,872) |
| Buildings | 3 | (91,367) | (16,331) | - | - | - | (107,698) |
| Furniture and fixtures | 7 | (15,327) | (6,948) | 1,045 | 5 | 2,686 | (18,539) |
| IT equiment | 20 | (79,450) | (21,364) | 1,465 | (420) | 6,392 | (93,377) |
| **Total depreciantion** | | (755,365) | (176,650) | 40,488 | (370) | 7,284 | (884,613) |
| **Total Geral** | | 1,672,147 | 217,949 | (60,318) | (126,991) | 49,563 | 1,752,350 |

**Intangible**

| | **Company** | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average annual depreciation rate - % | 2014 | Addictions | Write-offs | Transfers (fixed and intangible assets) | Others changes | 2015 |
| **Cost Value::** | | | | | | | |
| Software and others | 10 | 527,813 | 37,763 | - | 99,149 | 490 | 665,215 |
| **Total cost value** | | 527,813 | 37,763 | - | 99,149 | 490 | 665,215 |
| **Amortization Value:** | | | | | | | |
| Software and others | 10 | (131,141) | (35,760) | - | - | 2,177 | (164,724) |
| **Total amortization value** | | (131,141) | (35,760) | - | - | 2,177 | (164,724) |
| **Total** | | 396,672 | 2,003 | - | 99,149 | 2,667 | 500,491 |

| | **Consolidated** | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average annual depreciation rate - % | 2014 | Addictions | Write-offs | Transfers (fixed and intangible assets) | Others changes | 2015 |
| **Cost Value:** | | | | | | | |
| Software and others | 10 | 639,477 | 62,828 | (872) | 126,621 | (6,078) | 821,976 |
| Trademarks and patents (d) | 4 | 55,751 | - | - | - | 56,689 | 112,440 |
| Goodwill Emeis (Brazil PTY) (b) | | 77,047 | - | - | - | 23,956 | 101,003 |
| Relationship with clients (d) | 11 | 899 | - | - | - | 915 | 1,814 |
| Natura Europa SAS – France trade funds (c) | - | 4,071 | - | - | - | 1,525 | 5,596 |
| **Total cost value** | | 777,245 | 62,828 | (872) | 126,621 | 77,007 | 1,042,829 |
| **Amortization Value:** | | | | | | | |
| Software and others | 10 | (161,909) | (55,793) | 675 | 370 | 3,623 | (213,034) |
| Trademarks and patents (d) | 4 | (6,005) | (6,464) | - | - | (274) | (12,743) |
| Relationship with clients (d) | 11 | (127) | (290) | - | - | (154) | (571) |
| **Total amortization** | | (168,041) | (62,547) | 675 | 370 | 3,195 | (226,348) |
| **Total** | | 609,204 | 281 | (197) | 126,991 | 80,202 | 816,481 |

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

(b) Goodwill on Emeis Holdings Pty Ltd. acquisition, which was tested for impairment for the year ended December 31, 2015, where no impairment loss was identified. For preparation of the cash flow projection used to assess the recoverability of goodwill,

management approved the use of a discount rate of 10.3% p.a. providing for perpetuity from the fifth year, and inflation rate in line with the Australian market expectations.

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

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

In column "Other changes including exchange rates" considers the supplement to Company indirect interest in the net assets obtained upon acquisition of Emeis Holding Pty Ltd. As of December 31, 2015, these balances reflect the ownership interest of 100% held in the net assets acquired from Emeis Holding Pty Ltd. and noncontrolling interest on the appreciation of these assets is disclosed in the financial statements.

Additional information on property, plant and equipment:

a) Assets pledged as collateral

As of December 31, 2015, the Group has property, plant and equipment items pledged as collateral of bank financing and loan transactions, as well as items attached to the defense of lawsuits, as shown below:

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

b) Leases

The Company entered for a year ended in December 31, 2015 into finance lease transactions to purchase property, plant and equipment totaling R$ 80,856 in "Buildings" account (R$ 83,618 as of December 31, 2014). As of December 31, 2015, the amount recorder under "Buildings" arising from lease transactions totaling R$ 382,397 (Consolidated) (R$324,170 as of December 31, 2014 – Consolidated) and the balance of lease payables, classified in line item "Borrowings and financing" (note 15) totals R$ 435,313 (Consolidated) (R$332,274 as

of December 31, 2014 – Consolidated).

Balance of capitalized interest

| | 2015 | 2014 |
|---|---|---|
| Financial expenses recorded under "Buildings" | | |
| Balance at beginning of year | 5,741 | 5,588 |
| Depreciation | (387) | (387) |
| Capitalized interest | - | 540 |
| Balance at | 5,354 | 5,741 |

## 15. BORROWINGS AND FINANCING

| | Company | | Consolidated | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | Reference |
| Local Currency | | | | | |
| FINEP (Financing Agency for Studies and projects | - | - | 160,752 | 112,385 | A |
| Debentures | 1,461,395 | 623,771 | 1,461,395 | 623,771 | B |
| BNDES | 57,925 | 74,833 | 170,300 | 217,942 | C |
| Working capital / NCE | - | - | 256,125 | 256,006 | D |
| BNDES – FINAME | 1,754 | 2,293 | 13,592 | 19,470 | E |
| Financial lease (Note 14.b) | 360,435 | 254,339 | 435,313 | 332,274 | F |
| FINEP (Grants and Government Assistance) | - | - | 11 | 647 | G |
| International operation – Peru | - | - | 66,879 | 30,752 | H |
| International operation – Mexico | - | - | 96,007 | 55,000 | I |
| International operation – Australia | - | - | 62,085 | 23,074 | J |
| International operation - Colombia | - | - | 31,367 | - | K |
| Total in local currency | 1,881,509 | 955,236 | 2,753,826 | 1,671,321 | |
| Foreign Currency | | | | | |
| BNDES | 21,845 | 20,254 | 51,628 | 44,490 | L |
| Resolution 4131/62 | 2,644,315 | 2,152,946 | 2,730,426 | 2,265,399 | M |
| Total in foreign currency | 2,666,160 | 2,173,200 | 2,782,054 | 2,309,889 | |
| Grand total | 4,547,669 | 3,128,436 | 5,535,880 | 3,981,210 | |
| Current | 1,624,686 | 1,294,241 | 2,161,383 | 1,466,599 | |
| Non Current | 2,922,983 | 1,834,195 | 3,374,497 | 2,514,611 | |

| Reference | Currency | Maturuty | Charges | Guarantees |
|---|---|---|---|---|
| A | Real | May ,2019 and June, 2023 | Interest of 5% p.y for the installment maturing in 2019 and 3.5% p.y for the installment maturing in june,2023; | Guarantee of Natura Cosméticos S.A. |
| B | Real | February, 2019 | Interest o107% to 108% % of CDI maturing in February,2017, February,2018 and February, 2019; | None |
| C | Real | Through September, 2021 | TJLP + interest of 0,5% p.y. to 3.96% p.y. and contractos of 3.5% p.y. a 5% p.y.(d) | Bank guarantee and financial covenants to contracts maturity in 2020 |
| D | Real | Through August,2017 | Interest of 8% p.y. (c) and Interest of 107% of CDI (c) | Guarantee of Natura Cosméticos S.A. |
| E | Real | Through June,2019 | Interest of 4.5% p.y. + TJLP for contracts up to 2012 and for contracts from 2013 to 3% p.y. (PSI) (d); Contracts August,2014 to 6% p.y | Alienation chattel, promissory notes and Guarantee of Natura Cosméticos S.A. |
| F | Real | Through August,2026 | Interest of 9%py + IPCA (b) | Alienation chattel of leases contracts. |
| G | Real | July, 2016 | None. | None |
| H | Novo sol | Through March,2016 | Interest of 5%py to 5.95% 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 | Dollar Australian | December, 2017 | BBSY + interest 1% and Libor + interest 1%. (f) | Bank guarantee |
| K | Peso Colombian | Through March,2016 | Interest of 6%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 January,2018 | Exchange fluctuation + Libor + Over Libor of 1.32% p.y. to 3.80% p.y. (a) | Guarantee of Indústria e Comércio de Cosméticos Natura Ltda. |

(a) Loans and financing for which swap contracts (CDI) were entered into.
(b) IPCA – Consumer price index expanded
(c) Loans for which the financial instruments of the type "swap" with the exchange of fixed rate for CDI were hired.
(d) PSI-Investment Support Program.
(e) TIIE-interest rate of interbank equilibrium Mexico
(f) BBSY - Bank Bill Swap Bid Rate

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Maturities of non-current liabilities are as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| 2017 | 1,348,209 | 908,267 | 1,512,462 | 1,241,302 |
| 2018 | 329,512 | 288,735 | 381,556 | 401,752 |
| 2019 and thereafter | 1,245,262 | 637,193 | 1,480,479 | 871,557 |
| | 2,922,983 | 1,834,195 | 3,374,497 | 2,514,611 |

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

a) Description on bank loans

1. Contratos de financiamento com o BNDES (Banco Nacional de Desenvolvimento Econômico e Social)

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

2. Financing agreement with the FINEP

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

3. Machinery and Equipment Financing - FINAME

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

These agreements are collateralized by assigning the fiduciary ownership of the assets described in the related agreements. The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. is the trustee and the Company is the guarantor of these assets. In addition, the Group is required to meet the Provisions Applicable to

BNDES Agreements and the General Regulatory Terms and Conditions of FINAME-related Transactions.

4. Resolution nº 4.131/62

Bank Credit Note - Onlending of funds raised abroad under law nº 4.131/62, through financial institutions due to rates which under favorable under the circumstances. Funds raised in this operation aim at increasing Company working capital.

5. NCE

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

6. Debentures

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

b) Finance lease obligations

Financial obligations are broken down as follows:

| | Consolidated | |
|---|---|---|
| | 2015 | 2014 |
| Gross finance lease obligations - minimum lease payments: | | |
| Less than one year | 60,962 | 45,420 |
| More than one year and less than five years | 279,939 | 262,113 |
| More than five years | 603,024 | 439,107 |
| Total | 943,925 | 746,640 |
| Future financing charges on finance leases | (508,612) | (414,366) |
| Financial lease obligations - accounting balance | 435,313 | 332,274 |
| Accounting balance of property, plant and equipment | 382,397 | 324,170 |

c) Capitalized Interest

The following table presents summary financial charges and capitalized in fixed assets

under "Buildings" plot.

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/2015 | 12/2014 | 12/2015 | 12/2014 |
| Total financial charges for the year | (260,575) | (120,977) | (317,761) | (173,876) |
| Capitalized interest | - | - | - | 5,741 |
| Financial expenses (Note 25) | (260,575) | (120,977) | (317,761) | (168,135) |

Financial expenses are capitalized based on the rate of the loan to which the qualifying asset is directly connected.

d) Contract Covenants

On December 31, 2015 and December 31, 2014, 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, 2015, the Company had fully complied with all such covenants

## 16. TRADE AND OTHER PAYABLES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Domestic trade payables | 215,981 | 228,682 | 669,228 | 521,113 |
| Foreign trade payables (a) | 9,703 | 6,210 | 30,077 | 13,480 |
| "Drawn risk" operation (b) | 4,416 | 3,073 | 103,582 | 65,028 |
| | 230,100 | 237,965 | 802,887 | 599,621 |

(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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Taxes on revenue (PIS/COFINS) (judicial remedy) (a) | 2,321 | 2,153 | 252,138 | 212,968 |
| Ordinary ICMS | 158,437 | 132,590 | 158,464 | 127,124 |
| ICMS ST to payable (b) | 81,445 | 52,052 | 81,445 | 52,052 |
| IRPJ and CSLL | 117,280 | 36,882 | 151,833 | 79,496 |
| IRPJ and CSLL (injunction) (c) | 268,712 | 205,183 | 268,712 | 205,183 |
| IPI and IRRF | 64,263 | 12,309 | 73,210 | 17,438 |
| INSS – suspension of the enforceability | 4,461 | 2,470 | 17,469 | 12,220 |
| UFIR adjustment to federal taxes | 2,102 | 3,089 | 2,144 | 3,159 |
| Action for annulment of INSS debt | 3,810 | 3,560 | 3,810 | 3,560 |
| Withholding PIS/COFINS/CSLL | 4,519 | 3,628 | 9,618 | 15,137 |
| TAX- subsidiaries abroad | - | - | 114,107 | 83,830 |
| Service tax (ISS and INSS) | 525 | 804 | 2,755 | 2,293 |
| | 707,875 | 454,720 | 1,135,705 | 814,460 |
| Escrow deposits (note 11) | (78,501) | (63,324) | (117,949) | (98,992) |
| Current | 629,374 | 391,396 | 1,047,961 | 715,468 |
| Non current | 78,501 | 63,324 | 87,744 | 98,992 |

(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, 2015 refer to the unpaid amounts of PIS and COFINS, from April 2007 to December 31, 2015, the collection of which is on hold. Part of the balance, in the adjusted amount of 35,236 is deposited in escrow to Consolidated which R$ 252,138 are accrued.

(b) It refers to the sum of ICMS – ST amounts, which are deposited with the courts. The amount of unpaid ICMS-ST is being discussed in court by the Company and, in certain cases, is monthly deposited with the courts, as mentioned in Note 18.(b) (contingent liabilities - risk of loss assessed as possible). In the Paraná state and Federal District, the Company entered into a tax agreement, as such, there have not been judicial deposits since November, 2011 and August, 2014 for the respective states.

(c) On February 4, 2009, the Company filed for a preliminary injunction, later on confirmed by a decision that suspended enforceability of income and social contribution taxes levied on any amounts received as arrears interest on late payment of contractual liabilities in connection with sales operations to Natura Consultants. The appeal lodged by Federal Government is pending judgment.

Tax installment program established by Law 11,941/09

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

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

| | Company | | | |
|---|---|---|---|---|
| | | Inflation | | |
| | 2014 | adjustment | Payment | 2015 |
| Action for annulment of INSS debt | 3,560 | 250 | - | 3,810 |
| UFIR adjustment to federal taxes | 3,089 | 180 | (1,167) | 2,102 |
| | 6,649 | 430 | (1,167) | 5,912 |

| | Consolidated | | | |
|---|---|---|---|---|
| | | Inflation | | |
| | 2014 | adjustment | Payment | 2015 |
| Action for annulment of INSS debt | 3,560 | 250 | - | 3,810 |
| UFIR adjustment to federal taxes | 3,159 | 183 | (1,198) | 2,144 |
| | 6,719 | 433 | (1,198) | 5,954 |

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

## 18. PROVISION FOR TAX , CIVIL AND LABOR RISKS

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

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Tax | 29,920 | 34,958 | 40,622 | 45,852 |
| Civil | 10,839 | 11,417 | 17,923 | 13,749 |
| Labor | 10,276 | 8,043 | 19,313 | 16,162 |
| Total | 51,035 | 54,418 | 77,858 | 75,763 |
| Escrow deposits (note 11) | (14,064) | (14,301) | (16,383) | (16,633) |

Tax contingencies

The provision for tax risks is broken down as follows:

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Legal fees (a) | 18,520 | 331 | (3,199) | - | 1,547 | 17,199 |
| Tax assessment - 1990 IRPJ | 3,929 | - | (4,002) | - | 73 | - |
| CSLL deductibility (Law 9316/96) (b) | 8,656 | - | - | - | 359 | 9,015 |
| Others | 3,853 | 2,554 | (2,894) | - | 193 | 3,706 |
| Total provision for tax contingencies | 34,958 | 2,885 | (10,095) | - | 2,172 | 29,920 |
| Escrow deposits (note 11) | (9,025) | - | - | - | (767) | (9,792) |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Legal fees (a)s (a) | 27,342 | 634 | (3,211) | - | 2,355 | 27,120 |
| Tax assessment - 1990 IRPJ | 3,929 | - | (4,002) | - | 73 | - |
| CSLL deductibility (Law 9316/96) (b) | 8,655 | - | - | - | 360 | 9,015 |
| Others | 5,926 | 2,620 | (4,316) | - | 257 | 4,487 |
| Total provision for tax contingencies | 45,852 | 3,254 | (11,529) | - | 3,045 | 40,622 |
| Escrow deposits (note 11) | (9,610) | - | - | - | (881) | (10,491) |

(a) These 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 (HBTA). 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.

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

(c) This refers to the writ of mandamus questioning constitutionality of Law No. 9316/96, which prohibited deductibility of CSLL from its own calculation base and IRPJ calculation base. The amount involved in this proceeding is deposited with the courts. On August 25, 2014, in order to use the benefits from the installment payment program of the Federal Government, the Company filed a petition waving the related proceeding. Formalization of adhesion to the program and conversion of the judicial deposit into Federal Government proceeds are currently pending. The amount deposited with the court amounts to R$ 7,118 (R$ 6,732 at December 31, 2014).

Civil risk

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Several civil lawsuits (a) | 5,234 | 8,092 | (1,371) | (5,836) | 148 | 6,267 |
| Lawyer fees - environmental civil lawsuit (b) | 2,440 | - | - | - | 256 | 2,696 |
| Civil lawsuits and lawyer fees | | - | - | - | - | - |
| - Nova Flora Participações Ltda (d). | 3,743 | 52 | (2,232) | - | 313 | 1,876 |
| Total provision for civil risks | 11,417 | 8,144 | (3,603) | (5,836) | 717 | 10,839 |
| Escrow deposits (note 11) | (2,602) | - | 1,880 | - | (55) | (777) |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Several civil lawsuits (a) | 6,711 | 12,602 | (1,484) | (5,960) | 485 | 12,354 |
| Lawyer fees - environmental civil lawsuit (b) | 2,440 | - | - | - | 256 | 2,696 |
| Lawyer fees - IBAMA (c) | 855 | 57 | - | - | 85 | 997 |
| Civil lawsuits and lawyer fees - Nova Flora Participações Ltda (d). | 3,743 | 52 | (2,232) | - | 313 | 1,876 |
| Total provision for civil risks | 13,749 | 12,711 | (3,716) | (5,960) | 1,139 | 17,923 |
| Escrow deposits (note 11) | (2,928) | - | 1,934 | - | (73) | (1,067) |

(a) As of December 31, 2015, the Company and its subsidiaries are parties to 2,534 civil lawsuits and administrative proceedings (2,161 as of December 31, 2014), of which 2,317 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$ 1,102 (R$ 2,928 December 31,2014).

(b) The provision includes R$1,937 with respect to legal fees, ad exitum, for the defense of the Company's interests in the public lawsuit filed by the Federal Public Prosecution Office of Acre against the Company and other institutions for alleged access to the traditional knowledge associated to the asset ("Murumuru"). Award was made in the records of that action, deciding to exclude Natura demand. However, as the prosecution filed an appeal, the case is awaiting final decision. Our legal counsel's opinion is that the risk of losses is remote.

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

negotiating through the Negotiation Committee, the Company shares benefits in 100% of the cases of access to the Brazilian biodiversity genetic patrimony and related traditional knowledge, and pioneers in the sharing of benefits with traditional communities and has most of the permits from the regulatory agency to have access to biodiversity as well as the permits already granted to private companies.

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

Labor risks

As of December 31, 2015, the Company and its subsidiaries are parties to 1,240 labor lawsuits filed by former employees and third parties (793 as of December 31, 2014), 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Total provision for labor contingencies | 8,043 | 6,373 | (1,944) | (3,121) | 925 | 10,276 |
| Escrow deposits (note 11) | (2,674) | (807) | - | 391 | (405) | (3,495) |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | Additions | Reversals | Payments | Inflation adjustment | 2015 |
| Total provision for labor contingencies | 16,162 | 11,933 | (3,147) | (6,965) | 1,330 | 19,313 |
| Escrow deposits (note 11) | (4,095) | (851) | - | 473 | (352) | (4,825) |

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, 2015, contingent liabilities comprise 654 cases (531 at December 31, 2014), as under:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Tax | 636,777 | 749,919 | 771,225 | 859,754 |

| | | | | |
|---|---|---|---|---|
| Civil | 6,330 | 23,438 | 12,456 | 29,922 |
| Labor | 38,623 | 26,700 | 85,382 | 52,603 |
| Total contingent liabilities (Unaccrued) | 681,730 | 800,057 | 869,063 | 942,279 |
| Escrow deposits (note 11) | (122,566) | (115,471) | (126,509) | (120,304) |

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$ 62,869 (R$ 58,407 at December 31, 2014).

(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$ 432,307 (R$ 581,444 at December 31, 2014) and R$ 95.223 (R$ 97,821 at December 31, 2014) being deposited with the courts.

The Company has other amounts deposited with the courts in connection with proceedings assessed as involving remote chances of loss, which aggregate R$ 23,368 (R$ 25,025 at December 31, 2014) Company and R$ 26,955 (R$ 27,395 at December 31,2014) Consolidated, as explained in note 11 – Judicial deposits .

Contingente Assets

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

The Company and its subsidiaries Industry and Trade Cosmetics Natura Ltda., Natura Innovation and Technology Products Ltda. and Natura Logistics and Services Ltda. plead the refund of the ICMS and Service Tax - ISS included in the calculation basis of PIS and COFINS, collected from March 2004 to March 2007. The amounts of the refund claims, updated through December 31, 2015, amounted to R$ 294,406 (R$ 219,338 on December 31, 2014). The opinion of legal counsel is that the probability of loss is possible

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

## 19. OTHERS PROVISIONS

(a) Provision for acquisition of non-controlling interest

Liability recorded due to the purchase and sale agreement of Emeis Holdings Pty Ltd, which provides for acquisition of interest of non-controlling shareholders as from 2015, with term of up to 2025.The payment shall be made based on Company performance on the date of exercise of the option. The balance at December 31, 2015 is R$ 190,658 (R$145,465 at

December 31, 2014), the related expenses are recognized for the ended December 31,2015 with restatement of the year ended in December 31, 2015, the update in the amount R$ 111,334 matched with "Inflation Provision for acquisition of non-controlling interest" in expense financial (see note 25).

The provision for purchase of ownership interest from non-controlling interest holders, namely, the remaining 21.26% interest in the voting capital of Emeis Holdings Pty Ltd., as of December 31, 2015 was calculated based on the EBITDA forecast for the year ending December 31, 2016 (management's best estimate in relation to options exercise), plus cash balance, net of financial obligations, as contractually provided for.

(b) Others non current liabilities

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Government subvention (*) | 13,843 | 16,715 | 100,576 | 82,617 |
| Retirees' healthcare plan (**) | 24,680 | 23,069 | 43,549 | 37,698 |
| Carbon credit | 11,042 | 9,602 | 11,042 | 9,602 |
| Other provisions | 801 | 2,740 | 14,955 | 15,881 |
| Total | 50,366 | 52,126 | 170,122 | 145,798 |

(*) Short- and long-term loans and financing are recorded for the amount of government grants as at December 31, 2015, totaling R$ 13,843, Company, and R$ 100,576 , Consolidated. As at December 31, 2014, the amount R$ 16,715, Company, and the amount of R$ 82,617, Consolidated, 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. As of December 31, 2015, weighted average time was 16 years.

The population of active employees eligible to the healthcare plan upon their retirement is closed for new inclusions. For the calculation as of December 31, 2015, the following numbers were considered:

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

The actuarial liability shown was calculated by an independent actuary considering the following main assumptions:

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

For the year ended in December 31,2015 and for the year ended in December 31, 2014, the plan is reflected on the income statement as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Company current service cost | (1,340) | 4,540 | (1,972) | 3,652 |
| Cost of interest | (2,684) | (3,012) | (4,385) | (4,171) |
| Recognition of actuarial Losses/(Gains) in OCI | 2,352 | (1,792) | (446) | (619) |
| | (1,672) | (264) | (6,803) | (1,138) |

## 20. SHAREHOLDER'S EQUITY

a) Issued capital

As of December 31, 2015, the Company's capital was R$ 427,073.

For the year ended in December 31, 2015 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 17,2015 the Company paid dividends totaling R$428,956 and interest on capital in the total gross amount of R$20,317 (R$17,269, net of withholding tax), , as distribution recommended by the Board of Directors on February 11, 2015 and ratified at the Annual General Meeting held on April 14, 2015, relating to the net profit of the year 2014 which added to R$ 232,321 of dividends and R$27,822 of interest on equity paid in August 2014 correspond to a distribution of approximately 100 % of net income in fiscal 2014.

On July 22, 2015, the Board of Directors approved the payment of interim dividends and interest on equity referring to net income computed for the first half of 2015, in the amount of R$207,290 (R$0.481751 per share) and R$29,036 (R$0.067481 gross per share), respectively. The total amount of interim dividends and interest on equity refers to 100% of consolidated net income recorded for the first half of 2015.The Company completed the payment of interim dividends and interest on own capital on August 13, 2015 .

Also, on February 17, 2016, the Board of Directors approved, for further consideration of the Annual General Meeting to be held on April 15, 2016, the proposal for payment of dividends and interest on equity, amounting to R$ 105,733 and R$ 17,400 (R$ 14,268 net of withholding income tax - IRRF), respectively, referring to the income earned in 2015, which added to the R$ 207,290 worth of dividends and R$ 29,036 worth of interest on equity paid in August 2015 correspond to a distribution of approximately 70% of the net income for the year 2015.

Dividends were calculated as follows:

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| Net income for the year | 513,513 | 732,818 |
| Adjustments under Law No. 6404/76 and investment grant | - | (23,402) |
| Minimum dividend base | 513,513 | 709,416 |
| Mandatory minimum dividend | 30% | 30% |
| Annual minimum dividend | 154,054 | 212,825 |
| Proposed dividends | 313,023 | 661,277 |
| Interest on equity | 46,436 | 48,139 |

| | | |
|---|---|---|
| Withholding income tax (IRRF) on interest on equity | (7,487) | (7,221) |
| Total dividends and interest on equity, net of IRRF | 351,972 | 702,195 |
| | | |
| Amount in excess of mandatory minimum dividend | 197,918 | 489,370 |
| | | |
| Dividends per share - R$ | 0.7275 | 1.5368 |
| Interest on equity per share, net - R$ | 0.0905 | 0.0951 |
| Total compensation per share, net - R$ | 0.8180 | 1.6319 |

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, 2015 and 2014, the following installments referring to amount in excess of mandatory minimum dividend were recorded in equity as "Proposed additional dividend":

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| Dividends | 105,733 | 428,956 |
| Interest on equity | 17,400 | 20,317 |
| | 123,133 | 449,273 |

Since the advance on dividends, previously commented on, has been paid in an amount in excess of mandatory minimum dividend, there is no liability recognized for this obligation as of December 31, 2015.

c) Treasury shares

As of December 31, 2015, line item 'Treasury shares' is broken down as follows:

| | 2015 | | |
|---|---|---|---|
| | Number of Share | Number of Share | Number of Share |
| Balance at beginning and end of year | 954,584 | 37,851 | 39.65 |

As of December 31, 2014, line item 'Treasury shares' is broken down as follows:

| | 2014 | | |
|---|---|---|---|
| | Number of Share | Number of Share | Number of Share |
| Balance at beginning of year | 2,120,459 | 83,984 | 39.61 |
| Used | (1,165,875) | (46,133) | 39.57 |
| Balance at yearend | 954,584 | 37,851 | 39.65 |

d) Share premium

Refers to the premium generated on the issuance of 3,299 common shares resulting from the capitalization of debentures totaling R$100,000, occurred on March 2, 2004. During the year ended on December 31, 2015, no treasury shares were used by the stock option plan and/or restricted stock, since no options were exercised.

e) Legal reserve

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

f) Retained earnings reserve

The financial statements and a proposal for the appropriation of retained profits for the year ended December 31, 2015, were presented at the Board of Directors' meeting held on February 17, 2016. These shall be submitted for approval at the General Shareholders' Meeting to be held on April 15,2016. The setting up of income reserves at an amount equivalent to 30% of total income for 2015, amounting to R$ 154,054 and R$ 111,334 refer to a provision for an additional acquisition of shares in Emeis Holdings Pty Ltd. ("Aesop").
.

The Annual General Meeting will approve the financial statements also performs the necessary decisions in order to meet the legal requirements on the limit of the balance of profit booking.

g) Other comprehensive income

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

## 21. SEGMENTE INFORMATION

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

At December 31, 2014, reporting date of the most recent annual financial statements, business segment information was segregated as follows: Brazil ("Brazil Operation"), Latin America ("LATAM") and other countries - "Others", including such operations as France, The Netherlands, USA, Corporate LATAM and Emeis Holding Pty Ltd. ("Aesop") (it included the results of Holdings Natura Brazil Pty Ltd. and Natura Cosmetics Australia Pty Ltd.). In addition, LATAM was analyzed into two groups: (a) Argentina, Chile and Peru ("Consolidated Operations"); and (b) Mexico and Colombia ("Operations under Implementation").

As from the reporting of interim financial information as at June 30, 2015, management optedfor disclosing this information substantially due to the maturity of the business established in Mexico and Colombia,the following segregation: Brazil ("Brazil Operation"), Latin America ("LATAM Operation", including the Corporate LATAM), Emeis Holding Lty Ltd. ("Aesop") (including the results of Holdings Natura Brasil Pty Ltd. and Natura Cosmetics Australia Pty Ltd.) and Others (including"France Operation", Natura (Brasil) International B.V. – Holanda, Natura Brasil Inc. - EUA").

Net revenue by geography is as follows in the year ended in December, 31 2015:

- Brazil:71.0 %
- LATAM Operations: 23.3 %
- Emeis Holding Lty Ltd. ("Aesop"): 5.5 %
- Others:0.2 %

The accounting practices for each segment are the same as those 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 a summary of financial information on Company segments as of December 31, 2015 and 2014. The amounts provided to the Executive Committee referring to net income (loss) and total assets are consistent with those recorded in the financial statements, as well as with the accounting practices used.

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Net Revenue | Net profit (loss) | Depreciation and amortization | Financial income | Tax |
| Brasil | 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) |

| | 2014 |
|---|---|

| | Net Revenue | Net profit (loss) | Depreciation and amortization | Financial income | Tax |
|---|---|---|---|---|---|
| Brasil | 5,994,645 | 701,667 | (165,091) | (267,057) | (306,237) |
| LATAM | 1,158,111 | 27,262 | (10,385) | (1,316) | (36,132) |
| Emeis Holding Pty Ltd. (“Aesop”) | 242,403 | 20,512 | (12,875) | 94 | (12,803) |
| Others | 13,263 | (16,623) | (1,460) | - | - |
| Consolidated (attributable to controlling shareholders of the Company) | 7,408,422 | 732,818 | (189,811) | (268,279) | (355,172) |

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Non current Assets | Current Liabilities | Total Assets | Non current Assets | Current Liabilities | Total Assets |
| Brasil | 2,873,979 | 3,782,501 | 7,823,633 | 2,649,231 | 2,763,771 | 6,287,267 |
| LATAM | 168,483 | 676,744 | 1,028,410 | 100,787 | 291,241 | 587,549 |
| Emeis Holding Pty Ltd. (“Aesop”) | 325,861 | 113,675 | 513,031 | 201,497 | 57,108 | 302,207 |
| Others | 7,952 | - | 29,907 | 9,284 | 6,876 | 23,060 |
| Consolidated | 3,376,275 | 4,572,920 | 9,394,981 | 2,960,799 | 3,118,996 | 7,200,083 |

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

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

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

## 22. NET REVENUE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gross revenue: | | | | |
| Domestic market | 7,874,186 | 8,180,748 | 7,884,951 | 8,181,652 |
| Foreign market | - | - | 2,917,439 | 1,767,126 |
| Other sales | 83 | 102 | 4,083 | 1,527 |
| | 7,874,269 | 8,180,850 | 10,806,473 | 9,950,305 |
| Returns and cancellations | (17,847) | (20,390) | (40,655) | (33,089) |
| Taxes on sales | (1,927,422) | (1,786,322) | (2,866,816) | (2,508,794) |
| Net revenue | 5,929,000 | 6,374,138 | 7,899,002 | 7,408,422 |

## 23. OPERATING EXPENSES AND COST OF SALES

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

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Cost of sales | 2,294,896 | 2,377,727 | 2,415,990 | 2,250,120 |

| | | | | |
|---|---|---|---|---|
| Selling, Marketing and Logistics expenses | 2,081,047 | 2,076,516 | 2,998,825 | 2,680,091 |
| Administrative, P&D, IT and Project Expenses | 732,241 | 785,107 | 1,293,208 | 1,133,346 |
| Total | 5,108,184 | 5,239,350 | 6,708,023 | 6,063,557 |

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

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Cost of sales | 2,294,896 | 2,377,727 | 2,415,990 | 2,250,120 |
| Raw material/packaging Material | 2,294,896 | 2,377,727 | 1,936,541 | 1,822,473 |
| Workforce | - | - | 212,956 | 211,861 |
| Depreciation and amortization | - | - | 79,085 | 61,151 |
| Others | - | - | 187,408 | 154,635 |
| Marketing and selling expenses | 2,081,047 | 2,076,516 | 2,998,825 | 2,680,091 |
| Freight | 302,691 | 294,152 | 309,613 | 300,192 |
| Marketing, sales force and other sales expenses | 1,752,307 | 1,759,703 | 2,655,066 | 2,356,696 |
| Depreciation and amortization | 26,049 | 22,661 | 34,146 | 23,203 |
| Administrative expenses, P&D, IT and Projects | 732,241 | 785,107 | 1,293,208 | 1,133,346 |
| Development in Innovation | - | - | 208,807 | 218,127 |
| Other administrative expenditure | 671,898 | 723,670 | 958,435 | 809,762 |
| Depreciation and amortization | 60,343 | 61,437 | 125,966 | 105,457 |
| Total | 5,108,184 | 5,239,350 | 6,708,023 | 6,063,557 |

## 24. EMPLOYEE BENEFITS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Payroll , profit sharing and bonuses | 359,506 | 353,604 | 969,525 | 857,955 |
| Pension Plan (note 24.2) | 3,022 | 3,406 | 4,642 | 4,087 |
| Gain based on stocks (note 24.1) | (4,326) | (816) | (2,572) | 2,448 |
| Charges on restricted stock (note 24.1) | 581 | - | 827 | - |
| Taxes payable | 25,445 | 24,304 | 87,946 | 69,474 |
| Health medical care, food, transportation and others benefits | 67,977 | 52,013 | 184,610 | 140,822 |
| | 452,205 | 432,511 | 1,244,978 | 1,074,786 |

### 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, Company Board of Directors approved these plans. At 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.

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

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

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

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

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

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

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

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

| | Stock Option Plan and Strategy Acceleration Plan | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Average exercise price per share - R$ | Options (thousands) | Average exercise price per share - R$ | Options (thousands) |
| Balance at beginning of year | 47.30 | 5,296 | 43.97 | 6,461 |
| Granted | 27.81 | 2,944 | 38.40 | 1,518 |
| Cancelled | 51.23 | (2,006) | 48.60 | (1,517) |
| Exercised | - | - | 29.04 | (1,166) |
| Balance at year end | 37.91 | 6,234 | 47.30 | 5,296 |

| | Restricted Stock Option (thousands) |
|---|---|
| | 2015 |
| Balance at beginning of year | - |
| Granted | 556 |
| Cancelled | (46) |
| Exercised | - |
| Balance at year end | 510 |

Out of the 6,234 outstanding options as of December 31, 2015 (5,296 outstanding options as of December 31, 2014), 1,548 outstanding options are vested (1,939 outstanding options as of December 31, 2014). No options were exercised in the year ended December 31, 2015. The Options exercised in December 31, 2014 resulted in the use of 1,166 shares of outstanding treasury shares.

The (reversal) expense relating to the fair value of stock options and restricted stock, including charges on restricted stock, recognized in the year ended December 31, 2015, according to the elapsed vesting period, was R$ (3,745) and R$ (1,745) Company and Consolidated, respectively. At December 31, 2014, the (reversal) expense was (R$ 816) and R$ 2,448, 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, 2015 – Stock option plan

| Grant date | Exercise price - R$ | Existing options | Remaining contractual life (years) | Vested options |
|---|---|---|---|---|
| April 22, 2009 | 33.94 | 293,783 | 1.33 | 293,783 |
| March 19, 2010 | 49.80 | 588,894 | 2.25 | 588,894 |
| March 23, 2011 | 58.12 | 665,534 | 3.25 | 665,534 |
| March 18, 2013 | 63.51 | 904,805 | 5.30 | - |
| March 17, 2014 | 42.50 | 966,967 | 6.30 | - |
| March 16, 2015 (24 months - vested) | 28.38 | 944,812 | 1.50 | - |
| March 16, 2015 (36 months - vested) | 28.38 | 944,812 | 2.50 | - |
| March 16, 2015 (48 months - vested) | 28.38 | 944,812 | 3.50 | - |
| July 28, 2015 (Strategy Acceleration Plan) | 26.97 | 1,870,000 | 4.50 | - |
| | | 8,124,419 | | 1,548,211 |

As of December 31, 2015 – restricted stock

| Grant date | Existing options | Remaining contractual life (years) | Vested options |
|---|---|---|---|
| March 16, 2015 (24 months - vested) | 169,944 | 1.5 | - |
| March 16, 2015 (36 months - vested) | 169,944 | 2.5 | - |
| March 16, 2015 (48 months - vested) | 169,944 | 3.5 | - |

| | |
|---|---|
| | 509,832 |

As of December 31, 2014 – Stock option plan

| Grant date | Exercise price - R$ | Existing options | Remaining contractual life (years) | Vested options |
|---|---|---|---|---|
| April 22, 2009 | 30.67 | 467,749 | 2.34 | 467,749 |
| March 19, 2010 | 45.00 | 962,491 | 3.26 | 962,491 |
| March 23, 2011 | 52.51 | 1,017,783 | 4.27 | 508,892 |
| March 18, 2013 | 57.39 | 1,580,771 | 6.30 | - |
| March 17, 2014 | 38.40 | 1,267,684 | 7.31 | - |
| | | 5,296,478 | | 1,939,132 |

As of December 31, 2015, market price per share was R$ 23.49 (R$ 31.85 as of December 31, 2014) per share.

The options were measured at their fair values on grant date, pursuant to IFRS 2 - Shared Based Payments. The weighted average fair value of the options as of December 31, 2015 was R$ 12.00.

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) | 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% | 30.4% | 30.4% | 30.4% |
| Dividend yield | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% |
| Expected option life of the year | 2 years | 3 years | 4 years | 5 years | 2 years | 3 years | 4 years |
| Risk-free annual interest rate | 12.6% | 12.6% | 12.6% | 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, 2015, the Group did not have actuarial liabilities arising from the former employees' pension plan.

The contributions made by the Company and its subsidiaries totaled R$3,022 (Company) and R$ 4,642 (Consolidated) in the year ended December, 31, 2015 (R$ 3,406 Company and R$ 4,087 Consolidated in the year ended December, 31, 2014), and were recorded as expenses in the year.

## 25. FINANCIAL INCOME (EXPENSIVES)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Financial income: | | | | |
| Interest on short-term investments | 194,616 | 103,152 | 267,773 | 126,148 |
| Inflation adjustment and foreign exchange gains (a) | 559,293 | 217,204 | 630,517 | 232,982 |
| Gains on swap and forward transactions (c) | 881,008 | 285,105 | 962,611 | 314,647 |
| Gains on the adjustment of fair value "swap" and "forward" | 34,469 | - | 38,240 | - |
| Other financial income | 22,912 | 22,343 | 28,087 | 30,028 |
| Total | 1,692,298 | 627,804 | 1,927,228 | 703,805 |
| | | | | |
| Financial expenses: | | | | |
| Interest on financing | (260,575) | (120,977) | (317,761) | (168,135) |
| Inflation adjustment and foreign exchange losses (b) | (1,410,528) | (456,014) | (1,496,749) | (475,092) |
| Losses on swap and forward transactions (d) | (234,716) | (202,145) | (268,011) | (225,914) |
| Loses on theadjustment of fair value "swap" and "forward" | - | (25,150) | - | (24,313) |
| Inflation Provision for acquisition of non-controlling interest (note 19.a) | (111,334) | (3,825) | (111,334) | (3,825) |
| Other financial expenses | (48,539) | (35,318) | (114,772) | (74,805) |
| Total | (2,065,692) | (843,429) | (2,308,627) | (972,084) |
| | | | | |
| Financial expenses, net | (373,394) | (215,625) | (381,399) | (268,279) |

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 | |
|---|---|---|---|---|
| | 2015/12 | 2014/12 | 2015/12 | 2014/12 |
| Gains on monetary and exchange variations: | | | | |
| Exchange rate on loans | *559,293* | *217,204* | *589,821* | *219,968* |
| Exchange variation of import | - | - | - | *4,571* |
| Exchange variation of receivables export | - | - | 26,427 | 8,443 |
| Exchange rate changes in accounts payable in foreign subsidiaries | - | - | 14,269 | - |
| (a) | 559,293 | 217,204 | 630,517 | 232,982 |

| | | | | |
|---|---|---|---|---|
| Losses on monetary and exchange variations: | | | | |
| Exchange rate on loans | (1,408,031) | (455,965) | (1,493,751) | (473,869) |
| Exchange variation of import | (2,380) | (49) | (1,527) | - |
| Exchange rate changes in accounts payable in foreign subsidiaries | - | - | - | (1,223) |
| Exchange variation of financing | (117) | - | (1,471) | - |
| (b) | (1,410,528) | (456,014) | (1,496,749) | (475,092) |
| | | | | |
| Gains on forward and swap transactions: | | | | |
| Exchange variation of swap instruments | 825,965 | 238,593 | 883,666 | 254,537 |
| Gain on exchange coupon "swap" | 55,043 | 46,512 | 56,792 | 46,490 |
| Exchange variation of "forward" instruments | - | - | 10,259 | - |
| Exchange rate on swap instruments | - | - | 11,894 | 13,620 |
| (c) | 881,008 | 285,105 | 962,611 | 314,647 |
| | | | | |
| Losses on swap and forward transactions: | | | | |
| Financial costs swap instruments | (234,716) | (202,145) | (268,011) | (224,820) |
| Exchange variation of "forward" instruments | - | - | - | (1,094) |
| (d) | (234,716) | (202,145) | (268,011) | (225,914) |

## 26. NET OTHER INCOME (EXPENSES)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gain (loss) on sale of property, plant and equipment | 17,314 | (4,823) | 41,251 | (8,899) |
| Crédit INSS (a) | - | 3,822 | - | 7,223 |
| Reversal of contingent consideration (b) | - | - | - | 6,231 |
| Belated of tax credit -PIS and COFINS | - | - | - | 6,226 |
| Subsidy BNDES, FINAME and FINEP (c) | 8,655 | 6,806 | 45,174 | 26,156 |
| Crer para ver (d) | (19,390) | (18,389) | (19,390) | (18,389) |
| Other net operating income (expenses) | 15 | 299 | (1,245) | 1,259 |
| Net Other income (expenses) | 6,594 | (12,285) | 65,790 | 19,807 |

(a) Credit of INSS- over 1/3 vacation, based on the judgment of the evolution of STJ.

(b) In 2014, the Company completed process of assessing the contingent consideration referring to partial acquisition of Emeis Holding Pty Ltd.

(c) Refers to the reclassification of the subsidized loans interest expense as a result of the financial accounting pronouncement CPC07.

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

## 27. EARNING 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.

| | 2015 | 2014 |
|---|---|---|
| Net income attributable to owners of the Company | 513,513 | 732,818 |
| Weighted average of common outstanding shares | 431,239,264 | 431,239,264 |
| Weighted average of treasury shares | (954,584) | (1,796,383) |
| Weighted average of outstanding common shares | 430,284,680 | 429,442,881 |
| Basic earnings per share - R$ | 1. 1934 | 1.7064 |

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.

| | 2015 | 2014 |
|---|---|---|
| Net income attributable to owners of the Company | 513,513 | 732,818 |
| Weighted average of outstanding common shares | 430,284,680 | 429,442,881 |
| Adjustment for stock options | 211,897 | 180,205 |
| Weighted average number of common shares for diluted earnings per share calculation purposes | 430,496,577 | 429,623,086 |
| Diluted earnings per share - R$ | | |
| Net income attributable to owners of the Company | 1.1928 | 1.7057 |

At December 31, 2015, a total of 6,245,169 outstanding options (4,828,730 at December 31, 2014) 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 year 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 | |
|---|---|---|
| | 2015 | 2014 |
| Current assets: | | |
| Natura Inovação e Tecnologia de Produtos Ltda. (a) | 1,986 | 1,709 |
| Natura Logística e Serviços Ltda. (b) | 1,641 | 1,261 |
| Indústria e Comércio de Cosméticos Natura Ltda. (c) | 5,263 | 4,007 |
| Natura Biosphera Franqueadora Ltda. | 136 | 18 |
| | 9,026 | 6,995 |
| Current liabilities: | | |
| Trade payables: | | |
| Indústria e Comércio de Cosméticos Natura Ltda. (c) | 122,309 | 253,605 |
| Natura Logística e Serviços Ltda. (d) | 6,468 | 19,873 |
| Natura Inovação e Tecnologia de Produtos Ltda. (e) | 20,616 | 30,627 |

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | 149,393 | 304,105 |
| Dividends and interest on capital payable | 365 | 255 |

Related-party transactions are as follows:

| | Company | | | |
|---|---|---|---|---|
| | Service provided | | Services received | |
| | 2015 | 2014 | 2015 | 2014 |
| Indústria e Comércio de Cosméticos Natura Ltda. | 3,177,924 | 3,225,295 | - | - |
| Natura Cosméticos S.A. – Brazil | - | - | 2,835,854 | 2,929,658 |
| Natura Cosméticos S.A. – Peru | - | - | 53,628 | 47,351 |
| Natura Cosméticos S.A. – Argentina | - | - | 89,258 | 84,928 |
| Natura Cosméticos S.A. – Chile | - | - | 70,386 | 61,923 |
| Natura Cosméticos S.A. – Mexico | - | - | 75,420 | 59,426 |
| Natura Cosméticos Ltda. – Colombia | - | - | 49,793 | 38,353 |
| Natura Europa SAS – France | - | - | 2,784 | 2,524 |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 801 | 1,081 |
| Natura Logística e Serviços Ltda. | - | - | - | - |
| Natura Biosphera Franqueadora Ltda. | - | - | - | 51 |
| | 3,177,924 | 3,225,295 | 3,177,924 | 3,225,295 |

| | Service provided | | Services received | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Administrative structure: (f) | | | | |
| Natura Logística e Serviços Ltda. | 146,451 | 204,884 | - | - |
| Natura Cosméticos S.A. – Brazil | - | - | 98,083 | 160,309 |
| Indústria e Comércio de Cosméticos Natura Ltda | - | - | 33,099 | 29,066 |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 14,638 | 15,509 |
| Natura Biosphera Franqueadora Ltda. | - | - | 631 | - |
| | 146,451 | 204,884 | 146,451 | 204,884 |
| Products and technology research and development: (g) | | | | |
| Natura Inovação e Tecnologia de Produtos Ltda. | 237,803 | 216,427 | - | - |
| Natura Cosméticos S.A. – Brazil | - | - | 237,803 | 216,427 |
| | 237,803 | 216,427 | 237,803 | 216,427 |
| Research and testing “in vitro”: (h) | | | | |
| Natura Innovation et Technologie de Produits SAS – Franca | 46 | 436 | - | - |
| Research and testing “in vitro”: (h) | - | - | 46 | 436 |
| | 46 | 436 | 46 | 436 |
| Lease of properties and shared charges: (i) | | | | |
| Indústria e Comércio de Cosméticos Natura Ltda. | 7,324 | 7,293 | - | - |
| Natura Logística e Serviços Ltda. | - | - | 5,225 | 5,019 |
| Natura Inovação e Tecnologia de Produtos Ltda. | - | - | 2,099 | 2,015 |
| Natura Cosméticos S.A. – Brazil | - | - | - | 259 |
| | 7,324 | 7,293 | 7,324 | 7,293 |
| Total | 3,569,548 | 3,654,335 | 3,569,548 | 3,654,335 |

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

(b) Advances granted for services of logistics and general administrative services

(c) Payables for the purchase of products.

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

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

(f) Logistics and general administrative services.

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

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

(i) Provision of in vitro research and testing services.

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

The main intercompany balances as of December 31, 2015 and December 31, 2014, as well as the intercompany transactions that affected the years then ended, refer to transactions 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, 2015 and December 31, 2014 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 July 22, 2013, Natura Cosméticos S.A. executed a 60-month rental agreement for a property located at Rua Oscar Freire, 733 in order to implement a flagship store. As a result of a change in its strategy, the Company decided for not implementing the flagship store and, using a specialized firm, sought entities that could be interested in the assignment of the rental agreement.

During the period of retention of the specialized firm, only Raia Drogasil S.A. expressed its interest in the assignment of the rental agreement. The founding controlling shareholders of Natura Cosméticos also hold shares in Raia Drogasil.

At the time Raia Drogasil S.A. expressed its interest, a Letter of Intent was executed on May 14, 2015, whereby Natura Cosméticos S.A. agreed to assign the rental agreement to Raia Drogasil S.A. for R$1,000, which was paid to the Company in June 2015.

28.2. Key management personnel compensation

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Compensation | | | Compensation | | |
| | | Variable | | | Variable | |
| | Fixed | (*) | Total | Fixed | (*) | Total |
| Board of Directors | 5,745 | - | 5,745 | 6,387 | - | 6,387 |
| Officers (statutory) | 11,478 | 4,563 | 16,041 | 8,612 | 4,368 | 12,980 |
| | 17,223 | 4,563 | 21,786 | 14,999 | 4,368 | 19,367 |
| Executives (not statutory) | 32,627 | 7,467 | 40,094 | 36,262 | 14,127 | 50,389 |

(*) Refers to profit sharing recorded in the year. The amounts include any additions and/or reversals to the provision recorded in the previous year in view of the final assessment of the targets established for directors, officers and executives.

28.3. Share-based payments

Breakdown of Company officers and executives' compensation:

| 2015 | | | 2014 | | |
|---|---|---|---|---|---|
| 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 | 2,088,457 | 14.74 | 37.88 | 832,649 | 12.60 | 47.30 |
| Executives | 2,967,455 | 12.56 | 37.88 | 3,169,166 | 11.33 | 47.30 |

| | 2015 | |
|---|---|---|
| | Restricted Stock Option | |
| | Stock option balance (number) (a) | Price of the shares in december 31,2015 R$ |
| Officers | 102,331 | 21.34 |
| Executives | 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, in effect through 2017, which provides for the purchase of a minimum monthly volume of 3.6 Megawatts, equivalent to R$373. As of December 31, 2015, the subsidiary was compliant to the contract's commitment.

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

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

| | 2015 | 2014 |
|---|---|---|
| Less than year | 4,062 | 3,460 |
| More than one year and less than five years | 3,537 | - |
| Total | 7,599 | 3,460 |

### 29.2. Operating lease transactions

The Company and its subsidiaries have commitments arising from operating leases of properties where some of its foreign subsidiaries, the head office in Brazil and "Casas Natura" in Brazil and abroad are located.

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

As of December 31, 2015, and December 31, 2014, the commitment made for future payments of these operating leases had the following maturities:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Less than a year | 17,808 | 13,336 | 27,961 | 19,484 |
| More than one year and less than five years | 43,156 | 12,867 | 62,654 | 18,123 |
| More than five years | 702 | - | 7,853 | 1,276 |
| Total | 61,666 | 26,203 | 98,468 | 38,883 |

## 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, 2015, insurance coverage is as follows:

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

## 31. APPROVAL OF FINANCIAL STATEMENTS

The individual and Consolidated interim financial information statements were approved by the Board of Directors and authorized for issue at the meeting held on February 17, 2016.