Individual and Consolidated Financial Statements

Natura Cosméticos S.A.

For the year ended December 31, 2018

Contents

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Independent Auditor's Report in the Individual and Consolidated Financial Statements

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

Opinion

We have audited the individual and consolidated financial statements of Natura Cosméticos S.A. ("the Company"), respectively referred to as Company and Consolidated, which comprise the statement of financial position as of December 31, 2018 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Natura Cosméticos S.A. as of December 31, 2018, and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Recoverable value of goodwill and other intangible with indefinite useful life from the acquisition of The Body Shop International Limited

See Note15 (e) to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
In September 2017, the Company acquired control over The Body Shop International Limited (The Body Shop), which is engaged in the sale of cosmetics under "The Body Shop" brand, basically by retailing them in the Company's own physical stores and franchise stores, which has been in the restructuring process during the year 2018. The Company maintains in its balance sheet significant amounts from the acquisition The Body Shop whose estimate of the recoverable amount of goodwill and intangible assets with indefinite useful life resulting from this acquisition involves significant judgments by management in determining the assumptions of the growth rates of revenues, discount used in determining future cash flows, among others. Accordingly, this matter was considered significant for our audit.	With the assistance of our corporate finance specialists, we evaluated the reasonableness of the assumptions used in preparing cash flow forecasts to determine the recoverable value, including growth in revenue and discount rates, we also compared these assumptions with market information considering our knowledge of the Company and the industry in which it operates and we also performed a sensitivity analysis in the significant assumptions used in the model adopted by the Company as well as performed an analysis of actual performance compared to the budget from prior year. We also evaluated the adequacy of the disclosures made in the financial statements. Based on the audit procedures performed, we considered acceptable the balances from goodwill and other intangibles with indefinite useful live from the business acquisition described above, in relation to the recoverability value, in the context of the consolidated financial statements taken as a whole for the year ended December 31, 2018.

Disclosure of impacts of new accounting standards CPC 06 (R2) and IFRS 16 - Leases

See Note 2.28 to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Company and its subsidiaries maintain significant commitments arising from operating lease agreements for stores substantially abroad, as well as real estate such as administrative headquarters and distribution centers. With the new requirements of accounting pronouncement CPC 06 (R2) and IFRS 16 - Leasing Operations, effective for	We analyzed the process implemented by the Company to capture the information necessary to disclose the potential impact of applying the new pronouncement and other information required by the accounting standards. With the assistance of our corporate finance specialists, we evaluated the reasonableness of the assumptions used in determining discount

annual periods beginning on or after January 1, 2019, complex accounting aspects were introduced for the measurement of the right of the use of an asset, as well as the lease liability, especially in relation to the determination of the discount rate of the lease. Pursuant to CPC 23 and IAS 8 - Accounting Policies, Change of Estimate and Error Correction, the Company disclosed the potential impacts arising from the transition of the new pronouncement based on the agreements existing on December 31, 2018, among others information required by these standards.	rates and performed a sensitivity analysis on the model adopted by the Company. We evaluated the reasonableness of the judgments applied by the Company for the other assumptions used such as lease term and contractual amounts. We reconciled to underlying records and test data to the extent necessary to assess the accuracy of the amounts disclosed and the reasonableness of the range disclosed; Based on our audit procedures performed, we consider it acceptable the disclosure of the potential impacts of the new standard in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2018.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

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

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated 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 with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group

audit. We remain solely responsible for our audit opinion.

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

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

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

São Paulo, February 21, 2019

KPMG Auditores Independentes

CRC 2SP014428/O-6

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

NATURA COSMÉTICOS S.A.

BALANCE SHEET AT DECEMBER 31, 2018 AND DECEMBER 31, 2017
(All amounts in thousands of Brazilian reais - R$)

ASSETS	Note	Company		Consolidated	
		2018	2017	2018	2017
CURRENT ASSETS					
Cash and cash equivalents	6	95,555	75,704	1,215,048	1,693,131
Securities	7	923,973	1,948,078	1,215,377	1,977,305
Trade receivables	8	1,213,999	994,967	1,691,581	1,507,921
Trade receivables - related parties	29.1	11,919	10,171	-	-
Inventories	9	199,403	192,388	1,364,672	1,243,925
Recoverable taxes	10	44,017	67,239	379,253	210,563
Income tax and social contribution		281,563	163,021	326,803	197,478
Derivative financial instruments	5.2	-	6,560	-	14,778
Other current assets	13	83,688	86,299	263,025	211,208
Total current assets		2,854,117	3,544,427	6,455,759	7,056,309
NON-CURRENT ASSETS					
Recoverable taxes	10	35,074	35,866	368,640	439,139
Deferred income tax and social contribution	11.a)	197,183	174,130	398,400	344,153
Derivative financial instruments	5.2	269,687	262,214	333,577	319,433
Judicial deposits	12	558,570	-	584,308	-
Other non-current assets	13	160	160	51,606	46,145
Total long-term assets		1,060,674	472,370	1,736,531	1,148,870
Investments	14	7,453,362	6,602,469	-	-
Property, plant and equipment	15	667,947	706,296	2,236,714	2,276,674
Intangible assets	15	452,172	474,342	4,950,545	4,475,609
Total non-current assets		9,634,155	8,255,477	8,923,790	7,901,153
TOTAL ASSETS		12,488,272	11,799,904	15,379,549	14,957,462

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		2018	2017	2018	2017
CURRENT ASSETS					
Borrowings, financing and debentures	16	1,105,907	3,523,061	1,181,859	4,076,669
Trade payables and forfait operations	17	412,388	408,849	1,736,791	1,553,763
Trade payables - related parties	29.1	224,217	221,702	-	-
Payroll, profit sharing and social charges		205,511	130,920	574,381	366,028
Tax liabilities	18	111,469	147,347	310,093	269,850
Income tax and social contribution		60,699	55,114	183,030	147,942
Dividends and interest on equity payable	21.a)	152,979	201,652	152,979	201,652
Derivative financial instruments	5.2	47,011	-	69,189	-
Provision for tax, civil and labor risks	19	-	-	20,389	17,357
Other current liabilities	20	141,037	114,662	338,170	278,744
Total current liabilities		2,461,218	4,803,307	4,566,881	6,912,005
NON-CURRENT ASSETS					
Borrowings, financing and debentures	16	7,080,919	4,932,662	7,258,521	5,255,231
Tax liabilities	18	142,944	173,431	165,326	195,127
Deferred income tax and social contribution	11.a)	-	-	431,534	422,369
Provision for tax, civil and labor risks	19	155,637	147,692	241,418	264,689
Other non-current liabilities	20	73,452	108,066	141,767	273,295
Total non-current liabilities		7,452,952	5,361,851	8,238,566	6,410,711
SHAREHOLDERS' EQUITY					
Capital stock		427,073	427,073	427,073	427,073
Treasury shares	21.c)	(19,408)	(32,544)	(19,408)	(32,544)
Capital reserves		329,330	155,721	329,330	155,721
Retained earnings	21.e)	1,437,015	1,123,226	1,437,015	1,123,226
Losses on capital transaction		(92,066)	(92,066)	(92,066)	(92,066)
Equity valuation adjustment		492,158	53,336	492,158	53,336
Total shareholders' equity		2,574,102	1,634,746	2,574,102	1,634,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,488,272	11,799,904	15,379,549	14,957,462

NATURA COSMÉTICOS S.A.

STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in thousands of Brazilian reais - R$, except for earnings per share in the period)

	Note	Company		Consolidated	
		2018	2017	2018	2017
NET REVENUE	23	6,334,189	5,867,375	13,397,419	9,852,708
Cost of products sold	24	(2,503,637)	(2,329,717)	(3,782,843)	(2,911,077)
GROSS PROFIT		3,830,552	3,537,658	9,614,576	6,941,631
OPERATING (EXPENSES) INCOME					
Selling, Marketing and Logistics expenses	24	(2,199,719)	(2,035,393)	(5,828,713)	(3,965,019)
Administrative, R&D, IT and Project expenses	24	(908,758)	(859,333)	(2,251,341)	(1,535,945)
Impairment losses on trade receivables		(169,244)	(135,466)	(237,884)	(233,714)
Equity in subsidiaries	14	561,507	592,935	-	-
Other operating income (expenses), net	27	(17,860)	12,952	(39,945)	151,688
OPERATING PROFIT BEFORE FINANCIAL RESULT		1,096,478	1,113,353	1,256,693	1,358,641
Financial income	26	1,643,672	382,776	2,056,421	604,392
Financial expenses	26	(2,282,902)	(848,661)	(2,639,709)	(991,841)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		457,248	647,468	673,405	971,192
Income tax and social contribution	11.b)	91,131	22,783	(125,026)	(300,941)
NET INCOME FOR THE YEAR		548,379	670,251	548,379	670,251
EARNINGS PER SHARE IN THE YEAR -R$					
Basic	28.1.	1.2735	1.5574	1.2735	1.5574
Diluted	28.2.	1.2713	1.5551	1.2713	1.5551

* The notes are an integral part of the financial statements

NATURA COSMÉTICOS S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2018	2017	2018	2017
NET INCOME FOR THE YEAR		548,379	670,251	548,379	670,251
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Gain from translation of financial statements of subsidiaries abroad	14	483,212	221,287	483,212	221,287
Exchange rate effect on the translation from hyperinflationary economy	14	(19,074)	-	(19,074)	-
Gain (loss) from cash flow hedge operations	5.2	(45,112)	11,316	(45,202)	13,450
Tax effects on gain (loss) from cash flow hedge operations		15,338	(3,848)	15,384	(4,278)
Equity income (loss) from cash flow hedge operation		(90)	2,134	-	-
Equity in tax effects on gain (loss) from cash flow hedge operations		46	(430)	-	-
Other comprehensive income not reclassified to profit or loss in subsequent periods:					
Actuarial loss	20	(2,573)	(24,002)	(7,030)	(36,379)
Tax effects on acturial loss	20	8,469	-	11,532	-
Equity loss on actuarial loss	20	(4,457)	(12,377)	-	-
Equity in tax effects on acturial loss	20	3,063	-	-	-
Comprehensive income for the year, net of tax effects		987,201	864,331	987,201	864,331

* The notes are an integral part of the financial statements

NATURA COSMÉTICOS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in thousands of Brazilian reais - R$)

				Capital reserves								Losses on capital transactions	Asset valuation adjustment	
					Tax incentive reserve		Profit reserves							
	Note	Capital stock	Treasury shares	Surplus on issue/sale of shares	Subsidy for investments	Additional paid-in capital	Legal	Tax incentives	Profit retention	Retained earnings	Proposed additional dividend	Result from operations with non-controlling shareholders	Other comprehensive income	Total shareholders' equity
BALANCES AT DECEMBER 31, 2016		427,073	(37,149)	77,923	17,378	47,485	18,650	20,957	627,208	-	29,670	(92,066)	(140,744)	996,385
Net income for the year		-	-	-	-	-	-	-	-	670,251	-	-	-	670,251
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	194,080	194,080
Total comprehensive income for the year		-	-	-	-	-	-	-	-	670,251	-	-	194,080	864,331
Changes in stock option plans and restricted shares:														
Provision for stock option plans and restricted shares	25.1	-	-	-	-	19,136	-	-	-	-	-	-	-	19,136
Exercise of stock option plans and restricted shares		-	4,605	(2,335)	-	(3,866)	-	-	-	-	-	-	-	(1,596)
Dividends and interest on capital for the year of 2016 approved at the Annual Shareholders' Meeting held on April 11, 20	21.a)	-	-	-	-	-	-	-	-	-	(29,670)	-	-	(29,670)
Dividends declared and not distributed yet (minimum mandatory dividends)		-	-	-	-	-	-	-	-	(128,741)	-	-	-	(128,741)
Interest on capital declared and not distributed yet (minimum mandatory dividends)		-	-	-	-	-	-	-	-	(85,099)	-	-	-	(85,099)
Retained earnings reserve		-	-	-	-	-	-	-	456,411	(456,411)	-	-	-	-
BALANCES AT DECEMBER 31, 2017		427,073	(32,544)	75,588	17,378	62,755	18,650	20,957	1,083,619	-	-	(92,066)	53,336	1,634,746
Net income for the year		-	-	-	-	-	-	-	-	548,379	-	-	-	548,379
Exchange rate effect on the translation from hyperinflationary economy		-	-	-	-	-	-	-	-	-	-	-	(19,074)	(19,074)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-	-	-	457,896	457,896
Total comprehensive income for the year		-	-	-	-	-	-	-	-	548,379	-	-	438,822	987,201
Changes in stock option plans and restricted shares:														
Provision for stock option plans and restricted shares	25.1	-	-	-	-	52,543	-	-	-	-	-	-	-	52,543
Exercise of stock option plans and restricted shares		-	13,136	(3,372)	-	(8,697)	-	-	-	-	-	-	-	1,067
Changes in tax incentive reserves		-	-	-	(17,378)	-	-	17,378	-	-	-	-	-	-
Dividends declared and not distributed yet (minimum mandatory dividends)	21.b)	-	-	-	-	-	-	-	-	(56,661)	-	-	-	(56,661)
Interest on capital declared and not distributed yet (minimum mandatory dividends)	21.b)	-	-	-	-	-	-	-	-	(111,449)	-	-	-	(111,449)
Retained earnings reserve	21.b)	-	-	-	-	-	-	-	336,532	(336,532)	-	-	-	-
Recording of tax incentive reserve	21.b)	-	-	-	-	-	-	43,737	-	(43,737)	-	-	-	-
Effect from adjustment to hyperinflationary economy		-	-	-	-	150,513	-	-	(83,858)	-	-	-	-	66,655
BALANCES AT DECEMBER 31, 2018		427,073	(19,408)	72,216	-	257,114	18,650	82,072	1,336,293	-	-	(92,066)	492,158	2,574,102
													-	

* The notes are an integral part of the financial statements

NATURA COSMÉTICOS S.A.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2018	2017 (Restated)	2018	2017 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the year		548,379	670,251	548,379	670,251
Adjustments to reconcile net income for the period with net cash generated by operating activities:					
Depreciation and amortization	15	190,519	148,741	589,911	383,352
Interest on investments and securities	26	(62,002)	(81,119)	(129,296)	(164,442)
Provision arising from swap and forward derivative contracts		(542,907)	160,079	(543,398)	156,130
Provision for tax, civil and labor risks	19	38,342	44,836	40,193	124,790
Inflation adjustment of escrow deposits		(11,465)	(8,581)	(13,780)	(6,652)
Inflation adjustment of contingencies		(710)	-	4,346	-
Income tax and social contribution	11.b)	(91,131)	(22,783)	125,026	300,941
Result from sale and write-off of property, plan and equipment and intangible assets	15	4,140	21,642	16,057	32,386
Equity in subsidiaries	14	(561,507)	(592,935)	-	-
Interest and exchange variation on finance leases	16	43,397	38,494	52,011	47,080
Interest and exchange rate variation on borrowings and financing	16	1,140,551	237,601	1,187,869	333,058
Inflation adjustment and exchange rate variation on other assets and liabilities		(2,734)	17,128	(3,535)	20,881
Provision for losses from property, plant and equipment and intangible assets	15	-	-	8,516	7,712
Provision for stock option plans		34,218	25,068	40,376	12,935
Provision (reversal of provision) for doubtful accounts, net of reversals	8	(169,244)	(135,466)	(237,884)	(233,714)
Provision (reversal of provision) for inventory losses, net	9	(3,915)	8,700	22,743	28,396
Provision (reversal) of health care plan and carbon credits	20.b)	(26,712)	14,765	(34,914)	16,606
Effect from hyperinflationary economy		-	-	45,198	-
Other provisions (reversals of provisions)		(26,616)	(144,730)	(173,009)	(444,772)
		500,603	401,691	1,544,809	1,284,938
(INCREASE) DECREASE IN ASSETS					
Trade receivables		(47,998)	(33,479)	60,309	(29,514)
Inventories		(3,100)	2,269	(112,331)	47,962
Recoverable taxes		25,615	(148,433)	84,982	(172,136)
Other assets		(10,547)	18,266	(67,864)	11,140
Subtotal		(36,030)	(161,377)	(34,904)	(142,548)
(INCREASE) DECREASE IN LIABILITIES					
Domestic and foreign trade payables		(1,636)	104,702	158,978	436,996
Payroll, profit sharing and social charges, net		42,030	27,670	215,412	73,247
Tax liabilities		(50,823)	(182,742)	(23,105)	(291,698)
Other liabilities		16,947	9,981	(52,247)	112,600
Subtotal		6,518	(40,389)	299,038	331,145
CASH GENERATED BY OPERATING ACTIVITIES		471,091	199,925	1,808,943	1,473,535
OTHER CASH FLOWS FROM OPERATING ACTIVITIES					
Recovery (payment) of income tax and social contribution		3,359	(8,466)	(269,966)	(88,209)
Accruals (payments) of judicial deposits		5,740	3,226	(364)	2,949
Payments related to tax, civil and labor lawsuits	19	(25,341)	(13,642)	(36,464)	(17,553)
Payments due to settlement of derivative operations		(37,794)	(125,554)	(30,967)	(127,509)
Payment of interest on finance leases	16	(14,077)	(12,367)	(22,691)	(20,952)
Payment of interest on borrowings, financing and debentures	16	(568,245)	(188,999)	(604,224)	(231,522)
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES		(165,267)	(145,876)	844,267	990,738
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of The Body Shop Limited, net of cash acquired		-	-	-	(3,880,858)
Cash from merger of subsidiary		15,158	-	-	-
Acquisition of property, plant and equipment and intangible assets	15	(122,085)	(135,595)	(485,016)	(364,372)
Proceeds from sale of property, plant and equipment and intangible assets		4,069	4,708	6,641	8,244
Investment in securities		(7,100,795)	(6,258,167)	(8,483,684)	(7,411,261)
Redemption of securities		8,295,126	5,472,355	9,187,748	6,350,630
Redemption of interest on investments and securities		84,894	88,762	163,407	455,226
Receipt of dividends from subsidiaries		237,161	105,683	-	-
Investments in subsidiaries	14	(39,670)	(3,812,566)	-	-
NET CASH GENERATED BY (USED IN) INVESTING ACTIVITIES		1,373,858	(4,534,819)	389,096	(4,842,391)
CASH FLOW FROM FINANCING ACTIVITIES					
Amortization of finance lease - principal	16	(42,281)	(42,281)	(46,241)	(45,914)
Amortization of loans, financing and debentures – principal	16	(5,748,265)	(1,421,745)	(6,552,249)	(1,679,371)
New loans, financing, finance lease and debentures raised	16	4,771,801	6,363,431	5,015,278	6,391,049
Use of treasury shares to settle exercised stock options		1,067	4,605	1,067	4,605
Payment of dividends and interest on equity for the previous year	21.a)	(201,652)	(109,409)	(201,652)	(109,409)
Receipts (payments) to settle derivative operations		30,590	(99,633)	32,401	(107,535)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		(1,188,740)	4,694,968	(1,751,396)	4,453,424
Effect of exchange variation on cash and cash equivalents		-	-	39,950	(111)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		19,851	14,273	(478,083)	601,661
Opening balance of cash and cash equivalents	6	75,704	61,431	1,693,131	1,091,470
Closing balance of cash and cash equivalents	6	95,555	75,704	1,215,048	1,693,131
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		19,851	14,273	(478,083)	601,661

* The notes are an integral part of the financial statements

NATURA COSMÉTICOS S.A.

STATEMENT OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in thousands of Brazilian reais - R$)

	Note	Company				Consolidated			
		2018		2017		2018		2017	
				(Restated)				(Restated)	
INCOME		8,430,343		7,895,643		17,005,145		13,112,928	
Sale of goods, products and services		8,396,674		8,017,455		17,086,189		13,244,908	
Provision for doubtful accounts, net of reversals	8	6,976		(41,467)		(11,689)		(25,392)	
Other operating expenses, net		26,693		(80,345)		(69,355)		(106,588)	
INPUTS ACQUIRED FROM THIRD PARTIES		(5,357,547)		(5,100,309)		(10,002,306)		(7,794,048)	
Cost of products sold and services		(2,985,258)		(2,787,875)		(4,960,201)		(4,382,607)	
Materials, energy, outsourced services and others		(2,372,289)		(2,312,434)		(5,042,105)		(3,411,441)	
GROSS VALUE ADDED		3,072,796		2,795,334		7,002,839		5,318,880	
RETENTIONS		(190,519)		(148,741)		(589,911)		(383,352)	
Depreciation and amortization	15	(190,519)		(148,741)		(589,911)		(383,352)	
VALUE ADDED PRODUCED BY THE COMPANY		2,882,277		2,646,593		6,412,928		4,935,528	
TRANSFERRED VALUE ADDED		2,205,179		975,711		2,056,421		604,392	
Equity in subsidiaries	14	561,507		592,935		-		-	
Financial income - including inflation adjustments and exchange rate variations	26	1,643,672		382,776		2,056,421		604,392	
TOTAL VALUE ADDED TO DISTRIBUTE		5,087,456		3,622,304		8,469,349		5,539,920	
DISTRIBUTION OF VALUE ADDED		5,087,456	100%	3,622,304	100%	8,469,349	100%	5,539,920	100%
Payroll and social charges	25	596,621	12%	561,191	15%	2,813,413	33%	1,835,645	33%
Taxes, fees and contributions		1,629,102	32%	1,511,924	42%	2,414,119	29%	1,993,561	36%
Financial expenses and rentals		2,313,354	46%	878,938	24%	2,693,438	32%	1,040,463	19%
Dividends		56,661	1%	128,741	4%	56,661	1%	128,741	2%
Interest on equity		111,449	2%	85,099	2%	111,449	1%	85,099	2%
Retained earnings		380,269	7%	456,411	13%	380,269	4%	456,411	8%

* The notes are an integral part of the financial statements

(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)

NATURA COSMÉTICOS S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Natura Cosméticos S.A. ("Natura Cosméticos" or "the Company") is a publicly-traded corporation, registered in the special trading segment called "Novo Mercado" in the B3 S.A. - Brasil, Bolsa, Balcão, under the ticker "NATU3", and headquartered in São Paulo, at Alexandre Colares Avenue, 1188, Vila Jaguara, Postal Code 05106-000, state of São Paulo.

The Company and its subsidiaries ("the Group") in Brazil and abroad essentially operate in the cosmetics, fragrances and toiletries sector, through the development, manufacturing, distribution and sale of their products. The flagship brand of the group is "Natura", followed by "The Body Shop," acquired in 2017, and "Aesop", fully acquired in 2016. Besides retail market and e-commerce, the Company's sales channels include direct selling through Natura Consultants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance and basis of preparation

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).

All relevant information specific to these financial statements, and only such information, is presented, which corresponds to that used by the Management in its administration of Natura Cosméticos.

a) Individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian FASB ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

The individual and consolidated financial statements have been prepared based on the historical cost basis except for certain financial instruments that are measured at their fair values, as described in the accounting policies below.

The significant accounting practices applied in the preparation of the individual and consolidated financial statements are defined below. These practices have been consistently applied in the previous year, except for the items mentioned in item b) of this Note and for applications of CPC 47 – Revenue from Contracts with Customers, corresponding to IFRS 15 - Revenue from Contracts with Customers ("CPC 47 / IFRS 15"), and CPC 48 – Financial Instruments, corresponding to IFRS 9 - Financial Instruments ("CPC 48 / IFRS 9"), described in Note 2.29.

b) Restatement of financial statements previously presented

Restatement of corresponding amounts in the statement of cash flows

The corresponding amounts in the individual and consolidated statement of cash flows for the year ended December 31, 2017, presented herein for comparison purposes, are being restated in accordance with CPC 23 – *Políticas contábeis, mudanças de estimativas e retificação de erro* (IAS 8 – Accounting policies, changes in accounting estimates and errors), due to the reclassification of (i) non-cash effect of interest on investments originally presented under cash flow from investing activities for profit adjustments in the year; and non-cash effect between acquisition of property, plant and equipment and intangible assets and increase (decrease) in domestic and foreign trade payables, in the company and consolidated statement of cash flows, as shown below:

	Company			
	Previously presented 12/31/2017	Interest on investments	Acquisition of property, plant and equipment and intangible assets	Restated 12/31/2017
Cash flow from operating activities	(65,845)	(81,119)	1,088	(145,876)
Cash flow from investing activities	(4,614,850)	81,119	(1,088)	(4,534,819)
Cash flow from financing activities	4,694,968	-	-	4,694,968
INCREASE IN CASH AND CASH EQUIVALENTS	14,273	-	-	14,273

	Consolidated			
	Previously presented 12/31/2017	Interest on investments	Acquisition of property, plant and equipment and intangible assets	Restated 12/31/2017
Cash flow from operating activities	1,153,306	(164,442)	1,875	990,739
Cash flow from investing activities	(5,004,958)	164,442	(1,875)	(4,842,391)
Cash flow from financing activities	4,453,424	-	-	4,453,424
Effect of exchange variation	(111)	-	-	(111)
INCREASE IN CASH AND CASH EQUIVALENTS	601,661	-	-	601,661

This restatement does not impact the previously disclosed amounts in cash and cash equivalents of the year. There was no other impact from this restatement on other financial statements of the Company.

Restatement of corresponding amounts in the statement of value added

The corresponding amounts in the individual and consolidated statements of value added for the period ended September 30, 2017, presented herein for comparison purposes, are being restated in accordance with CPC 23 – *Políticas contábeis, mudanças de estimativas e retificação de erro* (IAS 8 – Accounting policies, changes in accounting estimates and errors), due to an error in the amount disclosed under "Other operating income (expenses), net", "Costs of products and services" and "Taxes, fees and contributions," along with all subsequent totals, as shown below:

	Company		
	Previously presented 12/31/2017	Adjustments	Restated 12/31/2017
REVENUE	7,988,940	(93,297)	7,895,643
Sales of goods, products and services	8,017,455	-	8,017,455
Provision for doubtful accounts, net of reversals	(41,467)	-	(41,467)
Other operating income (expenses), net	12,952	(93,297)	(80,345)
INPUTS ACQUIRED FROM THIRD PARTIES	(5,100,309)	-	(5,100,309)
Cost of products sold and services	(2,787,875)	-	(2,787,875)
Materials, energy, outsourced services and others	(2,312,434)	-	(2,312,434)
GROSS VALUE ADDED	2,888,631	(93,297)	2,795,334
RETENTIONS	(148,741)	-	(148,741)
Depreciation and amortization	(148,741)	-	(148,741)
VALUE ADDED PRODUCED BY THE COMPANY	2,739,890	(93,297)	2,646,593
TRANSFERRED VALUE ADDED	975,711	-	975,711
Equity in subsidiaries	592,935	-	592,935
Financial income – including monetary and exchange variations	382,776	-	382,776
TOTAL VALUE ADDED TO DISTRIBUTE	3,715,601	(93,297)	3,622,304
DISTRIBUTION OF VALUE ADDED	3,715,601	(93,297)	3,622,304
Payroll and social charges	561,191	-	561,191
Taxes, fees and contributions	1,605,221	(93,297)	1,511,924
Financial expenses and rentals	878,938	-	878,938
Dividends	128,741	-	128,741
Interest on equity	85,099	-	85,099
Retained earnings	456,411	-	456,411

	Consolidated		
	Previously presented 12/31/2017	Adjustments	Restated 12/31/2017
REVENUE	13,371,204	(258,276)	13,112,928
Sales of goods, products and services	13,244,908	-	13,244,908
Provision for doubtful accounts, net of reversals	(25,392)	-	(25,392)
Other operating income (expenses), net	151,688	(258,276)	(106,588)
INPUTS ACQUIRED FROM THIRD PARTIES	(8,046,001)	251,953	(7,794,048)
Cost of products sold and services	(4,634,560)	251,953	(4,382,607)
Materials, energy, outsourced services and others	(3,411,441)	-	(3,411,441)
GROSS VALUE ADDED	5,325,203	(6,323)	5,318,880
RETENTIONS	(383,352)	-	(383,352)
Depreciation and amortization	(383,352)	-	(383,352)
VALUE ADDED PRODUCED BY THE COMPANY	4,941,851	(6,323)	4,935,528
TRANSFERRED VALUE ADDED	604,392	-	604,392
Financial income – including monetary and exchange variations	604,392	-	604,392
TOTAL VALUE ADDED TO DISTRIBUTE	5,546,243	(6,323)	5,539,920
DISTRIBUTION OF VALUE ADDED	5,546,243	(6,323)	5,539,920
Payroll and social charges	1,835,645	-	1,835,645
Taxes, fees and contributions	1,999,884	(6,323)	1,993,561
Financial expenses and rentals	1,040,463	-	1,040,463
Dividends	128,741	-	128,741
Interest on equity	85,099	-	85,099
Retained earnings	456,411	-	456,411

There was no other impact from this restatement on other interim financial statements of the Company.

c) Going concern basis of accounting

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

2.2. Consolidation

a) Investments in subsidiaries

The Company controls an entity when it is exposed to, or has rights to, the variable returns arising from its involvement with the entity and when it has the power to affect these returns by exerting its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements as from the date on which the Company obtained control until the date of loss of control. The Company holds interests only in subsidiaries.

Investments in subsidiaries are accounted for by the equity method of accounting. The financial statements of subsidiaries are prepared as of the same reporting date of the Company. Adjustments are made, if necessary, to conform their accounting practices 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 statement of income, in line item "Equity in subsidiaries". All intragroup balances, revenues, expenses and unrealized gains and losses arising from intragroup transactions are completely eliminated. The other comprehensive income of subsidiaries is recorded directly in the Company's shareholders' equity, in line item "Other comprehensive income".

Below is the list of Company's subsidiaries on December 31:

	Interest in capital - %	
	2018	2017
Direct interest:		
Indústria e Comércio de Cosméticos Natura Ltda. – Brazil	99.99	99.99
Natura Comercial Ltda. – Brazil	99.99	99.99
Natura Biosphera Franqueadora Ltda. – Brazil	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. - Brazil	-	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. - Colombia	99.99	99.99
Natura Cosméticos España S.L. - Spain	100.00	100.00
Natura (Brazil) International B.V. - Netherlands	100.00	100.00
Natura Brazil Pty Ltd. - Australia	100.00	100.00
Fundo de Investimento Essencial - Brazil	100.00	100.00
Via Indústria e Comércio de Cosméticos Natura Ltda.:		
Natura Logística e Serviços Ltda. - Brazil	99.99	99.99
Via Natura (Brazil) International B.V. - Netherlands:		
Natura Europa SAS - France	100.00	100.00
Natura Brazil Inc. - USA - Delaware	100.00	100.00
The Body Shop International Limited - United Kingdom	100.00	100.00
Via Brazil Inc. - EUA – Delaware		
Natura International Inc. - USA - New York	100.00	100.00
Via The Body Shop International Limited		
G A Holdings (Guernsey) Limited - United Kingdom	100.00	100.00
G A Holdings (1979) Limited - United Kingdom	100.00	100.00
The Body Shop Worldwide Limited - United Kingdom	100.00	100.00
The Body Shop Global Travel Retail Limited - United Kingdom	100.00	100.00
The Body Shop The Millennium Luxembourg Sarl - United Kingdom	100.00	100.00
The Body Shop Queensile Limited - United Kingdom	-	100.00

B.S. Danmark A/S – Denmark	100.00	100.00
The Body Shop Beteiligungs-Gmbh - Germany	100.00	100.00
The Body Shop Gmbh - Austria	100.00	100.00
The Body Shop Benelux B.V. - Netherlands	100.00	100.00
The Body Shop Service B.V. - Netherlands	100.00	100.00
The Body Shop Svenska Ab – Sweden	100.00	100.00
The Body Shop Luxembourg Sarl – Luxemburg	100.00	100.00
The Body Shop S.A.U – Spain	100.00	100.00
The Body Shop Portugal, S.A.	100.00	100.00
The Body Shop (Singapore) Pte Limited - Singapura	100.00	100.00
The Body Shop International (Asia Pacific) Pte Limited	100.00	100.00
The Body Shop (Malaysia) Sdn.Bhd – Malaysia	100.00	100.00
The Body Shop Hong Kong Limited - Hong Kong	100.00	100.00
The Body Shop Australia Limited - Australia	100.00	100.00
Skin & Hair Care Preparations Inc	-	100.00
Buth-Na-Bodhaige Inc - USA	100.00	100.00
Bsi Usa Inc - USA	-	99.99
The Body Shop Canada Limited - Canada	100.00	99.99
The Body Shop Brazil Indústria E Comércio De Cosmeticas S.A - Brazil	99.99	99.99
The Body Shop Brazil Franquias Ltda - Brazil	99.99	99.99
The Body Shop Chile - Chile	99.99	99.99
Via The Body Shop Worldwide Limited		
The Body Shop (France) Sarl	100.00	100.00
Via The Body Shop Beteiligungs GmbH - Germany		
The Body Shop Germany GmbH	100.00	100.00
Via The Body Shop Benelux B.V. - Netherlands		
The Body Shop Belgium B.V (Netherlands Return) -Netherlands	99.99	99.99
The Body Shop Belgium B.V (Belgium Branch) - Netherlands	99.99	99.99
Via The Body Shop Hong Kong Limited - Hong Kong and The Body Shop International (Asia Pacific) Pte Limited		
Mighty Ocean Company Limited - Hong Kong	100.00	100.00
Via Mighty Ocean Company Limited - Hong Kong		
Hsb Hair, Skin And Bath Products Company Limited - Macau	100.00	100.00
Via Buth-Na-Bodhaige Inc		
Aramara S. De R.L. De C.V. - Mexico	100.00	100.00
Cimarrones S.A. De C.V. - Mexico	99.00	99.00
TBS Air I, LLC - USA	74.00	74.00
TBS Air II, LLC - USA	85.00	85.00
TBS Air III, LLC - USA	70.00	70.00
Via Natura Brazil Pty Ltd.:		
Natura Cosmetics Australia Pty Ltd. - Australia	100.00	100.00

Via Natura Cosmetics Australia Pty Ltd. - Australia:		
Emeis Holdings Pty Ltd - Australia	100.00	100.00
Via Emeis Holdings Pty Ltd - Australia		
Emeis Cosmetics Pty Ltd - Australia	100.00	100.00
Emeis Trading Pty Ltd - Australia	100.00	100.00
Aesop Retail Pty Ltd - Australia	100.00	100.00
Aesop Japan Kabushiki Kaisha - Japan	100.00	100.00
Aesop Singapore Pte. Ltd. - Singapore	100.00	100.00
Aesop Hong Kong Limited - Hong Kong	100.00	100.00
Aesop USA, Inc. - USA	100.00	100.00
Aesop UK Limited - United Kingdom	100.00	100.00
Aesop New Zealand Limited - New Zealand	100.00	100.00
Aesop Brazil Comercio de Cosmeticos Ltda. - Brazil	99.99	100.00
Aesop Foundation Limited - Australia	100.00	100.00
Via Emeis Cosmetics Pty Ltd - Australia		
Emeis Cosmetics Pty Ltd (South Korea Branch)	100.00	100.00
Via Aesop Hong Kong Limited - Hong Kong		
Aesop Macau Limited - Macau	100.00	100.00
Via Aesop Singapore Pte. Ltd. - Singapore		
Aesop Taiwan Cosmetics Company Limited - Taiwan	100.00	100.00
Aesop Malaysia Sdn. Bhd. - Malaysia	100.00	100.00
Aesop Korea Yuhan Hoesa – South Korea	100.00	100.00
Via Aesop USA, Inc. - USA		
Aesop Canada, Inc. - Canada	99.00	99.00
Via Aesop UK Limited - United Kingdom		
Aesop Switzerland AG - Switzerland	100.00	99.99
Aesop Germany GmbH - Germany	100.00	99.99
Aesop Sweden AB - Sweden	100.00	99.99
Aesop Norway AS - Norway	100.00	99.99
Aesop Italy SARL - Italy	100.00	99.99
Aesop Denmark ApS - Denmark	100.00	99.99
Aesop Austria GMBh - Austria	100.00	-
Aesop Belgium - Belgium	100.00	-
Aesop France SARL - France	100.00	99.99

The consolidated financial statements have been prepared based on the financial statements as of the same date and consistent with the Company' accounting practices. Investments in subsidiaries arising from intercompany operations have been eliminated proportionately to the investor's interests in the subsidiaries' shareholders' equity and profit or loss, intergroup balances and transactions and unrealized profits, net of taxes.

The operations of the direct and indirect subsidiaries are as follows:

- Indústria e Comércio de Cosméticos Natura Ltda.: engaged primarily in the production and sale of Natura products to Natura Cosméticos S.A. - Brazil, Natura Cosméticos S.A. - Chile, Natura Cosméticos S.A. - Peru, Natura Cosméticos S.A. - Argentina, Natura Cosméticos Ltda. - Colombia, Natura Europa SAS - France, and Natura Cosméticos de Mexico S.A. de C.V and Natura International Inc. - USA.

- Natura Comercial Ltda.: engaged in the retail sale of cosmetics, fragrances in general and toiletries, through sales in the retail market.
- 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.: engaged in product and technology development and market research. Merged with the Company and lawfully terminated on November 1, 2018, with its operations, rights and obligations taken over by the Company.
- 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. and 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.: activities are suspended. In case activity is resumed, it will carry out the same activities as the Company.
- Natura (Brazil) International B.V - Netherlands: holding company of Natura Europe SAS – France, Natura Brazil Inc., Natura International Inc. and The Body Shop International Limited.
- Natura Logística e Serviços Ltda.: engaged in picking, packing and mailing services, logistics consulting, human resources management and human resources training.
- Natura Brasil Inc.: holding company of Natura International Inc.
- Natura International Inc - USA: engaged in capturing trends in design, fashion and technology, transforming them into ideas, concepts and prototypes.
- Natura Europa SAS - France: engaged primarily in the purchase, sale, import, export and distribution of cosmetics, fragrances, and toiletries
- Natura Brazil Pty Ltd – holding company of Natura Cosmetics Australia Pty Ltd operations.
- Natura Cosmetics Australia Pty Ltd – holding of Emeis Holdings Pty Ltd.
- Emeis Holdings Pty Ltda and its subsidiaries: engaged primarily in the manufacture and marketing of premium cosmetics, operating under the brand of "Aesop," with products sold in retail stores and own stores.
- The Body Shop International Limited and its subsidiaries: engaged primarily in the development, distribution and sale of cosmetics under the brand "The Body Shop," with products sold through a chain of own stores, electronic commerce, direct selling and franchises. Some of its subsidiaries had their operations closed in 2018.
- Fundo de Investimento Essencial: refers to the private-credit fixed-rate investment funds.

b) Business combinations

Business combinations are accounted for by applying the acquisition method when control is transferred to the Company. The consideration transferred is in general measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising from the transaction is tested annually for impairment. Gains from a bargain purchase are recognized immediately in profit or loss. Acquisition-related costs are recorded in profit or loss as incurred, except for costs related to the issue of debt or equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the year.

c) Ownership interest of non-controlling shareholders

The Company opted to measure any ownership interest of non-controlling shareholders initially by the proportionate interest held in the identifiable net assets of the acquired entity on the acquisition date.

Changes in the Company's interest in a subsidiary that do not result in loss of control are recorded as transactions under shareholders' equity.

2.3. Foreign currency translation

a) Functional currency

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

On January 1, 2018, Natura (Brasil) International B.V. – Netherlands changed its functional currency from Euro to Pound Sterling, mainly due to the acquisition of controlling interest in The Body Shop International Limited, in September 2017, which made the Pound Sterling the most relevant currency in its consolidated operations. The required procedures for translation into the new currency were applied prospectively from the date of change.

b) Foreign currency transactions and balances

Foreign-denominated transactions are translated into the Company' 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 Company's presentation currency.

In the preparation of the consolidated financial statements, the statements of income and of cash flows and all changes in assets and liabilities of foreign subsidiaries, whose functional currency is the local currency in the respective countries where they operate (except for Natura (Brasil) International B.V. – Netherlands, as described in item b) above)) are converted into Brazilian real at the average monthly exchange rate nearest to the effective exchange rate on the date of the corresponding transactions (except for Natura Cosméticos S.A. – Argentina, which became a hyperinflationary economy as of July 1, 2018, as described in item d) below).. The balance sheet is translated into Brazilian real at the exchange rates at the reporting date.

The effects from variations in the exchange rate arising from these translations are stated under "Other comprehensive income" in the statements of comprehensive income and in shareholders' equity.

d) Hyperinflationary economy

Starting from July 2018, Argentina has been considered a hyperinflationary economy and as per CPC 42 – *Contabilidade e Evidenciação em Economia Altamente Inflacionária* (IAS 29 – Financial Reporting in Hyperinflationary Economies), the non-monetary assets and liabilities, equity items and the statement of income of the subsidiary Natura Cosmetics S.A. – Argentina ("Natura Argentina"), whose functional currency is the Argentinean peso, are being adjusted so that the figures are reported in the monetary measurement unit at the end of the reporting period, which considers the effects measured by the Consumer Price Index ("IPC") in Argentina starting January 1, 2017 and Argentina's Domestic Retail Price Index ("IPIM") up to December 31, 2016. Consequently, as required by CPC 42 / IAS 29, the operating results of the subsidiary Natura Argentina must be disclosed as highly inflationary starting January 1, 2018 (start of the period in which a hyperinflationary scenario was identified).

Non-monetary assets and liabilities booked at historical cost and equity items of Natura Argentina were adjusted for inflation based on the aforementioned indices. The effects of hyperinflation resulting from changes in the overall purchasing power (i) were presented in equity up to December 31, 2017; and (ii) are presented in the statement of income starting January 1, 2018. The statement of income is adjusted at the end of each reporting period based on the variation in the general price index.

The net effect of inflation adjustment in 2018 on (i) non-monetary assets and liabilities; (ii) items in shareholders' equity; and (iii) statement of income was presented in a specific account for hyperinflation in the financial result (see note 26).

To convert the accounting balances of the subsidiary Natura Argentina, to the reporting currency (Brazilian real – R$) used in the individual and consolidated financial statements of the Company, the following procedures required by CPC 02(R2) – Effects of changes in foreign exchange rates and conversion of financial statements (IAS 21 - The effects of changes in foreign exchange rates) were adopted:

- the amounts related to assets, liabilities and equity items were translated at the exchange rate on the reporting date (0.1029 Argentinean peso for each Brazilian real in September 2018);

- revenues and expenses in the period were translated at the exchange rate on the reporting date (0.1029 ARS/BRL in December 2018), instead of the average exchange rate of the period, which is used to convert currencies in non-hyperinflationary economies;

- the statement of income for 2017 and the first and second quarters of 2018 and the respective balance sheets of Natura Argentina were not restated. When converting to a currency of a non-hyperinflationary economy, comparison amounts must be those that would have been presented as amounts for the current year in the financial statements of the previous year (that is, not adjusted for subsequent changes in prices or exchange rates).

Cumulative inflation, as measured by the IPC index, for the fiscal year ended December 31, 2018 was 47.99%.

In the fiscal year ended December 31, 2018, the application of CPC 42 / IAS 29 resulted in: (i) a negative impact on the financial result of R$25,066; and (ii) a negative impact on net income for the year of R$64,271, which includes effects from the translation of statement of income at the exchange rate on the reporting date, instead of average monthly exchange rate, resulting in a negative impact on profit or loss for the fiscal year ended December 31, 2018 of R$19,074.

2.4. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term commitments, rather than for investment or other purposes. Include cash, bank 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.

2.5. Financial instruments

a) Accounting practice in effect starting on January 1, 2018:

i) 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:

<u>Financial assets measured at fair value through profit or loss</u>

A financial asset is classified as measured at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in profit or loss as incurred. These assets are measured at fair value and changes in fair value, including gains from interest and dividends, are recognized in profit or loss for the fiscal year.

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

The balances of outstanding derivative instruments 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.

<u>Loans and receivables</u>

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 non-current assets. Subsequent to initial measurement, these financial assets are accounted for at amortized cost, using the effective interest method (effective interest rate), less impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs incurred. As of December 31, 2017, loans and receivables include trade accounts receivable (note 8).

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 at fair value through profit or loss.

Other financial liabilities

They are measured at the amortized cost using the effective interest rate method. As of December 31, 2017, other financial liabilities comprise borrowings, financing and debentures (note 16) and trade payables and forfeit operations.

ii) 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.

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

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

b) Accounting practice effective from January 1, 2018:

All financial assets and liabilities are initially recognized when the Company becomes part of the contractual provisions of the instrument.

i) Financial assets

Measurement

Upon initial recognition, a financial asset is classified as measured: at its amortized cost; at fair value through other comprehensive income; or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes the business model for managing financial assets, in which case all financial assets affected are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated for measurement at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets to receive contractual cash flows; and

- its contractual terms generate, on specific dates, cash flows that are relative only to the payment of principal and interest on the outstanding principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- is maintained within a business model whose objective is achieved both by receiving contractual cash flows and by the sale of the financial assets;

- its contractual terms generate, on specific dates, cash flows that are only the payment of principal and interest on the outstanding principal amount.

All financial assets not classified as measured at their amortized cost or at fair value through other comprehensive income are classified as at fair value through profit or loss.

Business model assessment

The Company evaluates the objective of the business model in which the financial asset is maintained in the portfolio, because it reflects the best way in which the business is managed and information is provided to the Management. The information taken into account includes:

- the policies and objectives determined for the portfolio and how these policies actually work. These include the issue of knowing whether the Management strategy focuses on obtaining contractual interest income, maintaining a certain interest rate profile, the correspondence between the duration of financial assets and the duration of the corresponding liabilities or expected cash outflows, or realizations of the cash flows through the sale of assets;

- how the performance of the portfolio is assessed and reported to the Management of the Company;

- the risks that affect the performance of the business model (and the financial asset maintained in that business model) and how those risks are managed;

- how business managers are remunerated – for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows obtained; and

- the frequency, volume and time of sale of financial assets in previous periods, the reasons for such sale and their expectations of future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not deemed sales, consistent with the continuous recognition of the Company's assets.

Financial assets held for trading or managed with performance assessed based on their fair value are measured at fair value through profit or loss.

Assessment of whether contractual cash flows are solely payments of principal and interest

To assess contractual cash flows, the "principal" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as consideration for the value of money in time and for the credit risk associated with the principal outstanding over a certain period of time and for other risks and basic costs of loans (for example, liquidity risk and administrative costs), as well as profit margin.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are solely payments of principal and interest. This includes an assessment of whether the financial asset contains a contractual term that could change the moment or amount of contractual cash flows in such a way that it would not meet this condition. When conducting such assessment, the Company takes into account:

- contingent events that change the amount or time of the cash flows;
- terms that may adjust the contractual rate, including variable rates;
- prepayment and extension of terms; and
- terms that limit the access of the Company to cash flows from specific assets (for example, based on the performance of an asset).

ii) Financial liabilities

These are measured at amortized cost using the effective interest rate method. On December 31, 2018, in the case of the Company, these include borrowings, financing and debentures (Note 16) as well as balance of trade payables and forfait operations (Note 17).

iii) Offsetting

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.

iv) Derecognition (write-off) 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 derecognized when the rights to receive cash flows from the asset have expired; the Company transferred its rights or risk to receive cash flows of the asset or has assumed an obligation to pay the full amount of received cash flows.

The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expires.

v) Derivative instruments

Derivative instruments transactions contracted by the Group consist of swaps and non-deliverable forwards (NDFs) intended exclusively to hedge against the foreign exchange risks related to balance sheet positions, acquisitions of inputs and property, plant and equipment, projected exports and projected foreign-denominated cash outflows 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 derivative instruments is measured by the treasury departments of the Group 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

Despite the adoption of CPC 48 / IFRS 9, the Company and its subsidiaries decided to maintain hedge accounting, in accordance with CPC 38 / IAS 39, in accordance with the transition method provided in item 7.2.21 of CPC 48 / IFRS 9.

The Company's Management 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, (ii) of loans taken out in the functional currency (Brazilian Real), subject to fixed interest rate, or (iii) of purchase and sale transactions in foreign currency. Hedged risks are (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

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 profit or loss.

The effective portion of changes in fair value of derivative instruments that is designated and qualified as cash flow hedge is recognized in other comprehensive income and accumulated in "Gain (loss) from cash flow hedge operations" and "tax effect on gain (loss) from cash flow hedge operations." In a "cash flow hedge", the effective portion of gain or loss from the hedge instrument is recognized directly in equity in other comprehensive income, while the ineffective portion of hedge is immediately recognized in financial income (expenses).

For the years ended December 31, 2018 and 2017, the Company used derivative financial instruments, applying "cash flow hedge accounting" and, as disclosed in Note 5.2, for hedge against the risk of change in exchange rates related to loans denominated in foreign currency and purchase and sale transactions denominated in foreign currency and intercompany loan operations that: (i) are highly related to the changes in the market value of the hedged item, both at inception 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. It allows the application of the hedge accounting methodology, with effect from measurement of their fair value on shareholders' equity and from their realization on profit or loss in the heading related to the hedged item.

Hedge accounting is discontinued when the Company cancels the hedge relationship, the hedge instrument matures or is sold, revoked or executed, or no longer qualifies to hedge accounting. Any gains or losses recognized in other comprehensive income and accumulated in shareholders' equity as of a certain date remain in equity and are recognized when the forecast transaction is eventually recognized in profit or loss.

If a planned transaction results in the subsequent recognition of a non-financial asset or liability, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss during the same period for which the non-financial asset acquired or non-financial liability assumed affects the profit or loss. For example, when the non-financial asset is depreciated or sold.

Conversely, if a planned transaction results in the subsequent recognition of a financial asset or liability, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss during the same period for which the financial asset acquired or financial liability assumed affects the profit or loss. For example, when financial income or expense is recognized.

When the forecast transaction is no longer expected, cumulative gains or losses deferred in equity are immediately recognized in profit or loss for the year.

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

For the years ended December 31, 2018 and 2017, there were no losses related to the ineffective portion recognized in profit or loss for the year.

The fair values of derivative financial instruments are disclosed in note 5.2.

In addition, it should be mentioned that, during the years ended December 31, 2018 and 2017, the Company did not enter into transactions related to hedge of fair value or hedge of net investment.

2.6. Trade receivables and provision for doubtful accounts

Trade receivables are accounted at their nominal amount, less the provision for doubtful accounts, which is estimated based on calculating the risk of loss in each aging list group, considering the different risks in accordance with the collections operation.

2.7. Inventories

Carried at the lower of average cost of purchase or production and net realizable value. Details are disclosed in note 9.

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

2.8. Carbon Credits – Carbon Neutral Program

In 2007, the Company assumed with its employees, customers, suppliers and shareholders a commitment to be a Carbon Neutral company, which is to neutralize their emissions of

Greenhouse Gas - GHG, in the whole production chain, from extraction of raw materials to post- consumption. This commitment, which currently refers only to operations under the Natura brand, is not a legal obligation, since Brazil does not have a reduction target, despite being a signatory to the Kyoto Protocol. For this reason, it is considered a constructive obligation under CPC 25 / 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 through annually audited inventories of carbon emissions and measured based on the market price for the acquisition of licenses for neutralization. On December 31, 2018, the balance recorded in the caption "Other non-current liabilities" (see note 20), refers to the total carbon emissions during the period of 2007 to 2018 that have not yet been offset by corresponding projects and therefore no execution of the certificate of carbon.

According to its beliefs and principles, the Company elected to make some purchases of 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 years, these expenses were recorded at fair value as "other current assets" (see note 13).

Upon effective delivery of the related carbon credit 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, 2018 refers to the amount of cash disbursed in advance for investments in ongoing projects and, for this reason, not yet available for neutralization of emissions and offset of liability.

2.9. Property, plant and equipment

Stated at cost of acquisition or construction, plus interest capitalized during construction period, when applicable, for the case of a qualifying 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 Group's activities, arising out of finance leases, are recorded as if they were a financed acquisition, with a property, plant and equipment 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 contract term, 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, as mentioned in Note 15.

Gains and losses on disposals are calculated by comparing the proceeds from the sale with the carrying amount, and are recognized in profit or loss under "Other operating income (expenses), net".

2.10. Intangible assets

a) Software

Licenses of software and enterprise management systems acquired are capitalized and amortized according to the useful lives described in note 15 and maintenance costs are recognized as expenses when incurred.

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

b) Trademarks and patents

Separately acquired 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. For trademarks and patents with definite useful lives, amortization is calculated on a straight-line basis at the annual rates described in Note 15.

c) Relationship with retail clients, franchisees and sub-franchisees

Relationships with retail clients, franchisees and sub-franchisees acquired in business combinations are recognized at fair value on the acquisition date and their amortization is calculated on a straight-line basis, based on rates shown in Note 15.

d) Key money with defined useful life

Key money with defined useful life is recorded at the acquisition cost and amortized on a straight-line basis during the rental period, as shown in Note 15.

e) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives held by the Company refer mainly to trademarks and goodwill due to expectations of future economic benefits arising from transactions involving business transactions, and tradeable key money.

These assets are not amortized but are tested annually for losses due to impairment either individually or at the level of the cash generating unit (or groups of cash generating units). 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 profit or loss upon disposal of the asset under "Other operating income (expenses), net".

2.11. Impairment assessment

The assets' carrying amount is 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. When applicable, 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 independent cash flows (cash-generating units, or CGUs).

The assets of the Company are initially grouped into operating segments, which follows a logic based on its Corporate Governance structure. Within the operating segments, assets are grouped into cash generating units as follows:

Operating Segment	Identification of CGUs
Natura Brazil	• Direct selling • Individual stores
Natura LATAM	• Argentina • Chile • Peru • Mexico • Colombia
Natura Others	• France • USA
Aesop	• Individual stores
The Body Shop	• Individual stores and franchises

The recoverable amount of an asset or cash-generating unit is determined as being the higher of the value in use and the fair value less costs of disposal. 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 fair value less costs of disposal 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 binding sale agreement, based on the market price of an active market, or in the price of the most recent transaction with similar assets.

2.12. Product research and development expenses

The Company's accounting practice includes recording its product research and development costs, when incurred, as expenses for the period, since due to the high innovation index and product turnover in its sales portfolio, it is impracticable to meet all aspects required in IAS 38/CPC 04 – Intangible Assets, for capitalizing the amounts.

2.13. Leases

Lease classification is made at the inception of the contract. Leases where the lessor retains 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 amount of the fair value of leased asset and the present value of minimum lease payments.

Each lease installment 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 non-current liabilities, according to the lease term. Property, plant and equipment items acquired through finance leases are depreciated over their useful lives, as described in Note 2.9, or over the lease term, when it is shorter and has no purchase option.

2.14. Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying 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.

2.15. Trade payables and forfait operations

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

2.16. Borrowings, financing and debentures

Initially recognized at fair value of proceeds received less transaction costs, plus charges, interest, adjustments and exchange rate differences incurred through the end of the reporting period, as shown in Note 16.

2.17. Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its value can be measured with sufficient reliability. Provisions are quantified at the present value of the expected outflow of resources embodying economic benefits to settle the obligations using the appropriate discount rate, according to related risks.

The provisions for tax, civil, and labor risks are adjusted for inflation through the end of the reporting period to cover probable losses, based on the nature of the risk and the opinion of the Company's legal counsel.

Contingent assets are not recognized by the Company and are only disclosed, in case of probable receipt of economic benefits. If it is practically certain that economic benefits will be received, the asset and the corresponding gain are recorded in the Financial Statements of the period corresponding to the change in estimate.

2.18. Current and deferred income tax and social contribution

Recognized in the statement of income, 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 and its Brazilian subsidiaries' profits are calculated at the tax rates of 25% and 9%, respectively, and consider the offset of tax losses and social contribution tax loss carryforwards, limited to 30% of taxable income for the fiscal year.

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, including specific rules related to Taxation on Universal Bases, where applicable. Management periodically assesses the positions assumed regarding the situations where applicable tax law is subject to possibly different interpretations and, when appropriate, recognizes provisions.

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 rates enacted by the end of the reporting period that must be applied when deferred income tax and social contribution assets and liabilities are realized.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable income will be available, from which it is offset. Future taxable income is determined based on the reversal of relevant taxable temporary differences. If taxable temporary differences are insufficient to fully recognize a deferred tax asset, future taxable income is considered, adjusted for reversals of existing temporary differences, based on the business plans of the Company and its subsidiaries individually. The amounts of deferred income tax and social contribution assets and liabilities are presented net only when there is a legal 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 11.

2.19. Employee benefits

a) Short-term benefits

The obligations of short-term benefits for employees are recognized as personnel expenses as the corresponding service is rendered. The liability is recognized at the amount of the expected payment if the Company has a legal or constructive obligation to pay the amount due to services rendered by an employee in the past and the obligation can be reliably estimated.

b) Profit sharing

The Company recognizes a liability and an expense for profit sharing based on criteria that it considers the profit attributable to its shareholders after certain adjustments and which is tied to the achievement of specific operational goals and objectives established and approved in the beginning of each fiscal year.

c) Long-term incentive program

The Company makes available to eligible executives of its subsidiary Emeis Holdings Pty Ltd. a long-term incentive program, based on criteria linked to specific operational goals and objectives established at the beginning of the relationship between the parties, being such obligation recorded as a liability and remeasured with effect on profit or loss.

d) Post-employment healthcare defined benefit

The actuarial liability for the healthcare plan of the Company and its subsidiaries refers to a post-employment benefit plan to 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 termination of employment relationship, may opt to remain in the plan in accordance with applicable legislation, thereby assuming the 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, which is borne by the Company through payment of the excess cost, as an additional benefit.

The costs associated with this benefit are recognized under the accrual method of accounting as a defined-benefit post-employment benefit plan using the projected unit credit method.

The current service cost and accrued interest on the present value of the liability are recognized in the Income Statement and the actuarial gains and losses generated by the remeasurement of the liability due to changes in actuarial assumptions are recognized as Other Comprehensive Income. In case of changes or reductions in the plan, the effects of the cost of past services are recognized in the Income Statement on the date of occurrence.

2.20. Share-based payment

The Company's executives are granted the following stock option plans, settled exclusively with its own shares:

- Stock option plan
- Restricted share plan
- Strategy acceleration program

The plans 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 25.1.

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

For the stock option plan and the strategy-acceleration program, despite the expiration of the term for exercise, the recognized expense is not reversed since the right has been acquired by executives.

When an equity-settled share-based payment award is cancelled (except when the cancellation occurs due to loss of right over the equity instrument for not fulfilling the concession conditions), it is treated as if it had been acquired on the date of cancellation, and any expense not recognized is registered immediately. This includes any award for which Company or the counterparty have the option not to fulfill the non-acquisition obligation. All cancellations of transactions settled with equity securities are treated in the same way.

The dilution effect of options granted is reflected as additional share dilution in the calculation of diluted earnings per share (Note 28.2).

2.21. Dividends and interest on equity

The proposed distribution of dividends and interest on capital made by the Company′ Management included in the portion equivalent to the mandatory minimum dividends is recognized in line item "Dividends and interest on equity payable" 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 21.(b).

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

2.22. 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 profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.23. Government grants

Government grants are not recognized until there is a reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received.

Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Up to December 31, 2017, subsidized loans, granted directly or indirectly by the government, obtained at a below-market rate of interest, were treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan measured based on market rate of interest. As of January 1, 2018, the Company discontinued this accounting practice, since interest rates on subsidized loans became very close to market interest rates.

2.24. Segment reporting

Information per operating segment is consistent with the internal report provided to the chief operating decision maker on operational matters.

The main decision-making body of the Company, which is responsible for defining the allocation of resources to the operating segments is the Board of Directors of the Company, which is advised by the Group's Operations Committee ("GOC"), the Audit, Risk Management and Finances Committee, the People and Corporate Development Committee, the Strategic Committee and the Corporate Governance Committee ("Committees").

The GOC , which includes the CEOs of Natura, The Body Shop and Aesop, in addition to representatives of key business areas (Finance, Human Resources, Business Strategy and Development, Legal, Innovation and Sustainability, Operations and Corporate Governance), is responsible, among other things, for monitoring the implementation of short- and long-term strategies and making recommendations to the Board of Directors regarding the management of the Group, from the viewpoint of results, allocation of resources among business units, cash flow and talent management.

2.25. Revenue from contracts with customers

The Company initially adopted CPC 47 / IFRS 15 as of January 1, 2018. The information on the Company's accounting practices related to revenue from contracts with customers, as well as the effects of the initial adoption of CPC 47 / IFRS 15, is presented in item 2.29.

2.26. Financial income and financial expenses

The Company's financial income and expenses comprise:

- interest income;
- interest expenses;
- dividends revenue;
- dividends of preferred shares issued classified as financial liability;
- net gains/losses from financial assets measured at fair value through profit or loss;
- net gains/losses from exchange variation on financial assets and liabilities;
- net gains/losses from hedge instruments recognized in profit or loss; and
- reclassifications of net gains previously recognized in other comprehensive income.

Interest income and expenses are recognized as profit or loss through the effective tax rate method.

Revenue from dividends is recognized in profit or loss on the date when the Company's right to receive payment is established.

The Company classifies interest received and dividends and interest on capital received as cash flows from investing activities.

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 supplemental information of the consolidated financial statements, since this statement is not required by IFRS.

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 subsidiaries, 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 not yet adopted

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

CPC 06 (R2) / IFRS 16 – Leases

The new standard will replace IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease, which will come into effect on January 1, 2019, and introduces a single lease model, replacing the concept of classifying leases as operating and financial leases. The main purpose is to define if there is lease in agreements or if the agreement is for the provision of service. After defining this, if an agreement contains a lease, it must be booked under assets, to be depreciated with the respective liability and financial charges.

A contract contains a lease if it includes both the following:

- An identifiable asset explicitly or implicitly specified. In this case, the supplier does not have the practice of replacing the asset, or such replacement would not bring any economic benefit to the supplier.

- The right to control the use of the asset over the duration of the contract. In this case, the Company must have the authority to take decisions on the use of the asset and the capacity to obtain substantially all economic benefits for the use of the asset.

The standard includes two exemptions from recognition for lessees to be applied by the Company and its subsidiaries: leases of low-value assets and short-term leases, i.e., lease terms of 12 months or less.

The project included the engagement of external experts to assist the Company in identifying and measurement of the effects on the date of first-time adoption, identification of the needs for modification of the systems used, design and implementation of internal controls, adequate policies and procedures to obtain and disclose the information required by these new pronouncements. These analyses and amendments were in the process of being concluded on the reporting date of these financial statements.

The Company and its subsidiaries opted for the simplified modified retrospective transition approach, without restatement of comparative periods, adopting the following criteria for first-time recognition and measurement of assets and liabilities:

- Recognition of lease liabilities on the first-time adoption date for leases previously classified as operating leases. Lease liabilities will be measured at present value of the remaining lease payments, net of PIS and COFINS credits (when applicable), discounted based on the incremental interest rates on loans, grouped by nature of the asset, region and contractual period. The tax impact of finance lease liabilities existing on first-time adoption date is being evaluated by the Company.

- Recognition of right-of-use assets on the first-time adoption date for leases previously classified as operating leases. The right-of-use asset is measured at the equivalent amount of the lease liability, adjusted by the value of any early or accrued lease payments related to the lease that has been recognized in the balance sheet immediately before the first-time adoption date.

The Company and its subsidiaries estimate the following impacts within minimum and maximum limits on the Balance Sheet upon initial adoption on January 1, 2019:

	Maximum expected impacts		Minimum expected impacts	
	Company	Consolidated	Company	Consolidated
Non-current assets	27,505	1,982,484	24,885	1,791,214
Current liabilities	(12,152)	(443,705)	(10,995)	(401,447)
Non-current liabilities	(15,353)	(1,538,779)	(13,890)	(1,389,767)

The Company and its subsidiaries estimate the following impacts on the cumulative result projected for the fiscal year ending December 31, 2019, calculated from the agreements in force on December 31, 2018:

	Maximum expected impacts		Minimum expected impacts	
	Company	Consolidated	Company	Consolidated
Reduction in general, administrative and selling expenses	14,213	509,292	12,860	459,980
Increase in depreciation expenses	(12,374)	(492,880)	(11,196)	(445,131)
Increase in financial expenses	(2,061)	(74,071)	(1,865)	(67,017)
Reduction of Profit Before Income Tax and Social Contribution	(222)	(57,659)	(201)	(52,168)

These impacts will be neutralized for the purposes of control of Company's covenants, since they were determined before the new standard become effective, in accordance with agreements entered into with financial institutions.

ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement requirements in CPC 32 - *Tributos sobre o Lucro* (IAS 12 – Income Taxes), when there is uncertainty over income tax treatment. In such a circumstance, an entity shall recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32 / IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, determined applying this interpretation. This interpretation will become effective for the annual periods starting on or after January 1, 2019 and its impacts are being assessed by the Company's Management.

There are no other standards, amendments and interpretations of standards issued but not yet adopted that, in Management's opinion, have a significant impact on the income or shareholders' equity disclosed by the Group.

2.29. New standards, amendments and interpretations of standards adopted for the first time for the period starting on or after January 1, 2018.

a) Changes in Accounting Practices

CPC 47 / IFRS 15 – Revenue from Contract with Customers

Starting January 1, 2018, the Company adopted CPC 47 / IFRS 15, approved by the Brazilian Securities and Exchange Commission ("CVM") in December 2016, which establishes a model of five steps applicable to revenue from a contract with a customer, irrespective of the type of revenue transaction or industry.

As a result of the implementation of CPC 47 / IFRS 15, the Company reviewed its accounting practices related to the identification of performance obligations, such as recognition for performance granted to Natura Consultants, events and conventions aimed at encouraging and congratulating the best Natura Consultants, and other obligations, as shown below:

Performance obligation	Nature, fixation of transaction price and the moment when performance obligation is fulfilled	Nature of changes in accounting practices
a) Direct sales	Revenue from sales is generated by sales to Natura Consultants (our customers) based on the fair value of consideration received/receivable, excluding discounts, rebates and taxes or charges on sales. Revenue from sales is recognized when the performance obligation is fulfilled, i.e., when the promised product is physically transferred and the Natura Consultant obtains control over this product. Revenue from sales is generated and accrued initially in the sales subsidiary ledger of the Company from the moment when the dispatch slip is issued in the customers' name. However, since revenues are recorded only when the final delivery of products effectively occurs, the Company registers provision to eliminate the amount of revenue related to products dispatched and not received by Natura Consultants on each reporting date.	CPC 47 / IFRS 15 did not have significant impacts.
b) Direct sales – Additional charges and penalties for late payments	The Company charges from its customers (Natura Consultants) additional charges and penalties for late payments in settlement of sales receivable. Due to the level of uncertainty in receiving these amounts (variable consideration), the Company recognizes revenue from additional charges and penalties for late payments only upon receipt of amounts.	Until December 31, 2017, the Company recognized these amounts as a recovery of selling expenses. With the adoption of CPC 47 / IFRS 15, the Company concluded that amounts related to additional charges and penalties for late payments of Consultants correspond to variable components received in exchange for transfer of goods, that is, they are part of the transaction price.

c) Retail sales	At Emeis Holding Pty Ltd, Natura Comercial Ltda., Natura Europa SAS – França, Natura International Inc. and The Body Shop International Limited, which operate in the retail market, sales revenue is measured based on the fair value of consideration received/receivable, excluding discounts, rebates and taxes or charges on sales. This sales revenue is recognized when the performance obligation is fulfilled, i.e., when the promised product is physically transferred and the consumer obtains control over this product.	CPC 47 / IFRS 15 did not have significant impacts.
d) Loyalty program (Points campaign)	The Company offers points campaign (loyalty program), in which customers accumulate points while buying the Company's products to be exchanged (redeemed) for products in the future. Measurement of points is based on their expected cost, plus a margin. The amount allocated to the loyalty program is deferred and the revenue is recognized upon redemption of the points accumulated by Natura Consultants or when it is no longer probable that the points will be redeemed.	Under CPC 30 (R1) / IAS 18, the revenue was allocated among the campaigns and the products based on cost. From the adoption of CPC 47 / IFRS 15, deferred revenue from the points campaign is now measured based on the expected cost, plus a margin.
e) Program for recognition of Natura Consultants' performance	The Company has performance recognition programs, in which it awards Natura Consultants based on achievement of targets and objectives. The Company believes that this performance recognition program has a high value and hence is considered a performance obligation. Measurement of performance recognition programs is based on their expected cost, plus a margin. The amount allocated to performance recognition programs is deferred and revenue is recognized when awards are delivered to Natura Consultants.	Under CPC 30 (R1) / IAS 18, the Company did not characterize the performance recognition program as a performance obligation to be fulfilled. From the adoption of CPC 47 / IFRS 15, the Company concluded that the performance recognition program is a promise that creates a reasonable expectation for Natura Consultants and, therefore, it was considered a performance obligation.
f) Events	The Company organizes events to encourage and recognize the best Natura Consultants. The Company believes that these events are of high value for Natura Consultants and create expectations among them to participate in them. Thus, the Company believes that these events are characterized as performance obligations. Measurement of events is based	Under CPC 30 (R1) / IAS 18, the Company did not characterize the events as a performance obligation to be fulfilled.

	on their expected cost, plus a margin. The amount allocated to events is deferred and the revenue is recognized when the event is held.	From the adoption of CPC 47 / IFRS 15, the Company concluded that events are a promise that creates a reasonable expectation for Natura Consultants and, therefore, they were considered a performance obligation.
g) Franchises (Courses, training and consulting / Outfit and inauguration)	Upon execution of the agreement, the Company charges from franchisees a fixed amount, part of which is allocated to courses, training and consulting to prepare the franchisees to sell products under Natura brand. The other part refers to outfit (specific products to be used at the franchisee store) and inauguration (opening event of franchisee's store). The Company believes that these items represent a material right and, for such, they were considered performance obligations. Measurement is based on the market value of these items, which are initially recognized as deferred revenue. When the franchisee's store is opened, this deferred revenue is allocated to profit or loss for the year.	CPC 47 / IFRS 15 did not have significant impacts.
h) Franchisees (Advertisement program)	Upon the execution of the agreement, the Company charges from franchisees a fixed amount, a part of which is for the advertisement fund (monthly delivery of showcases). The Company believes that this item represents a material right and, for such, it was considered a performance obligation. Measurement is based on the market value of this item, which is initially recognized as deferred revenue. This revenue is deferred and allocated to profit or loss for the year upon the delivery of showcases to the franchisees.	CPC 47 / IFRS 15 did not have significant impacts.
i) Franchises (Brand use right)	Upon the execution of the agreement, the Company charges from franchisees a fixed amount, part of which is for the use of the "Natura" brand. The Company believes that this item represents a material right and, for such, it was considered a performance obligation. Measurement is based on residual value, i.e., the remaining value after excluding the market value of courses, training and consulting services, outfit and inauguration, and the Advertisement Fund. This amount is initially recognized as deferred revenue. This deferred revenue is allocated to profit or loss, on a straight-line basis, over the term of the franchise agreement.	CPC 47 / IFRS 15 did not have significant impacts.

j) Incentives related to "free-of-charge" products and samples	The Company grants incentives related to "free-of-charge" products and samples for its customers (Natura Consultants and/or end consumers). Since it is considered a material right, the Company recognizes this item as a performance obligation. Considering that the delivery of products and the realization of performance obligation of delivering "free-of-charge" products or samples occur at the same time, the Company concluded that an allocation of prices and monitoring these two performance obligations separately are not applicable. Thus, revenue is recognized when the physical transfer of the product occurs and the customer obtains control over this product.	CPC 47 / IFRS 15 did not have significant impacts.

The Company adopted CPC 47 / IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). As a result, the Company did not apply the requirements of CPC 47 / IFRS 15 for comparison purposes. Thus, the 2017 information is presented in accordance with previously reported information and prepared in accordance with CPC 30 (R1) – Receitas (IAS 18 – Revenue) and related interpretations.

CPC 48 / IFRS 9 – Financial Instruments

Starting January 1, 2018, the Company adopted CPC 48 / IFRS 9, approved by the CVM in December 2016, which establishes principles for the financial reporting of financial assets and financial liabilities involving all three accounting aspects: classification and measurement, impairment loss and hedge accounting.

i) Classification and measurement

CPC 48 / IFRS 9 introduces a new methodology to classify and measure financial assets, which consists of determining a business model used by the Company to manage its financial assets. With regard to financial liabilities, classification and measurement continue consistent with CPC 38 – Instrumentos Financeiros: Reconhecimento e Mensuração (IAS 39 – Financial Instruments: Recognition and Measurement).

Financial assets

The business models defined by CPC 48 / IFRS 9 are:

- Financial asset held in order to collect contractual cash flows – the purpose is to hold the financial asset or group of financial assets solely to collect contractual cash flows.
- Financial asset held for both to collect contractual cash flows and for sale – the purpose is to hold the financial asset or group of financial assets for both to collect contractual cash flows and for sale.
- Others – If a financial asset or group of financial assets is not classified according to the above business models, it must be recorded in the residual assets category.

For financial assets, the determination of business model must consider the following aspects:

- How the performance of the business model (and the financial assets held within that business model) is evaluated and reported to key personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Based on these aspects, the Company identified the following business models:

Model 1: Financial asset held in order to collect contractual cash flows – Management of resources in order to collect solely contractual cash flows and, in some cases, subsequent transfer of these resources to related parties.

Model 2: Others – Management of resources for cash flow purposes.

Model 3: Others – Management of resources as hedge instrument in hedge accounting transactions ("hedge accounting").

The business model determined for each financial asset on the first-time adoption date, that is, January 1, 2018, is shown below:

	Company	
Item	Business model	Measurement category
Financial assets		
Financial derivatives	Model 2	Fair value through profit or loss
Financial derivatives (hedge accounting)	Model 3	Fair value – Hedge instruments
Certificates of Bank Deposits	Model 1	Amortized cost
Exclusive investment funds	Model 2	Fair value through profit or loss
Trade accounts receivable and related parties	Model 1	Amortized cost
Cash and banks	Model 2	Fair value through profit or loss

	Consolidated	
Item	Business model	Measurement category
Financial assets		
Financial and operating derivatives	Model 2	Fair value through profit or loss
Financial and operating derivatives (hedge accounting)	Model 3	Fair value – Hedge instruments
Government bonds	Model 2	Fair value through profit or loss
Treasury bills	Model 2	Fair value through profit or loss
Certificates of Bank Deposits	Model 1	Amortized cost

Bank Deposit Certificates – Exclusive investment funds	Model 2	Fair value through profit or loss
Repurchase agreements	Model 2	Fair value through profit or loss
Loan investment funds	Model 2	Fair value through profit or loss
Trade receivable	Model 1	Amortized cost
Cash and banks	Model 2	Fair value through profit or loss

On January 1, 2018, Management evaluated which business model apply to its financial assets maintained by the Company on the date of application of CPC 48 / IFRS 9 and classify them accordingly. The main effects arising out of this new classification are:

	Company			
Financial assets – January 1, 2018	Fair value through profit or loss	Fair value – Hedge instruments	Amortized cost	Total financial assets
Balance as of January 1, 2018 – CPC 38 / IAS 39	1,952,102	3,863	1,079,515	3,035,480
Certificates of Bank Deposits	(23,286)		23,286	-
Cash and banks	74,377		(74,377)	-
Balance as of January 1, 2018 – CPC 48 / IFRS 9	2,003,193	3,863	1,028,424	3,035,480

	Consolidated			
Financial assets – January 1, 2018	Fair value through profit or loss	Fair value – Hedge instruments	Amortized cost	Total financial assets
Balance as of January 1, 2018 – CPC 38 / IAS 39	3,050,818	7,860	2,064,457	5,123,135
Certificates of Bank Deposits	(23,286)	-	23,286	-
Cash and banks	556,536	-	(556,536)	-
Balance as of January 1, 2018 – CPC 48 / IFRS 9	3,584,068	7,860	1,531,207	5,123,135

On the date of initial application, i.e., January 1, 2018, the Company's financial instruments include the following, considering possible reclassifications:

	Company				
	Measurement category		Carrying amount		
	Original (CPC 38 / IAS 39)	New (CPC 48 / IFRS 9)	Original	New	Difference
Financial assets					

Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	2,697	2,697	-
Financial derivatives (hedge accounting)	Fair value – Hedge instruments	Fair value – Hedge instruments	3,863	3,863	-
Certificates of Bank Deposits (i)	Fair value through profit or loss	Amortized cost	23,286	23,286	-
Exclusive investment funds	Fair value through profit or loss	Fair value through profit or loss	1,926,119	1,926,119	-
Trade receivable and related parties	Loans and receivables	Amortized cost	1,005,138	1,005,138	-
Cash and banks (ii)	Loans and receivables	Fair value through profit or loss	74,377	74,377	-
			3,035,480	3,035,480	-
Financial liabilities					
BNDES loans	Other financial liabilities	Amortized cost	(28,072)	(28,072)	-
Issue of debts in domestic currency	Other financial liabilities	Amortized cost	(7,572,380)	(7,572,380)	-
Issue of debts in foreign currency	Other financial liabilities	Amortized cost	(495,954)	(495,954)	-
Financial lease liabilities	Other financial liabilities	Amortized cost	(359,317)	(359,317)	-
Trade payables and forfait operations	Other financial liabilities	Amortized cost	(630,551)	(630,551)	-
			(9,086,274)	(9,086,274)	-

(i) The fair value of "Certificates of Bank Deposits" was very close to their amortized cost measured at the effective interest rate method. Accordingly, measurement category reclassification did not cause changes in their value.

(ii) The fair value of "Cash and banks" is equivalent to its amortized cost measured at the effective interest rate method. Accordingly, measurement category reclassification did not cause changes in its value.

	Consolidated	
	Measurement category	Carrying amount

	Original (CPC 38 / IAS 39)	New (CPC 48 / IFRS 9)	Original	New	Difference
Financial assets					
Financial and operating derivatives	Fair value through profit or loss	Fair value through profit or loss	6,918	6,918	-
Financial and operating derivatives (hedge accounting)	Fair value – Hedge instruments	Fair value – Hedge instruments	7,860	7,860	-
Government bonds	Fair value through profit or loss	Fair value through profit or loss	864,825	864,825	-
Treasury bills	Fair value through profit or loss	Fair value through profit or loss	915,853	915,853	-
Certificates of Bank Deposits (i)	Fair value through profit or loss	Amortized cost	23,286	23,286	-
Certificates of Bank Deposits – Exclusive investment funds	Fair value through profit or loss	Fair value through profit or loss	143,214	143,214	-
Repurchase agreements	Fair value through profit or loss	Fair value through profit or loss	922,054	922,054	-
Loan investment funds	Fair value through profit or loss	Fair value through profit or loss	174,668	174,668	-
Trade receivable	Loans and receivables	Amortized cost	1,507,921	1,507,921	-
Cash and banks (ii)	Loans and receivables	Fair value through profit or loss	556,536	556,536	-
			5,123,135	5,123,135	-
Financial liabilities					
BNDES loans	Other financial liabilities	Amortized cost	(598,897)	(598,897)	-
Issue of debts in domestic currency	Other financial liabilities	Amortized cost	(7,759,766)	(7,759,766)	-
Issue of debts in foreign currency	Other financial liabilities	Amortized cost	(510,477)	(510,477)	-
Financial lease liabilities	Other financial liabilities	Amortized cost	(462,760)	(462,760)	-
Trade payables and forfait operations	Other financial liabilities	Amortized cost	(1,553,763)	(1,553,763)	-

(10,885,663)	(10,885,663)	-

(i) The fair value of Certificates of Bank Deposits was very close to their amortized cost measured at the effective interest rate method. Accordingly, measurement category reclassification did not cause changes in their value.

(ii) The fair value of "Cash and banks" is equivalent to its amortized cost measured at the effective interest rate method. Accordingly, measurement category reclassification did not cause changes in its value.

ii) Impairment

CPC 48 / IFRS 9 introduces a new impairment model, replacing the incurred loss model for the expected credit loss model, which requires the recording of provision upon initial recognition of asset exposed to credit risk.

Trade receivables

Due to the characteristics of the Company's accounts receivable, such as (i) insignificant financial component, (ii) noncomplex receivables portfolio, and (iii) low credit risk, the Company adopted a simplified approach for expected credit loss, which consists in recognizing expected credit losses for the total useful life of the asset.

The methodology for calculating the provision for doubtful accounts adopted by the Company up to December 31, 2017 was the aging list, in which the provision is calculated based on the history of losses. The methodology consisted of using an estimate for age range through weighted average of losses of the last 6 months. The calculation also considered a segregation of Natura Consultants by time of relationship, and a division between renegotiated and non-renegotiated trade bills. The Company also concluded that the macroeconomic indicators did not have significant impact on its provision estimates. To corroborate this understanding, the Company carried out several correlation analyses between indicators that could potential have some influence in the industry and its history of doubtful accounts, such as Gross Domestic Product (GDP), Unemployment Rate, National Broad Consumer Price Index (IPCA) and the basic interest rate (SELIC).

After analysis, the Management concluded that the methodology already adopted by the Company complies with the expected credit loss model and, for this reason, the first-time adoption of CPC 48 / IFRS 9 starting January 1, 2018 did not cause significant impacts on measurement of provision for doubtful accounts.

Certificate of bank deposits measured at amortized cost

The Company analyzes the changes in the rates of investments in certificates of bank deposits and, when available, the prices of Credit Default Swaps (CDS), together with information from regulatory agencies about the issuing financial institutions. Delinquency probabilities for 12 months and for the term of these investments were based on historical data provided by credit rating agencies for each credit grade and were analyzed in terms of sensitivity based on current returns and CDS prices. The Loss Given Default (LGD) normally reflects an expected recovery rate of 40%, except when the investment already has recovery problems, which is the case when the loss is estimated based on the current market price of the instrument and on its original effective interest rate.

iii) Hedge accounting

After evaluation, the Management concluded that all existing hedge relationships are currently designated in effective hedge relationships and still qualify for hedge accounting under CPC 48 / IFRS 9, because the new standard does not change the general principles of how an entity accounts for effective hedges.

When an entity applies CPC 48 / IFRS 9 for the first time, it can determine whether its accounting policy will continue to apply the hedge accounting requirements of CPC 38 / IAS 39 instead of the requirements of chapter 6 of CPC 48 / IFRS 9.

Given the results of the analyses and the decision to not adopt CPC 48 / IFRS 9 specifically for hedge accounting, the Company maintains its current accounting practices based on CPC 38 / IAS 39, as mentioned in Note 2.5 above, being affected only by the new disclosure requirements starting January 1, 2018, as presented in Note 5.2.

b) Impacts of first-time adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9 in financial statements

The tables below show the impacts of first-time adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9 on the Company's individual and consolidated financial statements for the balance sheet as of December 31, 2018 and the statements of income and value added for the fiscal year ended December 31, 2018. There were no material impacts on the statement of cash flows for the nine-month period ended December 31, 2018.

i) Balance sheet as of December 31, 2018

	Company		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts before adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Total current assets	2,854,117	-	2,854,117
Total non-current assets (ii)	9,634,155	(4,406)	9,629,749
TOTAL ASSETS	12,488,272	(4,406)	12,483,866
Total current liabilities (i)	2,461,218	(12,959)	2,448,259
Total non-current liabilities	7,452,952	-	7,452,952
Total equity (iii)	2,574,102	8,553	2,582,655
TOTAL LIABILITIES AND EQUITY	12,488,272	(4,406)	12,483,866

	Consolidated		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts before adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Total current assets	6,455,759	-	6,455,759

Total non-current assets (ii)	8,923,790	(4,406)	8,919,384
TOTAL ASSETS	15,379,549	(4,406)	15,375,143
Total current liabilities (i)	4,566,881	(12,959)	4,553,922
Total non-current liabilities	8,238,566	-	8,238,566
Total equity (iii)	2,574,102	8,553	2,582,655
TOTAL LIABILITIES AND EQUITY	15,379,549	(4,406)	15,375,143

(i) Refers to balance of deferred revenue from the adoption of CPC 47 / IFRS 15, related to the loyalty program (points campaign), the performance recognition program and events. This balance is recorded as "Other current liabilities."

(ii) Refers to the impact of deferred income tax on deferred revenue mentioned in item (i) above. This balance is recorded as "Deferred income tax and social contribution."

(iii) Refers to net impact of items (i) and (ii) above, in profit or loss for the year. This balance is recorded as "Accumulated income."

ii) Statement of income for the fiscal year ended December 31, 2018

	Company		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts without adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Net revenue (i)	6,334,189	(130,547)	6,203,642
Cost of products sold	(2,503,637)	-	(2,503,637)
Gross profit	3,830,552	(130,547)	3,700,005
Operating expenses (i)	(2,734,074)	136,967	(2,597,107)
Operating profit before financial result	1,096,478	6,420	1,102,898
Financial result	(639,230)	6,539	(632,691)
Profit before income tax and social contribution	457,248	12,959	470,207
Income tax and social contribution (ii)	91,131	(4,406)	86,725
Net income for the period	548,379	8,553	556,932
Earnings per share - R$			
Basic	1.2735	0.0199	1.2934
Diluted	1.2713	0.0198	1.2911

	Consolidated		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts without adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Net revenue (i)	13,397,419	(171,427)	13,225,992
Cost of products sold	(3,782,843)	-	(3,782,843)
Gross profit	9,614,576	(171,427)	9,443,149
Operating expenses	(8,357,883)	177,847	(8,180,036)
Operating profit before financial result	1,256,693	6,420	1,263,113
Financial result	(583,288)	6,539	(576,749)

Profit before income tax and social contribution	673,405	12,959	686,364
Income tax and social contribution (ii)	(125,026)	(4,406)	(129,432)
Net income for the period	548,379	8,553	556,932
Earnings per share - R$			
Basic	1.2735	0.0199	1.2934
Diluted	1.2713	0.0198	1.2911

(i) Refers to: (a) balance of deferred revenue from the adoption of CPC 47 / IFRS 15, related to the loyalty program (points campaign) performance recognition program and events; and (b) reclassification of balance of penalties and additional charges for late payment from Operating Expenses to Net Revenue, which were considered variable components of consideration received for a performance obligation, according to CPC 47 / IFRS 15.

(ii) Refers to the impact of deferred income tax on deferred revenue mentioned in item (i) above.

iii) Statement of value added for the fiscal year ended December 31, 2018

	Company		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts without adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Revenue	8,430,343	12,959	8,443,302
Sales of goods, products and services (i)	8,396,674	12,959	8,409,633
Provision for doubtful accounts, net of reversals	6,976	-	6,976
Other operating income (expenses), net	26,693	-	26,693
Inputs acquired from third parties	(5,357,547)	-	(5,357,547)
Gross value added	3,072,796	12,959	3,085,755
Retentions	(190,519)	-	(190,519)
Value added produced by the Company	2,882,277	12,959	2,895,236
Transferred value added	2,205,179	-	2,205,179
Total value added to distribute	5,087,456	12,959	5,100,415
Distribution of value added	5,087,456	12,959	5,100,415
Payroll and social charges	596,621	-	596,621
Taxes, fees and contributions (ii)	1,629,102	4,406	1,633,508
Financial expenses and rentals	2,313,354	-	2,313,354
Dividends	56,661	-	56,661
Interest on equity	111,449	-	111,449
Retained earnings (iii)	380,269	8,553	388,822

	Consolidated		
	As reported	CPC 47 / IFRS 15 adjustments	Amounts without adoption of CPC 47 / IFRS 15 and CPC 48 / IFRS 9
Revenue	17,005,145	12,959	17,018,104
Sales of goods, products and services (i)	17,086,189	12,959	17,099,148

Provision for doubtful accounts, net of reversals	(11,689)	-	(11,689)
Other operating income (expenses), net	(69,355)	-	(69,355)
Inputs acquired from third parties	(10,002,306)	-	(10,002,306)
Gross value added	7,002,839	12,959	7,015,798
Retentions	(589,911)	-	(589,911)
Value added produced by the Company	6,412,928	12,959	6,425,887
Transferred value added	2,056,421	-	2,056,421
Total value added to distribute	8,469,349	12,959	8,482,308
Distribution of value added	8,469,349	12,959	8,482,308
Payroll and social charges	2,813,413	-	2,813,413
Taxes, fees and contributions (ii)	2,414,119	4,406	2,418,525
Financial expenses and rentals	2,693,438	-	2,693,438
Dividends	56,661	-	56,661
Interest on equity	111,449	-	111,449
Retained earnings (iii)	380,269	8,553	388,822

(i) Refers to balance of deferred revenue from the adoption of CPC 47 / IFRS 15, related to the loyalty program (points campaign) performance recognition program and events. This balance is recorded as "Other current liabilities."

(ii) Refers to the impact of deferred income tax on deferred revenue mentioned in item (i) above. This balance is recorded as "Deferred income tax and social contribution."

(iii) Refers to net impact of items (i) and (ii) above, in profit or loss for the year. This balance is recorded as "Retained earnings."

Other standards adopted for the first time for the period starting on or after January 1, 2018

The following standards, amendments and interpretations of standards were also adopted for the first time on January 1, 2018, but they did not exert significant effects on the Company's financial statements:

- Amendments to CPC 10 / IFRS 2 – Share-based Payment: Changes addressing areas involving measurement, classification and modification of terms and / or conditions of such transactions.

- ICPC 21 / IFRIC 22 – Foreign currency transaction and advance consideration: This interpretation addresses the foreign currency transaction (or part of it) when the entity recognizes non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income (or part of it).

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' Management in the process of application of accounting practices.

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 as follow:

3.1 Deferred income tax and social contribution

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

3.2 Provision for tax, civil, and labor risks

The Company is a party to several lawsuits and administrative proceedings, as described in note 19. 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 external legal counsel.

3.3 Post-employment healthcare plan

The current amount of the post-employment healthcare plan is contingent to a series of factors determined based on actuarial calculations, based on a series of financial and demographic assumptions, such as the discount rate, medical inflation and percentage of adhesion to the plan, which are disclosed in note 20.a).

3.4 Stock option plan, restricted share plan and strategy acceleration program

The stock option plan, restricted share plan and strategy acceleration program are measured at fair value at the grant date and the expense is recognized in profit or loss during the vesting period against "Additional paid-in capital" in shareholders' equity. At the balance sheet dates, the Management reviews the estimates as to the number of stock options/restricted shares and, where applicable, recognizes the effect arising from this review in profit or loss for period against shareholders' equity. The assumptions and models used to estimate the fair value of the stock option plan, restricted share plan and strategy acceleration program are disclosed in Note 25.1.

3.5 Impairment loss

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

Value in use is calculated based on the discounted cash flow model. Cash flows derive from a budget prepared for the following five to ten years, according to the operating segment, and their projections consider the market's expectations for operations, estimated investments and working capital, as well as other economic factors. The value in use is sensitive to the discount rate used under the discounted cash flow method, as well as the growth rate and perpetuity used for extrapolation purposes.

Details on this subject are presented in Note 15 e).

3.6 Provision for doubtful accounts

The provision for doubtful accounts is estimated based on the calculation of the risk of loss in each aging list group, considering different risks under the collection operation. The results of this methodology are shown in Note 8.

3.7 Provision for inventory losses

The provision for inventory losses is estimated using methodology for including discontinued products, products with slow turnover, products expired or nearing expiration and products that do not meet quality standards. The results of provisions are stated in Note 9.

4. BUSINESS COMBINATION

On September 7, 2017, Natura (Brazil) International B.V. - Netherlands ("Natura Netherlands"), subsidiary of the Company, concluded the acquisition of 100% of the shares issued by The Body Shop International Limited ("The Body Shop") held by L´Oréal S.A. ("Seller"), for R$ 3,987,541:

Valuation of the fair value of liquid assets on the acquisition date was concluded on March 31, 2018 without changes in the amounts recognized on December 31, 2017.

5. FINANCIAL RISK MANAGEMENT

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

Risk management of Natura operations (Brazil, Latam, Netherlands, USA and France) is performed by the Company's general treasury function, which is also responsible for approving the short-term investments and loan transactions. Risk management of the subsidiaries Aesop and The Body Shop is conducted by the local treasury departments, subject to monitoring and approval by the Company's Central Treasury.

Below are presented the carrying amounts and fair values of the Company's financial instruments as of December 31, 2018:

Company	Carrying amount	Fair value

Financial assets	Note	Fair value through profit or loss	Fair value – hedge instruments	Amortized cost	Total	Level 2
Financial derivatives		2,459	556,111	-	558,570	558,570
Certificate of Bank Deposits	6 and 7	-	-	1,274	1,274	1,274
Exclusive investment funds	7	923,973	-	-	923,973	923,973
Trade receivables and related parties	8 and 29.1	-	-	1,225,918	1,225,918	1,225,918
Cash and banks	6	94,281	-	-	94,281	94,281
Total		1,020,713	556,111	1,227,192	2,804,016	2,804,016

Company		Carrying amount				Fair value
Financial liabilities	Note	Fair value through profit or loss	Fair value – hedge instruments	Amortized cost	Total	Level 2
BNDES/Finep loans	16	-	-	(164,333)	(164,333)	(164,333)
Financial derivatives		-	(47,011)	-	(47,011)	(47,011)
Issue of debts in domestic currency	16	-	-	(4,680,665)	(4,680,665)	(4,868,792)
Issue of debts in foreign currency	16	-	-	(2,995,760)	(2,995,760)	(3,277,738)
Finance lease liabilities	16	-		(346,068)	(346,068)	(346,068)
Trade payables, forfait operations and related parties	17 and 29.1	-	-	(636,605)	(636,605)	(636,605)
Total		-	(47,011)	(8,823,431)	(8,870,442)	(9,340,547)

Consolidated		Carrying amount				Fair value
Financial assets	Note	Fair value through profit or loss	Fair value – hedge instruments	Amortized cost	Total	Level 2
Financial and operating derivatives		6,019	578,289	-	584,308	584,308
Government bonds	7	402,895	-	-	402,895	402,895
Treasury bills	7	574,310	-	-	574,310	574,310
Certificate of Bank Deposits	6 and 7	73,268	-	1,274	74,542	74,542
Repurchase operations	6	344,051	-	-	344,051	344,051
Loan investment fund	7	210,971	-	-	210,971	210,971
Trade receivables	8	-	-	1,691,581	1,691,581	1,691,581
Cash and banks	6	823,656	-	-	823,656	823,656
Total		2,435,170	578,289	1,692,855	4,706,314	4,706,314

Consolidated		Carrying amount				Fair value
Financial liabilities	Note	Fair value through profit or loss	Fair value – hedge instruments	Amortized cost	Total	Level 2

BNDES/Finep loans	16	-	-	(226,874)	(226,874)	(226,874)
Financial and operating derivatives			(69,189)	-	(69,189)	(69,189)
Issue of debts in domestic currency	16	-	-	(4,771,511)	(4,771,511)	(4,962,723)
Issue of debts in foreign currency	16	-	-	(2,995,760)	(2,995,760)	(3,277,738)
Finance lease liabilities	16	-	-	(446,235)	(446,235)	(446,235)
Trade payables and forfait operations	17	-	-	(1,736,791)	(1,736,791)	(1,736,791)
Total		-	(69,189)	(10,177,171)	(10,246,360)	(10,719,550)

5.2. Financial risk factors

The activities of the Company and its subsidiaries expose it 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 Company and its subsidiaries are exposed to market risks arising from their business activities. These risks mainly comprise possible fluctuations in exchange and interest rates.

One of the subjects currently in discussion in the international market, which could affect the operations of The Body Shop International Limited, is the withdrawal of the United Kingdom from the European Union, better known as Brexit. Despite many uncertainties on the final outcome of the negotiations, the Management has been monitoring its impacts, as well as studying and taking measures to mitigate the negative effects that may arise from it. One of these measures was the installation of a new distribution center in Continental Europe, which aims to mitigate Brexit risks and help The Body Shop in implementing logistic improvements in order to reduce average days of store supply, in line with more comprehensive business transformation goals.

To hedge the current balance sheet positions of the Company and its subsidiaries against market risks, the following derivative instruments are used and consist of the balances in the table below, as of December 31, 2018 and 2017:

The following derivative financial instruments are used by the Company as protection to market risks, which form the following Balance Sheet balances:

	Fair value (Level 2)			
	Company		Consolidated	
Description	2018	2017	2018	2017
Financial derivatives	511,559	6,560	512,365	10,781
Operational derivatives	-	-	2,754	3,997
Total	511,559	6,560	515,119	14,778

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

b) Foreign exchange risk

The Company and its subsidiaries are exposed to the foreign exchange risk arising from financial instruments denominated in currencies different from their functional currencies. To reduce this exposure, Natura Cosméticos implemented policies to hedge against the foreign exchange risk that establish exposure limits linked to this risk.

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

The Company's exchange rate hedging policy considers the values of foreign currency receivables and payables balances of commitments already made and recorded in the financial information from the operations, as well as future cash flows, with an average of six months, still not recorded in the balance sheet.

The Body Shop has a specific foreign exchange hedging policy that covers foreign currency loans among the group companies, as well as future purchase and sale operations of goods, for a maximum period of 12 months.

As of December 31, 2018, and December 31, 2017, the Group is basically exposed to the risk of fluctuation of the US dollar, euro and pound sterling. In order to hedge foreign exchange exposures in relation to foreign currency, the Group enter into transactions with derivative financial instruments such as "swap" and "Forward Delinquency" ("Non-Deliverable Forwards - NDF"). Pursuant to the Foreign Exchange Protection Policy, the derivatives contracted by the Company or its subsidiaries must limit the loss related to the exchange devaluation in relation to the net income projected for the current year, given a certain estimate of exchange rate devaluation against the US dollar. This limitation defines the ceiling or maximum exchange exposure permitted to the Group in relation to the US dollar and Euro.

As of December 31, 2018, individual and consolidated balance sheets include accounts denominated in foreign currency which, in the aggregate, represent net liabilities of R$3,001,4855 and R$3,012,897, respectively (as of December, 31, 2017, R$495,954 and R$510,477, respectively). These accounts consist of borrowings and financing, 100% hedged with swap derivatives.

i) Derivatives to hedge foreign exchange rate risk

The Company classifies derivatives into "financial" and "operational". "Financial" derivatives include swaps or forwards contracted to hedge against the foreign exchange risk associated with foreign-currency-denominated borrowings, financing and intercompany loans, "operational" derivatives include derivatives contracted to hedge against the foreign exchange risk on the business's operating cash flows.

Outstanding swap and forward contracts, with maturities between January 2020 and February 2023 were entered into the counterparties represented by Bank of America (0.5%), HSBC (29.3%), Citibank (11.6%), Bradesco (29.3%) and Itaú BBA (29.3%). Currency forward contracts against the pound sterling mature within 12 months and were executed with counterparties represented by HSBC and Santander. Swap agreements in Mexican pesos have maturities of up to 8 months and were executed with the other party represented by HSBC. On December 31, 2018, the balances of financial derivatives were:

Financial derivatives

Company Description	Principal (notional) amount 2018	2017	Accrual value 2018	2017	Fair value 2018	2017	Gain (loss) from fair value adjustment 2018	2017
Swap contracts (a):								
Asset position:								
Long position - U.S. dollar	2,374,915	483,954	3,027,661	495,857	3,284,334	496,813	256,674	956
Liability position:								
CDI floating rate:								
Short position in CDI	2,374,915	483,954	2,471,605	489,831	2,772,775	490,253	301,170	422
Total net derivative financial instruments:	-	-	556,056	6,026	511,559	6,560	(44,496)	534

Consolidated Description	Principal (notional) amount 2018	2017	Accrual value 2018	2017	Fair value 2018	2017	Gain (loss) from fair value adjustment 2018	2017
Swap contracts (a):								
Asset position:								
Long position - U.S. dollar	2,381,918	494,329	3,038,908	510,071	3,295,032	510,426	256,124	355
Liability position:								
CDI floating rate:								
Short position in CDI	2,381,918	494,329	2,478,623	500,206	2,779,720	500,477	301,098	271
Swap contracts (a):								
Asset position:								
Short position in Mexican peso	58,606	-	56,633	-	57,346	-	713	-
Liability position:								
CDI floating rate:								
Long position in interbank rate	58,606	-	59,525	-	60,293	-	768	-
Forward contracts (b)								
Net exchange rate position vs. GBP	-	315,972	-	615	-	832	-	217
Total net derivative financial instruments:	-	315,972	557,393	10,480	512,365	10,781	(45,029)	301

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

(b) Financial forward operations consist of hedging against exchange variation through operations involving various currencies against the pound sterling.

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, 2018 and December 31, 2017, due to the fact contracts are directly entered into with the financial institutions and not through B3, there are no margin calls deposited as guarantee of the related transactions.

Operational derivatives - Consolidated

On December 31, 2018, the Company holds forward derivative instruments with HSBC and Santander in order to hedge against exchange rate risk on import and export operations of the subsidiary The Body Shop against pound sterling and U.S. dollar. The Company does not have any operational derivative contract in the period.

These derivatives are measured at fair value, with gains and losses recognized in the group of costs of products sold and are broken down as follows:

	Principal (notional) amount		Fair value	
Description	2017	2018	2017	2018
Net position - GBP and USD	-	(52,414)	-	4,109
Forward contracts	1,773,810	(3,975)	2,754	(112)
Total derivative instruments, net	1,773,810	(56,389)	2,754	3,997

Sensitivity analysis

For the sensitivity analysis of the risk of foreign exchange rate exposure, the Company's Management understands it is necessary to consider in addition to the assets and liabilities, with exposure to the fluctuation of exchange rates recorded in the balance sheet, the value of the fair value of the financial instruments contracted by the Company for the protection of certain exposures as of December 31, 2018, as shown in the table below:

	Company	Consolidated
Loans and financing registered in Brazil in foreign currency (*)	(3,027,652)	(3,039,064)
Receivables registered in Brazil in foreign currency	-	10,058
Accounts payable registered in Brazil in foreign currencies	(5,882)	(11,006)
Value of the financial derivatives	3,284,334	3,295,032
Net asset exposure	250,800	255,020

(*) Excluding transaction costs.

This analysis considers only financial assets and liabilities registered in Brazil in foreign currency, since exposure to exchange variation in other countries is close to zero due to the strength of currencies and the effectiveness of their derivatives, and considers that all other variables, especially interest rates, remain constant and ignore any impact of forecasting purchases and sales.

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

	Company

Description	Risk	Probable scenario	Scenario II	Scenario III
Net exposure	Appreciation of the U.S. dollar	1,325	51,220	84,484

		Consolidated		
Description	Risk	Probable scenario	Scenario II	Scenario III
Net exposure	Appreciation of the U.S. dollar	1,348	52,082	85,905

The probable scenario considers forward rates for the U.S. dollar, based on the quotes obtained from B3, applied to the financial instruments with foreign-currency exposure. Scenarios II and III consider additional appreciation in the U.S. dollar of 25% (R$4.87/US$1.00) and 50% (R$5.84/US$1.00), respectively. Probable scenarios II and III are presented as required by CVM Instruction 475/08. The exchange rates in the three scenarios (R$3.89/US$1.00 to R$5.84/US$1.00), exceed the extension of future prices (according to B3) of all dates of expected maturities of financial instruments with exposures. In assessing possible changes in exchange rates, Management uses the probable scenario, which is being presented for compliance with IFRS 7/CPC 40 – Financial Instruments: Disclosures.

The Group does not use derivative financial instruments for speculative purposes.

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 of Natura Cosméticos S.A. and Natura Distribuidora de México, S.A. de C.V., and operating cash flows resulting from the purchase and sale denominated in foreign currency of The Body Shop, 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, 2018 as set out below:

Cash flow hedge instrument – Company

					Others comprehensive income	
Hedged item	Notional currency	Notional value	Accrual value	Fair value (a)	Accumulated loss	Loss in the year

Swap of currency - US$/R$	Currency	BRL	2,371,800	553,444	509,100	(44,344)	(45,112)

Cash flow hedge instrument – Consolidated

						Others comprehensive income	
	Hedged item	Notional currency	Notional value	Accrual value	Fair value (a)	Accumulated loss	Loss in the year
	Currency	BRL	2,371,800	553,444	509,100	(44,344)	(45,112)
Forward contract	Currency	GBP	2,003,785	6,761	2,947	(3,814)	(35)
Swap of currency - MXN/R$	Currency	MXN	58,606	(2,892)	(2,947)	(55)	(55)

(a) The method used by the Company to determine fair value consists in calculating the future value based on the contracted conditions and determines present value based on market accrual extracted from B3.

The changes in cash flow hedge reserve booked under other comprehensive income are shown below:

	Company	Consolidated
Cash flow hedge reserve as of December 31, 2017	507	2,112
Change in the fair value of hedge instrument recognized in other comprehensive income	(45,112)	(45,202)
Tax effects on fair value of hedge instrument	15,338	15,384
Cash flow hedge reserve as of December 31, 2018	(29,267)	(27,706)

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.

On December 31, 2018, the consolidated position of instruments designated as cash flow hedge totaled seven hundred fifty million U.S. dollars (US$750,000,000), three hundred eighty-three million and three hundred seventy-five thousand pounds sterling (£383,375,000) and two hundred ninety-seven million and one hundred ninety-two thousand Mexican pesos (MXN 297,192,000) of notional amount or R$2,371,800, R$2,003,785 and R$58,606, respectively.

c) 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.

The Group contracts swap derivatives with the purpose of mitigating the risks of loans and financing contracted at fixed rates.

Sensitivity analysis

On December 31, 2018, there are loans and financing denominated in foreign currency and issued at fixed rates under contract "swap ", changing the interest over 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 16)	(5,185,341)	(5,427,483)
Operations in foreign currency with derivatives pegged to CDI (a)	(3,001,485)	(3,012,897)
Short-term investments (notes 6 and 7)	925,247	1,606,769
Net exposure	(7,261,579)	(6,833,611)

(a) 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 6 and 7).

The tables below set out projected incremental loss that will be recognized in income statement for the subsequent year, assuming that the current net liability exposure will remain unaltered and the following scenarios:

	Company			
Description	Risk	Probable scenario	Scenario II	Scenario III
Net liability	Rate increase	(2,178)	(118,908)	(235,638)

	Consolidated			
Description	Risk	Probable scenario	Scenario II	Scenario III
Net liability	Rate increase	(2,051)	(111,900)	(221,751)

The probable scenario considers future interest rates obtained at B3 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% (8.4% per year) and 50% (10.0% per year), respectively, on the CDI rate of 6.7% per year.

d) 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. The Group's sales are made to a high number of Natura's Consultants and this risk is managed through a credit granting process. The result of this management is reflected in the 'Provision for doubtful accounts' under "Trade receivables", as explained in Note 8.

The Company 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 Management 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.

e) 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 Group's consolidated liquidity level considering the expected cash flows against unused credit facilities.

Net balances are positive again due to the settlement of the debtor balance of Promissory Notes using proceeds from the issue of debt Notes carried out on February 1, 2018, with maturity of the last installment in February 2023 (see Note 16), as shown in the table below:

	Company		Consolidated	
	2018	2017	2018	2017
Total current assets	2,854,117	3,544,427	6,455,759	7,056,309
Total current liabilities	(2,461,218)	(4,803,307)	(4,566,881)	(6,912,005)
Total net working capital	392,899	(1,258,880)	1,888,878	144,304

The carrying amounts of financial liabilities, measured at amortized cost, considering interest payments at a floating rate and the amount of debt securities reflecting forward market interest rates at reporting date can be changed as post-fixed interest rates change. Their corresponding maturities are as follows:

Company	Less than one year	One to two years	Two to five years	Total expected cash flow	Interest in incur	Carrying amount
Borrowings, financing and debentures	1,395,511	1,828,321	6,279,590	9,503,422	(1,316,596)	8,186,826

Payables to related parties, Trade and other payables	636,605	-	-	636,605	-	636,605

Consolidated	Less than one year	One to two years	Two to five years	Total expected cash flow	Interest in incur	Carrying amount
Borrowings, financing and debentures	1,477,125	1,878,903	6,502,925	9,858,953	(1,418,573)	8,440,380
Payables to related parties, Trade payables and forfait operations	1,736,791	-	-	1,736,791	-	1,736,791

The Company also has the following credit line:

- Up to seventy million pounds sterling (£70 million), with no guarantee, that can be withdrawn in installments to meet short-term financing needs of The Body Shop International Limited. This credit line is valid for two years (March 2020) and is renewed automatically at the discretion of The Body Shop International Limited. Interest is paid based according to LIBOR or EURIBOR + 2.0% p.a.

On December 31, 2018, the Company did not use this credit line.

5.3. 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 capital cost.

The Company monitors capital based on the financial leverage ratios. This ratio corresponds to the net debt divided by the total equity. 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 and short term investments (except for Crer para Ver funds). 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, 2018, and December 31, 2017 are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Short - and long-term borrowings and financing (note 16)	8,186,826	8,455,723	8,440,380	9,331,900
Financial and operational derivatives	(511,559)	(6,560)	(515,119)	(14,778)
Cash and cash equivalents and securities (note 6 and 7, except Crer para Ver funds)	(992,699)	(2,001,823)	(2,403,596)	(3,648,477)
Net debt	6,682,568	6,447,340	5,521,665	5,668,645
Shareholders' equity	2,574,102	1,634,746	2,574,102	1,634,746
Financial leverage ratio	2.60	3.94	2.15	3.47

a) Fair Value Estimate

Financial instruments that are measured at fair value at the end of the reporting period as prescribed by CPC 46 / IFRS 13 – Fair Value Measurement follow the hierarchy below:

- 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, 2018, and December 31, 2017, the measurement of Group's derivatives falls under the Level 2 characteristics and there were no changes in levels in the period. 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.

i) Fair values of financial instruments measured at amortized cost (Level 2)

Short-term investments

The carrying amounts of the short-term investments in Certificates of Bank Deposits measured at amortized cost approximate their fair values as transactions are conducted at floating interest rates.

Borrowings, financing and debentures

The carrying amounts of borrowings and financing, except those pegged to a fixed rate, are considered for 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.

Trade receivables and 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 Group does not maintain any guarantees for past-due receivables and payables.

6. CASH AND CASH EQUIVALENT

	Company		Consolidated	
	2018	2017	2018	2017
Cash and banks	94,281	74,377	823,656	556,536
Certificate of Bank Deposits (a)	1,274	1,327	47341	144,541

Repurchase agreements (b)	-	-	344,051	992,054
	95,555	75,704	1,215,048	1,693,131

(a) On December 31, 2018, investments in Certificate of Bank Deposits are remunerated at an average rate of 101.0% of CDI (101.2% of CDI as of December 31, 2017) with daily maturities redeemable with the issuer itself, without significant loss of value.

(b) Repurchase agreements are securities issued by banks with a commitment by the bank to repurchase the securities, and by the client to resell the security, at a defined 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. On December 31, 2018, repurchase operations are remunerated at an average rate of 100.0% of CDI (100.2% of the CDI on December 31, 2017).

7. SHORT-TERM INVESTMENTS

	Company		Consolidated	
	2018	2017	2018	2017
Exclusive investment funds	923,973	1,926,119	-	-
Loan investment funds	-	-	210,971	174,668
Certificate of Bank Deposits (a)	-	21,959	27,201	21,959
Treasury bills	-	-	574,310	915,853
Government bonds (LFT)	-	-	402,895	864,825
	923,973	1,948,078	1,215,377	1,977,305

(a) Investments were reclassified from Certificate of Bank Deposits to Exclusive investment funds in April 2018. Balance on December 31, 2018 related to Crer para Ver line within the exclusive fund is R$26,829.

The Company concentrates most of investments in an exclusive investment fund. On December 31, 2018 the companies Natura Cosméticos S.A., Natura Logística e Serviços Ltda, Indústria e Comércio de Cosméticos Natura Ltda., Natura Comercial Ltda. and Natura Biosphera Franqueadora Ltda. have interest in shares of the Fund Essential Investment.

The amount of shares held by the Company is disclosed under "Investment Fund Exclusive" in the individual financial statements. The financial information of the 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 Natura Cosméticos.

The Essential is a Private Credit Multimarket Investment Fund managed, administrated and by custody of Itaú Unibanco Asset Management. Eligible assets in the portfolio are: government securities, CDBs, financial letters and repurchase agreements. There is no grace period for redemption of shares that may be redeemed at any time.

Breakdown of the exclusive fund portfolio on December 31, 2018 and December 31, 2017 is as follows:

	2018	2017
Certificates of deposit	73,268	143,214
Repurchase agreements	344,051	992,054
Treasury bills	574,310	915,853
Government bonds (LFT)	402,895	864,825
	1,394,524	2,915,946

8. TRADE RECEIVABLES

	Company		Consolidated	
	2018	2017	2018	2017
Trade receivables	1,281,174	1,069,118	1,820,823	1,625,474
Provision for doubtful accounts	(67,175)	(74,151)	(129,242)	(117,553)
	1,213,999	994,967	1,691,581	1,507,921

The balance of trade receivables in Consolidated is basically denominated in Brazilian reais, and approximately 73% of the outstanding balance as of December 31, 2018 (68% as of December 31, 2017), refers to real-denominated transactions. The remaining balance is denominated in several currencies and refers to sales by rather foreign subsidiaries.

Maximum exposure to credit risk at the reporting date is the carrying amount of each aging range, net of the provision for doubtful accounts, as shown in the aging list below:

	Company		Consolidated	
	2018	2017	2018	2017
Current	1,106,923	928,290	1,491,773	1,351,516
Past due:				
Up to 30 days	72,037	45,544	139,680	120,664
31 to 60 days	29,113	27,663	45,981	42,785
61 to 90 days	23,246	23,033	34,207	33,557
91 to 180 days	49,855	44,588	109,182	76,952
Provision for doubtful accounts	(67,175)	(74,151)	(129,242)	(117,553)
	1,213,999	994,967	1,691,581	1,507,921

The table below shows trade receivables by exposure to doubtful accounts on December 31, 2018 (see Note 2.6):

	Company		Consolidated	
	Trade receivables	Provision for doubtful accounts	Trade receivables	Provision for doubtful accounts
Current	1,106,923	(9,021)	1,491,773	(13,035)
Past due:				
Up to 30 days	72,037	(9,566)	139,680	(15,305)
31 to 60 days	29,113	(9,471)	45,981	(12,798)
61 to 90 days	23,246	(9,658)	34,207	(13,248)
91 to 180 days	49,855	(29,459)	109,182	(74,856)
	1,281,174	(67,175)	1,820,823	(129,242)

The changes in the provision for doubtful accounts for the year ended December 31, 2018 are as follows:

Company			
Balance in 2017	Additions (a)	Write-offs (b)	Balance in 2018
(74,151)	(169,244)	176,220	(67,175)

Consolidated				
Balance in 2017	Additions (a)	Write-offs (b)	Exchange variation	Balance in 2018
(117,553)	(237,884)	228,495	(2,300)	(129,242)

The changes in the provision for doubtful accounts for the year ended December 31, 2017 are as follows:

Company			
Balance in 2016	Additions (a)	Write-offs (b)	Balance in 2017
(115,618)	(135,466)	176,933	(74,151)

Consolidated				
Balance in 2016	Additions (a)	Write-offs (b)	Exchange variation	Balance in 2017
(142,945)	(233,714)	259,950	(844)	(117,553)

(a) Provision for doubtful accounts recognized according to note 2.6.

(b) Refers to accounts overdue for more than 180 days which were written off due to uncollectible amounts.

The amount of impairment losses on trade receivable is presented in the Income Statements and it is composed by the net effect of the provision for expected credit losses and the write-off of trade receivable when there is no expectation to recover the credits.

9. INVENTORIES

	Company		Consolidated	
	2018	2017	2018	2017
Finished products	197,912	188,597	1,209,975	1,064,714
Raw materials and packaging	-	-	215,813	230,100
Promotional material	16,771	22,986	95,168	92,264
Work in progress	-	-	21,984	16,857
Provision for losses	(15,280)	(19,195)	(178,268)	(160,010)
	199,403	192,388	1,364,672	1,243,925

The changes in the provision for inventory losses for the year ended December 31, 2018 are as follows:

Balance in 2017	Reversals (Net Additions) (a)	Write-offs (b)	Balance in 2018
(19,195)	204	3,711	(15,280)

Balance in 2017	Reversals (Net Additions) (a)	Write-offs (b)	Exchange Variation	Balance in 2018
(160,010)	(180,084)	157,341	4,485	(178,268)

The changes in the provision for inventory losses for the year ended December 31, 2017 are as follows:

Company

Consolidated

Balance in 2016	Reversals (Net Additions) (a)	Write-offs (b)	Balance in 2017
(10,495)	(20,543)	11,843	(19,195)

Balance in 2016	Reversals (Net Additions) (a)	Write-offs (b)	Exchange Variation	Balance in 2017
(131,614)	(119,449)	88,891	2,162	(160,010)

(a) Refer to the recognition and/or net reversals of the provision 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 Group.

10. RECOVERABLE TAXES

	Company		Consolidated	
	2018	2017	2018	2017
ICMS on purchase of goods (a)	642	2,183	420,835	443,756
Taxes on purchase of goods – subsidiaries abroad	-	-	42,198	50,694
Other taxes - foreign subsidiaries	-	-	112	784
ICMS on purchases of fixed assets	2,321	2,586	9,098	10,343
PIS and COFINS on purchases of fixed assets	32,810	33,791	42,175	58,012
PIS and COFINS on purchase of goods	39,620	55,362	194,382	56,270
Withholding PIS, COFINS and CSLL	1,163	502	2,085	2,210
IPI recoverable	2,535	8,681	35,770	23,553
Others	-	-	1,238	4,080
	79,091	103,105	747,893	649,702
Current	44,017	67,239	379,253	210,563
Non-current	35,074	35,866	368,640	439,139

(a) Accumulated ICMS tax credits were mainly generated from the purchases, which tax rate is higher than average sales rates. Additionally, the Company has increased its exports, whose tax rate is zero. The credits are accumulated in the State of São Paulo and the Company's Management has already a short and long-term recovery plan.

11. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

Deferred Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) result from temporary differences in the Group. The balance of deferred taxes on tax losses and tax loss carryforwards was also recognized in certain subsidiaries and the Company. The amounts are as follows:

i) Breakdown of deferred income tax and social contribution - Net Assets:

	Company		Consolidated	
	2018	2017	2018	2017
Tax loss carryforwards and negative basis of social contribution tax	140,355	10,243	235,302	60,363
Provision for doubtful accounts (note 8)	22,840	25,211	28,215	46,110
Allowance for losses on inventories (note 9)	5,195	6,526	47,509	44,982
Provision for tax, civil and labor contingencies (note 19)	52,917	50,215	68,305	82,308
Effect of changes in fair value of derivative instruments, including hedge accounting transactions (note 5.2.)	(173,930)	(2,230)	(177,212)	(4,754)

Provision for ICMS – ST (note 18)	41,129	51,472	41,129	51,472
Allowances for losses on advances to suppliers	2,789	1,907	2,789	1,907
Accrued benefits sharing and partnerships	12,794	14,957	14,590	16,021
Provision for profit sharing	34,768	25,524	77,912	54,944
Adjustment to useful life of assets	(75,086)	(72,137)	(128,367)	(121,771)
Provision carbon credits	4,208	4,220	4,208	4,220
Profit not eliminated in inventories	-	-	25,604	24,033
Provision for losses - property and intangible assets	6,365	6,098	9,048	9,365
INSS with Suspended Liability (note 18)	6,174	4,573	14,250	12,303
Financial lease	14,325	4,969	14,325	7,400
Others expenses provision	29,432	20,077	55,694	46,129
Other temporary differences (a)	21,566	-	26,827	-
Post-employment healthcare plan	-	-	(24,912)	-
Fair value of identifiable net assets in business combinations of Emeis Holdings Pty Ltd	36,165	9,665	39,950	12,295
Share-based payment plan	15,177	12,840	23,234	(3,174)
Income tax and social contribution	197,183	174,130	398,400	344,153

(a) Refers to the recognition of a provision to comply with accrual-basis accounting, reflecting the actual expenses incurred in the period, but without the issue of invoices by suppliers.

ii) Breakdown of deferred income tax and social contribution - Liabilities:

	Consolidated	
	2018	2017
Fair value of identifiable net assets in business combination (b)	431,534	422,369

(b) On December 31, 2018, the balance includes deferred income tax liability on the fair value of net identifiable assets in the acquisition of The Body Shop International Limited. On December 31, 2017, the balance also included deferred income tax liability on the fair value of identifiable net assets in the acquisition of control of Emeis Holdings Pty Ltd, which was transferred to deferred income tax asset during fiscal year 2018.

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

Management's expectation is that net tax liabilities and credits will be realized as follows:

	Company	Consolidated
2019	209,610	375,898
2020	72,991	97,642
2021	80,121	95,115
2022	8,906	13,303
2023	(170,839)	(169,137)

2024 onwards	(3,606)	(14,421)
	197,183	398,400

With respect to the foreign subsidiaries listed below, tax credits on tax loss carryforwards and temporary differences are not fully recorded due to the history of lack of taxable profit and taxable profit projections for the coming fiscal years.

As of December 31, 2018 and 2017, tax credits calculated at the prevailing tax rates in the countries where the subsidiaries are located, are as follows:

Tax losses	2018	2017
Natura (Mexico, France and the USA) (i)	382,971	422,188
Aesop (Substantially by operations in the US, Germany and Brazil)	47,659	19,618
The Body Shop (Operations in the US, France and Brazil)	406,556	412,775
	837,186	854,581

(i) On December 31, 2018, Natura's Mexico operation started recognizing tax credits on accumulated losses, due to significant business growth that led to positive taxable income projections for the following years.

Tax credits on tax loss carry forwards generated by the subsidiaries can be carried forward indefinitely.

b) Reconciliation of income tax and social contribution

	Company		Consolidated	
	2018	2017	2018	2017
Income before income tax and social contribution	457,248	647,468	673,405	971,192
Income tax and social contribution at the rate of 34%	(155,464)	(220,139)	(228,958)	(330,205)
Technological research and innovation benefit - Law 11,196/05 (a)	-	16,453	-	16,453
Tax incentives	978	1,277	10,794	5,823
Subsidy for investments (b)	12,505	-	12,505	-
Equity in the earnings of subsidiaries (note 14)	190,913	201,598	-	-
Effect from differences of tax rates of entities abroad	-	-	14,077	18,950
Recognition of prior-year tax losses – USA and Mexico	-	-	70,065	35,393
Tax on profit of subsidiaries abroad	(12,694)	(2,037)	(12,694)	(2,037)
Unrecognized tax loss in the year	-	-	(11,799)	(17,787)
Tax Benefits of interest on equity (IOE)	40,208	28,523	40,208	28,523
Post-employment healthcare plan	23,977	(2,046)	30,082	(2,651)
Other permanent differences	(9,292)	(846)	(49,306)	(53,403)
Income tax and social contribution expenses	91,131	22,783	(125,026)	(300,941)
Income tax and social contribution - current	109,667	123,105	(182,324)	(140,899)
Income tax and social contribution - deferred	(18,536)	(100,322)	57,298	(160,042)

Effective rate - %	-19.9	-3.5	18.6	31.0

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

(b) ICMS tax incentives resulting from Company's regular operations.

The changes in deferred asset and liability income tax and social contribution for the fiscal year ended December 31, 2018 were as follows:

	Asset		Liability
	Company	Consolidated	Consolidated
Balance at December 31, 2017	174,130	344,153	(422,369)
(Debit)/Credit in profit or loss	(18,536)	52,384	4,914
Merger Natura Inovação	6,800	-	-
Reserve for grant of options and restricted shares	10,982	12,167	-
(Debit)/Credit in other comprehensive income	23,807	26,916	-
(Debit)/Credit in other comprehensive income (exchange variation)	-	39	(51,338)
Transfer between deferred income tax and social contribution liability and asset	-	(37,259)	37,259
Balance at December 31, 2018	197,183	398,400	(431,534)

12. JUDICIAL DEPOSITS

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

The judicial deposits of the Group as of December 31, 2018 and December 31, 2017 are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Unaccrued tax lawsuits (a)	121,639	152,660	173,027	198,161
Accrued tax lawsuits (b) (note 18 and 19)	131,968	97,041	140,750	105,594
Unaccrued civil lawsuits	2,285	997	2,822	1,269
Accrued civil lawsuits (note 19)	553	664	649	988
Unaccrued labor lawsuits	5,392	3,905	6,991	5,496
Accrued labor lawsuits (note 19)	7,850	6,947	9,338	7,925
Total judicial deposits	269,687	262,214	333,577	319,433

(a) The proceedings related to these judicial deposits basically refer to ICMS - ST, note 19 (a) - contingent liability - possible risk of loss.

(b) The proceedings related to these judicial deposits basically refer to the sum of amounts disclosed in note 18, item (a) and the amount accrued as explained in the note 19.

Changes in the balances of escrow deposits for the fiscal years ended December 31 are presented below:

	Company		Consolidated	
	2018	2017	2018	2017
Balance at December 31, 2017	262,214	249,889	319,433	303,074
New deposits	12,158	7,144	19,691	8,194
Redemptions	(13,722)	(10,371)	(13,948)	(11,142)
Inflation adjustment	11,465	15,552	13,780	19,307
Merger of Natura Inovação	1,748	-	-	-
Write-offs for expenses	(4,176)	-	(5,379)	-
Balance at December 31, 2018	269,687	262,214	333,577	319,433

13. OTHER CURRENT AND NON-CURRENT ASSETS

	Company		Consolidated	
	2018	2017	2018	2017
Marketing and advertising advances	48,126	45,456	48,429	45,591
Supplier advances	10,770	8,422	76,707	44,606
Employee advances	6,898	4,881	12,965	9,764
Rent advances (a)	-	-	96,177	79,024
Insurance	3,256	3,191	7,535	9,263
Customs broker advances - Import taxes	17	-	14,866	11,825
Assets held for sale	160	160	160	160
Carbon credits	10,317	10,114	10,317	10,114
Other	4,304	14,235	47,475	47,006
	83,848	86,459	314,631	257,353
Current	83,688	86,299	263,025	211,208
Non-current	160	160	51,606	46,145

(a) Mainly refers to advances and security deposits of property rents of certain stores of the subsidiary The Body Shop International Limited.

14. INVESTMENTS

	Company	
	2018	2017
Investments in subsidiaries	7,453,362	6,602,469

Information and changes in the balances for the years ended December 31, 2018 and December 31, 2017:

	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. - Colombia	Natura (Brasil) International B.V. - Netherlands (*)	Natura Cosméticos España S.L.	Natura Biosphera Franqueadora Ltda.	Natura Comercial Ltda.	Natura Brazil Pty Ltd (*)	Total
Percentage of interest	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	100.00%	100.00%	99.99%	99.99%	100.00%	
Shareholders' equity of subsidiaries	1,737,804	144,599	22,850	177,283	-	-	113,788	78,274	4,674,328	113	21,781	54,826	452,714	7,478,360
Share in shareholders' equity	1,712,866	144,585	22,848	177,265	-	-	113,777	78,266	4,674,328	113	21,779	54,821	452,714	7,453,362
Net income for the year of subsidiaries	295,100	23,353	(1,135)	14,006	-	15,720	58,001	26,215	60,455	-	10,843	(2,650)	61,642	561,550
Balance as of December 31, 2016	1,326,869	124,485	14,928	192,682	229	37,926	10,604	41,186	8,639	603	4,766	16,042	325,258	2,104,217
Equity in subsidiaries	308,682	27,050	5,180	90,509	-	22,164	35,462	7,700	79,097	(53)	6,171	(2,571)	13,544	592,935
Exchange variation and other adjustments in the translation of investments of subsidiaries abroad	(57)	9,211	402	(31,126)	3	-	(600)	616	213,070	(449)	-	-	30,217	221,287
Contribution of the company to share option plans granted to executives of subsidiaries and other reserves	(12,401)	-	-	-	-	268	-	-	-	-	-	-	-	(12,133)
Actuarial losses	(11,352)	-	-	-	-	(1,072)	-	-	-	-	-	-	-	(12,424)
Effect on net hedge of tax effects	231	-	-	-	-	-	-	-	1,473	-	-	-	-	1,704
Distribution of dividends	-	(25,026)	-	(50,422)	-	(30,235)	-	-	-	-	-	-	-	(105,683)
Increase in capital	-	-	-	-	-	-	-	-	3,788,566	-	-	24,000	-	3,812,566
Balance as of December 31, 2017	1,611,972	135,720	20,510	201,643	232	29,051	45,466	49,502	4,090,845	101	10,937	37,471	369,019	6,602,469
Equity in subsidiaries	295,070	23,351	(1,135)	14,005	-	15,720	57,995	26,212	60,455	-	10,842	(2,650)	61,642	561,507
Exchange variation and other adjustments in the translation of investments of subsidiaries abroad	(75)	5,080	3,473	(82,443)	(232)	-	10,370	2,552	503,348	12	-	-	22,053	464,138
Effect of adjustment of hyperinflationary economy	-	-	-	66,655	-	-	-	-	-	-	-	-	-	66,655
Contribution of the company to share option plans granted to executives of subsidiaries and other reserves, net of tax effects	3,889	-	-	-	-	(13,299)	-	-	-	-	-	-	-	(9,410)
Actuarial gains / (losses) net of tax effects	(2,990)	-	-	-	-	1,596	-	-	-	-	-	-	-	(1,394)
Effect on net hedge of tax effects	-	-	-	-	-	-	(54)	-	10	-	-	-	-	(44)
Merger of Natura Inovação	-	-	-	-	-	(33,068)	-	-	-	-	-	-	-	(33,068)
Dividend distribution	(195,000)	(19,566)	-	(22,595)	-	-	-	-	-	-	-	-	-	(237,161)
Increase in capital	-	-	-	-	-	-	-	-	19,670	-	-	20,000	-	39,670
Balances as of December 31, 2018	1,712,866	144,585	22,848	177,265	-	-	113,777	78,266	4,674,328	113	21,779	54,821	452,714	7,453,362

(*) Consolidated information of the following companies:

Indústria e Comércio de Cosméticos Natura Ltda. - Indústria e Comércio de Cosméticos Natura Ltda. and 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 (Brazil) International B.V. - Netherlands: Natura (Brazil) International B.V. (Netherlands), Natura Brasil Inc. (USA – Delaware), Natura International Inc. (USA – New York), Natura Europa SAS (France) and The Body Shop International Limited.

Natura Brazil Pty. Ltd.: Natura Brazil Pty. Ltd., Natura Cosmetics Australia Pty. Ltd. and Emeis Holdings Pty. Ltd.

15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property, plant and equipment

	Company							
	Useful life range (in years)	2017	Additions	Additions Merger	Write-offs	Transfers	Other changes	2018
Cost value:								
Vehicles	2 a 5	38,227	13,903	3,642	(12,179)	621	-	44,214
Tools and accessories	3 a 20	133	-	837	-	-	-	970
Machinery and accessories	2 a 15	181,515	874	16,229	-	23	-	198,641
Leasehold improvements (a)	2 a 20	91,814	2,500	5,736	(5)	5,038	-	105,083
Buildings	14 a 60	477,094	-	-	-	-	-	477,094
Furniture and fixture	2 a 25	23,364	117	2,543	(15)	456	-	26,465
Land	-	4,413	-	-	-	-	-	4,413
IT equipment	3 a 15	109,880	685	1,673	(410)	1,440	-	113,268
Projects in progress	-	8,594	14,245	314	-	(10,230)	(2,524)	10,399
Total cost		935,034	32,324	30,974	(12,609)	(2,652)	(2,524)	980,547
Depreciation value:								
Vehicles		(17,529)	(10,145)	(2,093)	8,800	(29)	-	(20,996)
Tools and accessories		-	(18)	(47)	-	(1)	-	(66)
Machinery and accessories		(67,875)	(12,719)	(9,263)	(59)	172	-	(89,744)
Leasehold improvements (a)		(26,751)	(6,642)	(1,846)	2	-	-	(35,237)
Buildings		(38,069)	(33,019)	-	-	48	-	(71,040)
Furniture and fixture		(4,423)	(1,628)	(1,614)	(15)	(192)	-	(7,872)
IT equipment		(74,091)	(12,422)	(1,546)	412	2	-	(87,645)
Total depreciation		(228,738)	(76,593)	(16,409)	9,140	-	-	(312,600)
Overall total		706,296	(44,269)	14,565	(3,469)	(2,652)	(2,524)	667,947

	Useful life range (in years)	Company 2016	Additions	Write-offs	Transfers (i)	Other changes	2017
Cost value:							
Vehicles	2 to 5	39,960	12,132	(13,673)	-	(192)	38,227
Tools and accessories	3 to 20	-	133	-	-	-	133
Machinery and accessories	2 to 15	178,349	47	(127)	922	2,324	181,515
Leasehold improvements (a)	2 to 20	67,365	6,929	(5,312)	24,044	(1,212)	91,814
Buildings	14 to 60	331,823	8,739	-	136,532	-	477,094
Furniture and fixture	2 to 25	13,153	1,155	(622)	9,678	-	23,364
Land	-	4,413	-	-	-	-	4,413
IT equipment	3 to 15	123,978	3,501	(15,356)	(14)	(2,229)	109,880
Projects in progress	-	21,763	27,929	(2)	(42,075)	979	8,594
Total cost		780,804	60,565	(35,092)	129,087	(330)	935,034
Depreciation value:							
Vehicles		(18,015)	(7,107)	7,624	-	(31)	(17,529)
Machinery and accessories		(55,880)	(12,093)	98	-	-	(67,875)
Leasehold improvements (a)		(22,042)	(4,977)	268	-	-	(26,751)
Buildings		(24,878)	(11,661)	-	(1,530)	-	(38,069)
Furniture and fixture		(3,865)	(891)	333	-	-	(4,423)
IT equipment		(79,630)	(10,980)	15,282	1,237	-	(74,091)
Total accrued depreciation		(204,310)	(47,709)	23,605	(293)	(31)	(228,738)
Net total		576,494	12,856	(11,487)	128,794	(361)	706,296

	Consolidated							
	Useful life range (in years)	2017	Additions	Write-offs	Impairment (k)	Transfers	Other changes including exchange variation (g) (i)	2018
Cost value:								
Vehicles	2 to 5	73,775	25,215	(20,835)	-	320	(403)	78,072
Templates	3	219,402	95	(23,925)	-	7,930	312	203,814
Tools and accessories	3 to 20	6,404	57	-	-	1,499	201	8,161
Facilities	3 to 60	297,943	3,961	(223)	-	2,108	6,493	310,282
Machinery and accessories	3 to 15	783,134	11,213	(433)	-	4,807	21,198	819,919
Leasehold improvements (a)	2 to 20	668,255	33,549	(9,477)	(128)	62,324	(177,306)	577,217
Buildings	14 to 60	965,596	440	(94)	57	9	(26,006)	940,002
Furniture and fixture	2 to 25	797,929	34,887	(585)	(2,896)	11,373	(477,891)	362,817
Land	-	30,525	-	-	-	-	-	30,525
IT equipment	3 to 15	294,401	24,488	(2,093)	582	18,460	(72,314)	263,524
Projects in progress	-	78,414	157,829	(3,214)	-	(132,542)	2,976	103,463
Total cost		4,215,778	291,734	(60,879)	(2,385)	(23,712)	(722,740)	3,697,796
Depreciation value:								
Vehicles		(29,633)	(16,524)	14,065	-	10	298	(31,784)
Templates		(201,313)	(14,710)	24,567	-	4	(49)	(191,501)
Tools and accessories		(2,393)	(407)	-	-	-	(154)	(2,954)
Facilities		(128,540)	(17,333)	-	-	(1)	(1,435)	(147,309)
Machinery and accessories		(327,579)	(56,399)	257	-	-	4,671	(379,050)
Leasehold improvements (a)		(385,286)	(82,950)	7,867	-	529	242,673	(217,167)
Buildings		(158,801)	(43,092)	-	-	-	10,471	(191,422)
Furniture and fixture		(508,942)	(89,478)	458	-	269	459,615	(138,078)
IT equipment		(196,617)	(45,426)	2,061	-	239	77,926	(161,817)
Total accrued depreciation		(1,939,104)	(366,319)	49,275	-	1,050	794,016	(1,461,082)
Net total		2,276,674	(74,585)	(11,604)	(2,385)	(22,662)	71,276	2,236,714

	Consolidated								
	Useful life range (in years)	2016	Acquisition of subsidiary	Additions	Write-offs	Impairment (k)	Transfers (i)	Other changes including exchange variation	2017
Cost value:									
Vehicles	2 to 5	75,898	-	23,478	(24,778)	-	30	(853)	73,775
Templates	3	219,676	-	7,215	(5,856)	-	1,779	(3,412)	219,402
Tools and accessories	3 to 20	2,975	-	475	(11)	-	2,887	78	6,404
Facilities	3 to 60	285,083	-	4,377	(227)	-	9,214	(504)	297,943
Machinery and accessories	2 to 15	801,540	747	3,196	(24,194)	-	10,380	(8,535)	783,134
Leasehold improvements (a)	2 to 20	210,410	348,378	33,602	(17,506)	-	48,398	44,973	668,255
Buildings	14 to 60	758,892	51,756	8,739	-	-	136,532	9,677	965,596
Furniture and fixture	2 to 25	66,725	690,498	34,412	(25,954)	(7,712)	22,706	17,254	797,929
Land	-	30,525	-	-	-	-	(194)	194	30,525
IT equipment	3 to 15	175,238	98,739	22,568	(18,222)	-	1,019	15,059	294,401
Projects in progress	-	68,213	21,440	117,713	(12,738)	-	(110,476)	(5,738)	78,414
Total cost		2,695,175	1,211,558	255,775	(129,486)	(7,712)	122,275	68,193	4,215,778
Depreciation value:									
Vehicles		(31,446)	-	(14,758)	16,135	-	-	436	(29,633)
Templates		(184,000)	-	(22,918)	5,784	-	-	(179)	(201,313)
Tools and accessories		(1,985)	-	(261)	(76)	-	-	(71)	(2,393)
Facilities		(113,894)	-	(14,423)	42	-	-	(265)	(128,540)
Machinery and accessories		(289,475)	(316)	(52,666)	14,278	-	416	184	(327,579)
Leasehold improvements (a)		(84,136)	(246,676)	(53,230)	11,148	-	(25)	(12,367)	(385,286)
Buildings		(123,895)	(10,301)	(21,496)	(1,530)	-	(1,530)	(49)	(158,801)
Furniture and fixture		(24,690)	(465,980)	(31,233)	24,748	-	11	(11,798)	(508,942)
IT equipment		(106,966)	(78,334)	(26,051)	18,065	-	1,128	(4,459)	(196,617)
Total accrued depreciation		(960,487)	(801,607)	(237,036)	88,594	-	-	(28,568)	(1,939,104)
Net total		1,734,688	409,951	18,739	(40,892)	(7,712)	122,275	39,625	2,276,674

b) Intangible assets

	Company						
	Useful life range (years)	2017	Additions	Additions Merger (h)	Write-offs	Transfers	Other changes	2018
Cost value:								
Software and other	2.5 a 10	792,016	87,564	5,256	(854)	4,304	(18,312)	869,974
Total cost		792,016	87,564	5,256	(854)	4,304	(18,312)	869,974
Amortization value:								
Software and other		(317,674)	(113,926)	-	182	(1,652)	15,268	(417,802)
Total accrued depreciation		(317,674)	(113,926)	-	182	(1,652)	15,268	(417,802)
Net total		474,342	(26,362)	5,256	(672)	2,652	(3,044)	452,172

	Company						
	Useful life range (years)	2016	Additions	Write-offs	Transfers	Other changes	2017
Cost value:							
Software and other	2.5 a 10	732,329	73,942	(30,484)	7,443	8,786	792,016
Total cost		732,329	73,942	(30,484)	7,443	8,786	792,016
Amortization value:							
Software and other		(223,780)	(101,034)	15,623	295	(8,778)	(317,674)
Total accrued depreciation		(223,780)	(101,034)	15,623	295	(8,778)	(317,674)
Net total		508,549	(27,092)	(14,861)	7,738	8	474,342

	Consolidated							
	Useful life range (years)	2017	Additions	Write-offs	Impairment (k)	Transfers	Other changes including exchange variation (g) (i)	2018
Cost value:								
Software and other	2.5 to 10	1,194,953	189,969	(3,702)	90	8,299	(151,177)	1,238,432
Trademarks and patents (Defined useful life)	25	103,076	610	-	-	-	8,115	111,801
Trademarks and patents (Indefinite useful life)	-	1,833,790	-	-	-	-	206,277	2,040,067
Goodwill Emeis Brazil Pty Ltd. (b)	-	91,302	-	-	-	-	5,565	96,867
Goodwill The Body Shop International Limited (c)	-	1,177,377	-	-	-	-	171,293	1,348,670
Goodwill acquisition of The Body Shop stores	-	-	1,434				22	1,456
Relationship with retail clients	10	1,638	-	-	-	-	102	1,740
Key money (indefinite useful life) (d)	-	57,863	3,357	(2,169)	(4,236)	17,175	30,320	102,310
Key money (Defined useful life) (e)	3 to 18	95,733	4,709	(419)	(1,985)	(1,171)	(47,979)	48,888
Relationship with franchisees and subfranchisees (f)	15	495,711	-	-	-	-	68,042	563,753
Total cost		5,051,443	200,079	(6,290)	(6,131)	24,303	290,580	5,553,984
Amortization value:								
Software and other		(539,517)	(163,030)	1,419	-	(1,713)	191,396	(511,445)
Trademarks and patents		(9,686)	(13,403)	-	-	-	(14,809)	(37,898)
Key money		(26,128)	(10,089)	418	-	72	32,892	(2,835)
Relationship with retail clients		(503)	(589)	-	-	-	(57)	(1,149)
Relationship with franchisees and subfranchisees		-	(36,481)	-	-	-	(13,631)	(50,112)
Total accrued depreciation		(575,834)	(223,592)	1,837	-	(1,641)	195,791	(603,439)
Net total		4,475,609	(23,513)	(4,453)	(6,131)	22,662	486,371	4,950,545

	Consolidated							
	Useful life range (years)	2016	Acquisition of subsidiary	Additions	Write-offs	Transfers	Other changes including exchange variation	2017
Cost value:								
Software and other	2.5 to 10	877,771	247,716	95,597	(30,724)	13,946	(9,353)	1,194,953
Trademarks and patents (Defined useful life)	25	97,341	-	453	(2,618)	-	7,900	103,076
Trademarks and patents (Indefinite useful life)	-	2,129	1,732,131	-	-	-	99,530	1,833,790
Goodwill Emeis Brazil Pty Ltd. (b)	-	83,401		-	-	35	7,866	91,302
Goodwill The Body Shop International Limited (c)	-	-	1,138,118	-	-	-	39,259	1,177,377
Relationship with retail clients	10	1,498	-	-	-	-	140	1,638
Key money (indefinite useful life) (d)	-	12,393	49,638	10,260	(834)	(3,756)	(9,838)	57,863
Key money (Defined useful life) (e)	3 to 18	4,517	96,350	412	(11,327)	3,757	2,024	95,733
Relationship with franchisees and subfranchisees (f)	15	-	475,425	-	-	-	20,286	495,711
Total cost		1,079,050	3,739,378	106,722	(45,503)	13,982	157,814	5,051,443
Amortization value:								
Software and other		(275,202)	(157,189)	(131,726)	32,419	275	(8,094)	(539,517)
Trademarks and patents		(17,323)	(5,629)	(2,705)	1,187	-	14,784	(9,686)
Key money		(1,622)	(32,663)	(11,771)	12,161	-	7,767	(26,128)
Relationship with retail clients		(649)	-	(114)	-	-	260	(503)
Total accrued depreciation		(294,796)	(195,481)	(146,316)	45,767	275	14,717	(575,834)
Net total		784,254	3,543,897	(39,594)	264	14,257	172,531	4,475,609

(a) The depreciation rates take into consideration the lease terms of leased properties.

(b) Goodwill on Emeis Holdings Pty Ltd. acquisition, classified as future economic benefits from synergies. It does not have defined useful life and it is subject to annual impairment tests.

(c) Goodwill arising from the acquisition of The Body Shop, classified as future economic benefits from synergies (see note 4). It does not have defined useful life and it is subject to annual impairment tests.

(d) Key money with an indefinite useful life refers basically to a payment to an existing lessee to take over a lease on the existing lease terms. The balance is subject to an annual impairment test.

(e) Key money with definite useful life refers basically to a lease premium payable to a landlord on inception of contracts and cannot be recovered. The balance is amortized over the term of the contracts.

(f) The balance refers to identifiable intangible assets from relationship with The Body Shop franchisees (relationship where the franchisee owns all rights to operate within a territory) and sub-franchisees (relationship where a franchisee operate a single store within a market), with estimated useful life of 15 years.

(g) Includes inflation adjustment of Natura Argentina.

(h) Refers to the merger of property, plant and equipment and intangible assets, net, of the subsidiary Natura Inovação e Tecnologia de Produtos Ltda. with Natura Cosméticos S.A. See Note 2.2.

(i) On the date of business combination with the subsidiary The Body Shop International Limited, the property, plant and equipment and intangible asset balances were originally segregated in the cost and depreciation/amortization groups. During the year ended December 31, 2018, for better presentation purposes, management reclassified the balances from the depreciation and amortization group to the costs group to show the net effect of property, plant and equipment and intangible assets.

(j) On December 31, 2017, the capitalized balance of charges in financial leasing operations was R$136,532.

(k) For the year ended December 31, 2018, an amount of R$8,516 was recognized among "Selling, marketing and logistics expenses" and "Other operating income (expenses), net" (R$7,712 under Selling, marketing and logistics expenses in 2017).

c) Assets pledged as collateral

As of December 31, 2018, the Company had pledged property in defense of lawsuits in the amount of R$ 100.

d) Finance leases

As of December 31, 2018, the consolidated amount recorded under "Buildings" arising from lease transactions totaling R$511,471 (R$525,477 as of December 31, 2017) and the balance of lease payables, classified in line item "Borrowings, financing and debentures" (note 16) totals R$446,235 (R$462,760 as of December 31, 2017).

e) Impairment testing of intangible assets as an indefinite useful life

Goodwill from the expected future profitability of acquired companies and of intangible assets with indefinite useful life was allocated to the CGU groups of Natura Cosméticos. In accordance with CPC 01 – Impairment of Assets (IAS 36 - Impairment of Assets), when a CGU or a group of CGUs have an intangible asset with indefinite useful life allocated, Natura Cosméticos must test it for impairment annually. CGU groups with intangible assets with indefinite useful life as of December 31, 2018 are presented below:

CGU Group / Operating Segment	Consolidated Trademarks and patents	Goodwill	Other	Total
Aesop	-	96,867	9,983	106,850
The Body Shop	2,037,182	1,348,670	77,397	3,463,249
Other	2,885	-	16,386	19,271
Total	2,040,067	1,445,537	103,766	3,589,370

The main assumptions used to calculate the value in use on December 31, 2018 are presented below:

	Aesop	The Body Shop
Measurement of impairment value (value in use)	Discounted cash flow	
Projected cash flow	Operating business cycle (approximately 5 years) with perpetuity.	Operating business cycle (approximately 8 years) with perpetuity (*).
Budgeted gross margin	Average of gross margin based on history and projections for the following 5 years.	Average of gross margin based on history and projections for the following 8 years.
Estimated costs	Costs based on historical data and market trends.	
Growth rate in perpetuity (**)	Constant growth of 2.5%.	Constant growth of 2.0%.
Discount rate	These cash flows were discounted using a discount rate after taxes of 10.9% p.a. for The Body Shop and 13.2% p.a. for Aesop in real terms. The discount rate was based on the weighted average cost of capital that reflects the specific risk of each segment.	

(*) Based on the projections in the business plan used for the acquisition of The Body Shop in September 2017, excluding projections for 2018.

(**) Based on inflation applicable to the country in which each segment is based.

The Company conducted a sensitivity analysis of (i) the discount rate and (ii) the growth rate in perpetuity, due to their potential impacts on cash flows. A 1 p.p. increase in the discount rate or a 1 p.p. decrease in the growth rate in perpetuity of the cash flow of each CGU group would not result in the need to recognize a loss.

Based on the analyses conducted by Management, there was no need to record impairment losses for the balances of these assets in the year ended December 31, 2018.

16. BORROWINGS, FINANCING AND DEBENTURES

	Company		Consolidated		
	2018	2017	2018	2017	Reference
Local Currency					
Financing Agency for Studies and Projects (FINEP)	135,618	-	135,618	148,157	A
Debentures (a)	4,680,665	3,779,843	4,680,665	3,779,843	B
Promissory Notes	-	3,792,537	-	3,792,537	C
BNDES	22,926	27,537	73,384	29,281	D
BNDES EXIM	-	-	-	417,983	E
BNDES – FINAME	64	535	735	3,476	F
Finance leases	346,068	359,317	446,235	462,760	G
Working capital - Peru	-	-	20,979	21,402	H
Working capital - Mexico	-	-	10,017	58,979	I
Working capital - Australia	-	-	-	16,663	J
Working capital - Colombia	-	-	59,850	88,337	K
Working capital - The Body Shop	-	-	-	2,005	L
Total in local currency	5,185,341	7,959,769	5,427,483	8,821,423	
Foreign Currency					
BNDES	5,725	8,286	17,137	22,809	M
Resolution 4,131/62	-	487,668	-	487,668	N
Notes	2,995,760	-	2,995,760	-	O
Total in foreign currency	3,001,485	495,954	3,012,897	510,477	
Overall total	8,186,826	8,455,723	8,440,380	9,331,900	
Current	1,105,907	3,523,061	1,181,859	4,076,669	
Non-current	7,080,919	4,932,662	7,258,521	5,255,231	

(a) Debentures classified as current and noncurrent on December 31, 2018 and December 31, 2017 are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Debentures				
Current	934,359	579,843	934,359	579,843
Noncurrent	3,746,306	3,200,000	3,746,306	3,200,000

Changes in the balances of borrowings, financings and debentures for the years ended December 31, 2018 and December 31, 2017 are presented below:

	Company		Consolidated	
	2018	2017	2018	2017
At the beginning of the year	8,455,723	3,462,687	9,331,900	4,390,171
Acquisition/merger of subsidiary	144,458	-	-	33,729
New borrowings and financing	4,771,801	6,363,431	5,015,278	6,391,049
Amortizations	(5,790,546)	(1,464,026)	(6,598,490)	(1,725,285)
Recording of financial charges	588,183	316,185	631,035	411,515
Payment of financial charges	(582,322)	(201,365)	(626,915)	(252,474)
Exchange variation (unrealized and for translation of financial statements in foreign currency)	595,765	(40,090)	608,845	(31,377)
Exchange variation – other comprehensive income	-	-	21,439	-
Transfers/Reclassifications (a)	3,764	18,901	57,288	114,572
At the end of the year	8,186,826	8,455,723	8,440,380	9,331,900

a) Refers mainly to reclassified balances of government subsidies considering borrowings from the BNDES.

Maturities of non-current liabilities are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
2019	-	1,901,933	-	2,082,363
2020	1,392,636	969,996	1,459,393	1,046,263
2021	2,211,876	1,871,372	2,284,344	1,855,158
2022	373,920	39,626	379,679	74,315
2023 onwards	3,102,487	149,735	3,135,105	197,132
	7,080,919	4,932,662	7,258,521	5,255,231

Reference	Currency	Maturity	Charges	Guarantees
A	Real	May 2019 and June 2023	Interest of 5% p.a. for the installment maturing in 2019 and 3.5% p.a. for the installment maturing in June 2023	Guarantee of Natura Cosméticos S.A.
B	Real	September 2022	Interest of 108% to 112% of the CDI and 1.4% + CDI and 1.75% + CDI, maturing in February 2019, March 2019, August 2019, March 2020, September 2020, September 2021 and September 2022.	None
C	Real	February 2018	108% of the CDI	Guarantee of Indústria e Comércio de Cosméticos Natura S.A. and Natura Inovação e Tecnologia de Produtos Ltda.
D	Real	Through September 2021	TJLP + interest of 0.5% p.a. to 3.96% p.a. and fixed-rate contracts of 3.5% p.a. to 5% p.a. (PSI) (c)	Bank-issued guarantee letter
E	Real	Through November 2018	For 30% of the credit facility, SELIC + 0.4% p.a., for 70% of the facility, TJLP. Both facilities further include BNDES basic remuneration (2% p.a.) and Intermediary Bank remuneration.	Guarantee of Natura Cosméticos S.A.
F	Real	Through March 2021	Interest of 4.5% p.a. + TJLP for contracts up to 2012 and for contracts executed as of 2013 fixed rate of 3% p.a. (PSI) (d); Contracts from August 2014 to May 2016 at fixed rate of 6% p.a. to 10.5% p.a.	Fiduciary sale, guarantee of Natura Cosméticos S.A. and promissory notes
G	Real	Through August 2026	Interest of 9% p.a. + IPCA (b)	Fiduciary sale of assets object of lease agreements
H	Peruvian sol	January 2019	Interest of 3.56% p.a.	Guarantee of Natura Cosméticos S.A.
I	Mexican peso	October 2020	Interest of 1.15% p.a. + TIIE (d)	Guarantee of Natura Cosméticos S.A.
J	Colombian peso	December 2018	Interest of 6.95% p.a.	Guarantee of Natura Cosméticos S.A.
K	Australian dollar	August 2021	BBSY + interest of 0.92% and Libor + interest of 0.92% (e)	Bank-issued guarantee letter
L	Pound sterling	October 2018	Interest of 0.33% p.m.	None
M	U.S. dollar	October 2020	Exchange rate variation + interest of 1.8% p.a. to 2.3% p.a. + Resolution 635 (a)	Guarantee of Natura Cosméticos S.A. and bank-issued guarantee letter
N	U.S. dollar	Through May 2018	Exchange rate variation + Libor + Over Libor of 1.32% p.a. to 2.9% p.a. (a)	Guarantee of the subsidiary Indústria e Comércio de Cosméticos Natura Ltda.
O	U.S. dollar	February 2023	Interest of 5.375% p.a. (a)	None

(a) Loans and financing for which swap contracts (CDI) were entered into. These loans and financing are not being shown net of their derivatives.
(b) IPCA - Consumer price index expanded
(c) PSI-Investment Support Program.
(d) TIIE-interest rate of interbank equilibrium Mexico
(e) BBSY - Bank Bill Swap Bid Rate

A description of the main bank loan and financing agreements as of December 31, 2018 is as follows:

a) Description on bank loans and financing

i) Debentures

On February 25, 2014, the Company conducted the 5th issue of unsecured, registered debentures, not convertible into shares, amounting to R$ 600,000. A total of 60,000 debentures were issued, of which 20,000 debentures allotted in the 1st series, due on February 24, 2017, in the amount of R$214,385, 20,000 debentures allocated in the 2nd series, due on February 25, 2018, and 20,000 debentures allocated in the 3rd series, due on February 25, 2019, with remuneration corresponding to 107.00%, 107.5% and 108% of the accumulated variation of the average daily Interbank Deposits - DI, respectively.

On March 16, 2015, the Company issued the 6th series of junior unsecured, registered debentures, not convertible into shares of the Company, amounting to R$ 800,000. 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).

On September 28, 2017, the Company carried out the 7th issue of registered, book-entry, non-convertible, unsecured debentures, in the total amount of R$ 2,600,000. A total of 260,000 debentures were issued, of which 77,273 (seventy-seven thousand and two hundred and seventy-three) were allocated in the 1st series, with maturity on September 25, 2020, and 182,727 (one hundred and eighty-two thousand, seven hundred and twenty-seven) allocated in the 2nd series, with maturity on September 25, 2021, remunerated at CDI rate + 1.4% p.a. and CDI rate + 1.75% p.a., respectively.

On February 16, 2018, the Company carried out the 8th issue of non-convertible and unsecured debentures, with personal guarantee, in a single series, for public distribution with restricted placement efforts, in accordance with CVM Instruction 476 of January 16, 2009 ("Issue", "Restricted Offering", "Debentures", "CVM Instruction 476", respectively), in the aggregate amount of R$1,400,000, whose proceeds will be used to settle the balance promissory notes. Compensatory interest will be paid in three (3) installments, starting on the issue date, with the first payment due on August 14, 2018 and other payments due on February 14, 2019 and maturity date on August 14, 2019. Nominal unit value of Debentures will be amortized in a single (1) installment on the maturity date of August 14, 2019, except for possible payment due to early maturity, early optional redemption and optional extraordinary amortization, established in the Indenture, and remuneration corresponding to 110% of accumulated variation of daily average rates of Interbank Deposits – DI. On September 28, 2018, there was partial amortization of one billion reais (R$1,000,000) resulting as the debt balance of the 8th issue of debentures amounting to R$400,000.

On September 21, 2018, the Company carried out the 9th issue of non-convertible and unsecured debentures, with personal guarantee, in three series, for public distribution with restricted placement efforts, in accordance with CVM Instruction 476 of January 16, 2009 ("Issue", "Restricted Offering", "Debentures", "CVM Instruction 476", respectively), in the aggregate amount of R$1,000,000, related to the 8th issue. The issue consisted of 100,000 debentures, of which thirty-eight thousand, nine hundred four (38,904) were in the 1st series, maturing on September 21, 2020, thirty thousand, eight hundred thirty-one (30,831) were in the 2nd series, maturing on September 21, 2021, and thirty thousand, two hundred sixty-five (30,265) were in the 3rd series, maturing on September 21, 2022, and paying remuneration corresponding to 109.5%, 110.5% and 112%, respectively, of the cumulative variation of the average daily rates of Interbank Deposits (DI).

The appropriation of costs related to the issue of debentures in the year ended December 31, 2018 was R$ 19,307 (R$ 635 as of December 31, 2017), recorded on a monthly basis under financial expenses, in accordance with the effective interest rate method. Issue costs to appropriate totaled R$ 8,986 as of December 31, 2018 (R$ 16,577 as of December 31, 2017).

ii) Promissory Note

On August 2, 2017, the Company carried out the 3rd issue of commercial promissory note in a single series, in the total amount of R$ 3,700,000 for public distribution with restricted efforts, according to CVM Instruction 566 of July 31, 2015. Seventy-four (74) promissory notes were issued, with maturity on February 19, 2018, and remuneration corresponding to 108% of the accumulated variation of daily average rates of Interfinancial Deposits (DI). The proceeds obtained by the Company from the issue were used to pay for the acquisition of The Body Shop, and to pay any other costs and expenses in the context of said acquisition. The balances on December 31, 2017 were settled on the maturity date.

In 2018, the appropriation of costs related to the issue of promissory notes until the settlement of the operation was R$12,729 (R$32,126 on December 31, 2017). Issue costs totaled R$44,855.

iii) Notes

On February 1, 2018, a total of US$750 million was raised at a rate of 5.375% p.a. from maturing on February 1, 2023, with semiannual payments in February and August.

The proceeds from the Notes issue were fully used to pay part of the liabilities of the Company arising from the 3rd issue of 74 commercial promissory notes, in a single series, in the amount R$3,700,000, which were issued to finance the acquisition of The Body Shop International Limited.

Simultaneously to the issue of the Notes in the international market, the Company contracted derivative instruments ("swaps") to eliminate from profit or loss the exchange variations arising from the exposures of the principal contracted and interest owed in accordance with the contractual maturities of the respective issue (Note 5.2).

On February 1, 2019, interest was paid in the amount of USD$23.7 million, equivalent to R$88,700.

The appropriation of costs related to the issue of Notes in the year ended December 31, 2018 was R$5,364, recorded on a monthly basis under financial expenses, in accordance with the effective interest rate method. Issue costs to appropriate totaled R$26,167 on December 31, 2018.

b) Finance lease obligations

Financial obligations are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Gross finance lease obligations - minimum lease payments:				
Less than one year	58,727	56,988	74,793	72,377
More than one year and less than five years	257,402	253,545	344,052	341,049
More than five years	257,145	331,073	343,472	433,800
	573,274	641,606	762,317	847,226
Future financing charges on finance leases	(227,206)	(282,289)	(316,082)	(384,466)
Finance lease obligations	346,068	359,317	446,235	462,760
Carrying amount of property, plant and equipment (Note 15)	411,096	443,814	511,471	525,477

c) Contract Covenants

Debentures

The covenants of this issue are only be evaluated based on the balances in the years/periods as shown in the table below.

These clauses establish the following financial indicators for the consolidated financial statements:

12-month period ended:	Leverage Ratio*
December 31, 2017 June 30, 2018	3.75 (three point seven five)
December 31, 2018 June 30, 2019	3.50 (three point five)
December 31, 2019 June 30, 2020	3.25 (three point two five)
December 31, 2020 June 30, 2021	3.00 (three point zero)
December 31, 2021 June 30, 2022	3.00 (three point zero)

(*) Leverage ratio resulting from division of Treasury Net Debt by EBITDA, which must be equal to or lower than the number established in the above table.

As of December 31, 2018 and 2017, the leverage ratio calculated contractually was lower than that established for the period. Accordingly, the Company is in compliance with the financial covenants:

	2018	2017
Borrowings, financing and debentures	8,440,380	9,331,900
(+) Government subsidies	-	57,288
(-) Finance lease	(446,235)	(462,760)
(-) Accrual value of financial derivatives	(557,393)	(10,781)
(=) Treasury debt	7,436,752	8,915,647
(-) Cash and cash equivalents	(1,215,048)	(1,693,131)
(-) Securities	(1,215,377)	(1,977,305)
(=) Net debt	5,006,327	5,245,211
(÷) EBITDA	1,846,604	1,741,946
(=) Leverage ratio	2.71	3.01

17. TRADE PAYABLES AND FORFAIT OPERATIONS

	Company		Consolidated	
	2018	2017	2018	2017
Domestic trade payables	387,376	372,623	1,511,576	1,034,426
Foreign trade payables (a)	5,882	7,509	80,714	368,775
	393,258	380,132	1,592,290	1,403,201
"Forfait" operations (b)	19,130	28,717	144,501	150,562
	412,388	408,849	1,736,791	1,553,763

(a) Refer to imports mainly denominated in US dollar, euro and pound sterling, which are valued by the corresponding exchange rate.

(b) The Group has entered into contracts with Banco Itaú Unibanco S.A. for structuring, together with its major suppliers, the so-called "forfait" operation, wherein suppliers transfer the right to receive their trade notes to the Bank, which, will become the creditor of the operation. This operation did not significantly change the previously agreed-upon terms, prices and conditions, and it does not affect the Company with financial charges practiced by the financial institution, on performing a thorough analysis of suppliers by category. As such, the Group discloses this operation under the heading Trade payables and forfait operations.

18. TAX LIABILITIES

	Company		Consolidated	
	2018	2017	2018	2017
Ordinary ICMS	80,159	138,073	81,750	139,207
ICMS ST provision (a)	129,558	159,980	172,743	159,980
Taxes on invoicing – subsidiaries abroad	-	-	137,243	91,257
INSS - suspension of the enforceability	18,159	13,449	40,541	35,146
Withholding tax (IRRF)	25,933	8,689	36,971	35,698
Other taxes payable - foreign subsidiaries	-	-	2,717	666
Social security contribution (INSS) and service tax (ISS)	604	587	3,454	3,023
	254,413	320,778	475,419	464,977
Judicial deposits (Note 12)	(56,427)	(72,907)	(63,557)	(80,651)
Current	111,469	147,347	310,093	269,850
Noncurrent	142,944	173,431	165,326	195,127

(a) The Company has been discussing the illegality of changes in the state legislation for the payment of ICMS - ST (VAT - Tax substitution). Part of the unpaid amount has been discussed in court by the Company and, in certain cases, the amounts have been deposited with the courts, as mentioned in Note 12.

19. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Group is party to tax, labor and civil lawsuits. Management believes, based on the opinion of its legal counsel, that the provision for tax, civil and labor risks are sufficient to cover potential losses. This provision is broken down as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Tax	101,507	98,208	163,852	196,006
Civil	10,845	8,096	32,300	27,153
Labor	43,285	41,388	65,655	58,887
Total	155,637	147,692	261,807	282,046
Judicial deposits (note 12)	(83,944)	(31,745)	(87,180)	(33,856)
Current	-	-	20,389	17,357
Non-current	155,637	147,692	241,418	264,689

a) Tax contingencies

The provision for tax risks is broken down as follows:

	Company								
	2017	Additions	Additions Merger	Reversals	Payments	Offsets	Transfer of tax liabilities (c)	Inflation adjustment	2018
Legal fees (a)	25,161	10,242	146	(16,131)	(2,867)	-	-	607	17,158
Payment of ICMS-ST	63,690	26,421		(2,065)	(6,944)	(29,741)	23,130	(4,852)	69,639
Other	9,357	6,270	157	(1,263)	(2)	-	-	191	14,710
Total provision for tax risk	98,208	42,933	303	(19,459)	(9,813)	(29,741)	23,130	(4,054)	101,507
Judicial deposits (note 12)	(24,134)	(32,681)	(157)	3,110	-	-	(20,268)	(1,411)	(75,541)

	Company							
	2016	Additions	Reversals	Payments	Offsets	Transfer of tax liabilities (c)	Inflation adjustment	2017
Legal fees (a)	19,780	11,313	(7,588)	-	-	-	1,656	25,161
CSLL deductibility (Law 9316/96) (b)	4,444	1,667	(6,324)	-	-	-	213	-
Payment of ICMS-ST	3,094	13,400	-	-	-	44,966	2,230	63,690
Other	7,224	1,963	(442)	-	-	-	612	9,357
Total provision for tax risk	34,542	28,343	(14,354)	-	-	44,966	4,711	98,208
Judicial deposits (note 12)	(13,411)	(15,661)	5,879	-	-	-	(941)	(24,134)

	Consolidated								
	2017	Additions	Reversals	Payments	Offsets	Transfer of tax liabilities (c)	Inflation adjustment	Exchange variation	2018
Legal fees (a)	45,791	11,285	(20,424)	(2,867)	-	-	1,296	-	35,081
Payment of ICMS-ST (b)	119,946	30,608	(15,022)	(13,657)	(29,741)	(20,056)	(2,439)	-	69,639
Other	30,269	39,542	(11,630)	(135)	-	-	319	767	59,132
Total provision for tax risk	196,006	81,435	(47,076)	(16,659)	(29,741)	(20,056)	(824)	767	163,852
Judicial deposits (note 12)	(24,943)	(34,209)	3,681	-	-	(20,268)	(1,454)	-	(77,193)

	Consolidated									
	2016	Acquisition of subsidiaries	Additions	Reversals	Payments	Offsets	Transfer of tax liabilities (c)	Inflation adjustment	Exchange variation	2017
Legal fees (a)	31,446	-	29,466	(17,649)	-	-	-	2,528	-	45,791
CSLL deductibility (Law 9316/96)	4,444	-	1,667	(6,324)	-	-	-	213	-	-
Payment of ICMS-ST (b)	-	-	72,750	-	-	-	44,966	2,230	-	119,946
Other	11,154	9,247	10,976	(3,701)	-	-	-	2,593	-	30,269
Total provision for tax risk	47,044	9,247	114,859	(27,674)	-	-	44,966	7,564	-	196,006
Judicial deposits (note 12)	(14,168)	-	(15,661)	5,879	-	-	-	(993)	-	(24,943)

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

(i) Tax assessments 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.

Tax assessments had the final decision on the administrative level, in which it was held, in part, the charging of IRPJ and CSLL collection full. The Company is awaiting the outcome of the discussions in court. The legal advisors have assessed that the case involves remote loss.

(ii) IPI tax assessment notice drawn up against the subsidiary Indústria e Comércio de Cosméticos Natura Ltda., in December 2012, referring to facts occurred in the calendar year of 2008 generators, on the grounds that the subsidiary would have practiced incorrect prices on sales for the Company. Currently, the Company awaits judgment of voluntary appeal filed by the Company. In the opinion of the legal counsel of the Company, as it was structured and their tax effects are defensible, reason for which the risk of loss is classified as remote.

(iii) Legal actions in which the Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., Have been discussing in court, since April 2007, the non-inclusion of ICMS in the calculation basis of the PIS and COFINS contributions and the reimbursement of contributions amounts Paid on the value of ICMS in the period from March 2004 to March 2007 (see note 18 (a)).

(b) The Company is involved in administrative and legal actions disputing the illegality of changes in state laws for collection of ICMS-ST. On September 26, 2018, the Company settled a portion of its debts after joining the tax dues offset program launched by the state of Rio Grande do Sul through Decree 53,974/18 and subsequent amendments, which resulted in payments, reversal of inflation adjustment resulting from the amnesty offered by the program and offset with registered warrants acquired exclusively for this purpose. On June 30, 2018, part of the provision previously recorded under Tax liabilities by the Parent Company was transferred to Provision for tax risks, given the change in the probability of loss of lawsuits. On December 31, 2018, the subsidiary Indústria e Comércio de Cosméticos Ltda. transferred a part of the provision for tax risks to the Tax liabilities line due to the adhesion to the REFAZ-RS installment program.

b) Civil risk

	Company						
	2017	Additions	Additions Merger	Reversals	Payments	Inflation adjustment	2018
Several civil lawsuits (a)	5,216	10,326	23	(335)	(8,261)	89	7,058
Attorney fees - environmental civil lawsuit	2,492	-		(408)	-	87	2,171
Attorney fees - IBAMA lawsuits	-		1,613			3	1616
Civil lawsuits and attorney fees - Nova Flora Participações Ltda.	388	-		(388)	-	-	-
Total provision for civil risk	8,096	10,326	1,636	(1,131)	(8,261)	179	10,845
Judicial deposits (note 12)	(664)	(261)	-	394	-	(22)	(553)

	Company					
	2016	Additions	Reversals	Payments	Inflation adjustment	2017
Several civil lawsuits (a)	6,911	12,549	(5,835)	(8,504)	95	5,216
Attorney fees - environmental civil lawsuit	2,884	-	(461)	-	69	2,492
Civil lawsuits and attorney fees - Nova Flora Participações Ltda.	1,662	35	(1,334)	-	25	388
Total provision for civil risk	11,457	12,584	(7,630)	(8,504)	189	8,096
Judicial deposits (note 12)	(757)	(477)	619	-	(49)	(664)

	Consolidated						
	2017	Additions	Reversals	Payments	Inflation adjustment	Exchange variation	2018
Several civil lawsuits (a)	23,105	51,954	(38,663)	(9,709)	251	1,576	28,514
Attorney fees - environmental civil lawsuit	2,493	-	(408)	-	85		2,170
Attorney fees - IBAMA lawsuits	1,555	-	-	-	61	-	1,616
Total provision for civil risk	27,153	51,954	(39,071)	(9,709)	397	1,576	32,300
Judicial deposits (note 12)	(988)	(276)	640	-	(25)	-	(649)

	Consolidated							
	2016	Acquisition of subsidiaries	Additions	Reversals	Payments	Inflation adjustment	Exchange variation	2017
Several civil lawsuits (a)	8,680	13,826	29,585	(21,972)	(8,682)	1,668		23,105
Attorney fees - environmental civil lawsuit	2,885	-	-	(461)	-	69		2,493
Attorney fees - IBAMA lawsuits	1,095	-	427	-	-	33		1,555
Civil lawsuits and attorney fees - Nova Flora Participações Ltda.	1,661	-	35	(1,721)	-	25	-	-
Total provision for civil risk	14,321	13,826	30,047	(24,154)	(8,682)	1,795	-	27,153
Judicial deposits (note 12)	(882)	-	(677)	628	-	(57)	-	(988)

(a) As of December 31, 2018, the Group is party to approximately to 3,250 civil lawsuits (3,000 as of December 31, 2017), of which 3,040 were filed by Natura's Consultants and consumers, most of which claiming compensation for damages. The balance deposited with the courts for the tax assessments notices above amounts to R$ 649 (R$ 988 December 31, 2017). Provisions are reviewed periodically based on the evolution of the lawsuits and the history of losses on civil claims in order to reflect the best current estimate.

c) Labor risks

As of December 31, 2018, the Group is party to approximately 1,850 labor lawsuits filed by former employees and service providers (approximately 2,200 as of December 31, 2017), claiming the payment of severance amounts, possible occupational disease, salary premiums, overtime and other amounts due, as a result of joint liability, and discussion about the recognition of possible employment relationship. 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							
	2017	Additions	Merger	Reversals	Payments	Inflation adjustment	2018
Total provision for labor risk	41,388	28,952	326	(23,279)	(7,267)	3,165	43,285
Judicial deposits (note 12)	(6,947)	(5,850)	(38)	5,226	-	(241)	(7,850)

Company						
	2016	Additions	Reversals	Payments	Exchange variation	2017
Total provision for labor risk	18,562	40,312	(14,419)	(5,138)	2,071	41,388
Judicial deposits (note 12)	(3,987)	(4,305)	1,582	-	(237)	(6,947)

Consolidated							
	2017	Additions	Reversals	Payments	Inflation adjustment	Exchange variation	2018
Total provision for labor risk	58,887	44,172	(31,300)	(10,096)	4,773	(781)	65,655
Judicial deposits (note 12)	(7,925)	(7,002)	5,862	-	(273)	-	(9,338)

Consolidated								
	2016	Acquisition of subsidiaries	Additions	Reversals	Payments	Inflation adjustment	Exchange variation	2017
Total provision for labor risk	32,259	491	48,571	(16,859)	(8,871)	3,296	-	58,887
Judicial deposits (note 12)	(5,006)	-	(4,867)	2,312	-	(364)	-	(7,925)

d) Contingent liabilities - possible losses

The Group is party 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.

On December 31, 2018, contingent liabilities comprise 498 cases (465 at December 31, 2017), as under:

	Company		Consolidated	
	2018	2017	2018	2017
Tax	2,129,813	875,146	3,265,543	1,850,701
Civil	50,840	10,885	63,910	21,893
Labor	57,903	50,493	115,240	134,817
Total contingent liabilities not recorded in provision	2,238,556	936,524	3,444,693	2,007,411
Judicial deposits (note 12)	(97,482)	(123,776)	(100,754)	(127,433)

The main tax cases are the following:

(i) The Group is part to administrative and judicial proceedings questioning lawfulness of amendments to state legislation related to ICMS-ST collection. On December 31, 2018, the amount being disputed was R$321,772 (R$538,708 on December 31, 2017) and R$80,816 was deposited with the courts (R$102,086 on December 31, 2017). Notices served by the Brazilian IRS claiming IPI debts arising from the tariff classification adopted by the subsidiary Indústria e Comércio de Cosméticos Natura Ltda. for certain products. A decision is expected at the administrative level. The total amount under dispute on December 31, 2018 is R$209,714 (R$200,973 as of December 31, 2017).

(ii) Tax assessment issued by the São Paulo State Finance Department against the business unit branch of subsidiary Indústria e Comércio de Cosméticos Natura Ltda., seeking collection of State VAT (ICMS) under the tax substitution (ST), which was fully collected by the recipient of the goods, the company, his distributor establishment, Natura Cosméticos S.A. It is awaits a decision. The total amount in dispute as of December 31, 2018 is R$506,258 (R$R$489,606 as of December 31, 2017).

(iii) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., in the operations in which it operates exclusively as distributor, are legally challenging the condition brought by Decree no. 8393/2015, which classified as industrial, for the purposes of collection of Tax on Manufactured Products (IPI), interdependent wholesale establishments that sell products envisaged in said decree. Total amount under discussion on December 31, 2018 is R$309,611 (R$230,734 as of December 31, 2017).

(iv) Tax assessments notices in connection with IRPJ and CSLL, issued on September 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 the Company. In relation to tax assessment notice of 2009, the Company awaits judgment of motion for clarification filed against the appellate decision that denied, by majority vote, the special appeal filed by the Company. In relation to the tax assessment notice of 2013, the Company is challenging in courts the legality of the decision that rejected the motions of clarification as a preliminary matter to discuss crucial points of the appellate decision that, by majority of votes, denied its special appeal, upholding the tax liability. The total amount under dispute on December 31, 2018 is R$1,336,927, classified as possible loss, and R$459,686 as remote loss (R$1,735,823 on December 31, 2017, with remote probability of loss).

e) Contingent assets

The Group has outstanding lawsuits whose expectation of gain is probable according to the assessment of their legal advisors, but they are not be registered in its Financial Statements until a favorable outcome is practically certain.

The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. claim the refund of the PIS and COFINS installments collected with the inclusion of ICMS in its calculation bases from March 2004 to March 2007. The amounts adjusted for inflation involved in reclamation claims not registered, due to pending lawsuits, up to December 31, 2018, totaled R$93,321.

The subsidiary Indústria e Comércio de Cosméticos Natura Ltda. recorded an asset of R$146,393, due to a final court decision in November 2018, which recognized the existence of effective and virtually certain credit right related to undue payments under PIS and COFINS arising of the unconstitutional inclusion of ICMS in the basis of calculation of contributions. This amount was recorded in Recoverable taxes under Current Assets with corresponding entry in Other operating expenses (revenue) and Financial revenue.

The Company and its subsidiaries, supported by the position of their legal advisors, observe CPC 25 / IAS 37 and OFÍCIO-CIRCULAR/CVM/SNC/SEP/nº 01/2019.

20. OTHER LIABILITIES

	Company		Consolidated	
	2018	2017	2018	2017
Government grant	-	3,764	-	57,288
Post-employment healthcare plan (a)	63,429	83,054	78,904	109,126
Carbon credit	3,222	8,054	3,222	8,054
Exclusivity contract (b)	5,400	7,800	5,400	7,800
Crer para Ver	28,368	22,982	28,368	22,982
Deferred revenue from performance obligations with customers (c)	12,959	2,962	63,662	69,045
Provisions for sundry expenses (d)	86,566	59,050	170,294	76,371
Provisions for rentals (e)		-	28,966	20,225
Provisions for apportionment of benefits and partnerships payable	9,262	19,135	11,542	20,979
Long-term incentives (f)	-	-	8,855	44,210
Fair value of operating lease (g)	-	-	25,843	31,605
Provision for restructuring (h)	-	-	2,004	-
Other provisions	5,283	15,927	52,877	84,354
Total	214,489	222,728	479,937	552,039
Current	141,037	114,662	338,170	278,744
Noncurrent	73,452	108,066	141,767	273,295

a) Post-employment health care plan, as detailed in Note 2.19.d). The population of active employees who are eligible for health care plan after the end of their employment is closed for new inclusions. On December 31, 2018, the weighted average duration of the obligation was 16 years, and the actuarial calculation base verified the following:

- 1,247 active employees of the Group, 771 of which are employees of the parent company.
- 264 retirees and dependents of the Group, 199 of which are employees of the parent company.

Actuarial liabilities were calculated as of December 31, 2018 and 2017 by an independent actuary, considering the main assumptions below:

	2018	2017
Discount rate	9.17%	9.94%
Initial medical cost growth rate	10.76%	11.03%
Inflation rate	4.00%	4.25%
Final medical cost growth rate	5.04%	5.29%
Rate of growth of medical costs for aging costs	3.50%	3.50%
Rate of growth of medical costs for aging contributions	0.00%	0.00%
Retirement plan membership percentage	89.00%	89.00%
Invalidity table	Wyatt 85 Class 1	Wyatt 85 Class 1
General mortality table	RP2000	RP2000
Turnover table	T-9 service table	T-9 service table

Maintaining the initial level of growth in medical costs at a real rate of 6.5% and a reduction in the discount rate from 9.94% p.a. to 9.17% p.a. generated a loss of R$7,914.

The following table shows a sensitivity analysis of the medical inflation rate and the discount rate if such rate were to increase or decrease by 1% and the respective effect on the balance of actuarial liability (Present Value of the Obligation), maintaining other assumptions unchanged:

	Rate	Hypothesis	VPO
Discount rate	9.17%	1% increase	68,859
Discount rate	9.17%	1% decrease	91,310
Medical inflation rate	10.76%	1% increase	91,117
Medical inflation rate	10.76%	1% decrease	68,863

The changes in actuarial liabilities for the years ended December 31, 2018 and 2017 are as follows:

	Company		Consolidated	
	2018	2017	2018	2017
Balance at the beginning of the year	(83,054)	(51,993)	(109,126)	(65,190)
Cost of Company's current service - recognized in income	(1,565)	(1,568)	(1,915)	(2,001)
Interest cost - recognized in income	(7,262)	(5,555)	(9,100)	(6,963)
Past service cost – amendments to the plan (*)	35,575	-	45,965	-
Expenses paid	1,283	1,102	2,354	1,407
Employees transference between entities	-	(1,038)	-	-
Actuarial losses in other comprehensive income	(4,576)	(24,002)	(7,082)	(36,379)
Merger Natura Inovação	(3,830)	-	-	-
Balance at the end of the year	(63,429)	(83,054)	(78,904)	(109,126)

(*) On July 2, 2018, the Company implemented a change in the post-employment benefit offered to employees who made fixed contributions to the health plan until April 30, 2010, implementing a new table of contributions by age bracket, which replaces the single table in effect until June 30, 2018. This change affects employees to be terminated after the date of its implementation.

(b) Refers to the consideration of the exclusivity granted by the Company to a financial agent for the bank settlement service related to employees' payroll. It will be recognized in the statement of income on a straight-line basis over the contractual period since April 2017.

(c) Refers to deferral of revenue from performance obligations related to points-based loyalty programs, sale of gift cards not yet converted into products, and programs and events to honor direct selling consultants.

(d) Refers to provisions for sundry expenses to comply with the accrual method.

(e) Refers to the grace period granted by lessors for the start of payment of rental of certain retail stores.

(f) Refers to the variable compensation plans of the executives of the subsidiary Aesop.

(g) Refers to complements to operating lease agreements identified in the business combination carried out in the acquisition of the subsidiary The Body Shop.

(h) It is a provision for costs directly related to the plan for changes in organizational structure of The Body Shop, which is approved by the Management and was already implemented and announced to those affected by the restructuring.

21. SHAREHOLDER'S EQUITY

a) Issued Capital

As on December 31, 2018, the Company's capital was R$427,073 (R$427,073 as of December 31, 2017).

For the year ended on December 31, 2018 there was no change in capital, which is made up of 431,239,264 subscribed and paid-up common registered shares. (431,239,264 subscribed and paid-up common registered shares for the period ended on December 31, 2017). 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 equity 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.
- Decrease in the amounts obtained from tax incentives for investments

On May 11, 2018, dividends and interest on equity were paid in the amounts of R$ 128,741 and R$ 6,809 (R$ 5,788 net of IRRF), respectively, as recommended by the Board of Directors on March 14, 2018 and ratified at the Annual Shareholders' Meeting held on April 20, 2018, referring to the net income for the year 2017; which together with R$ 78,290 (R$ 66,546 net of IRRF) paid on February 16, 2018 correspond to payment of approximately 30% of the net income recorded in 2017.

On December 28, 2018, the Board of Directors approved, ad referendum the Annual Shareholders Meeting to be held on April 12, 2019, the proposal for payment of interest on equity in the total gross amount of R$111,449 (R$ 94,732 net), for the period from January 1, 2018 to December 31, 2018, to be paid on February 26, 2019.

The dividends were calculated as follows:

	Company	
	2018	2017
Net income for the year	548,379	670,251
(-) Subsidies for investment (i)	(43,737)	-
Calculation base for minimum mandatory dividends	504,642	670,251
Minimum mandatory dividends	30%	30%
Minimum annual mandatory dividends	151,393	201,075
Proposed dividends	56,661	128,741
Interest on equity	111,449	85,099
IRRF on interest on equity (ii)	(16,717)	(12,188)
Total dividends and interest on capital, net of IRRF	151,393	201,652
Dividends per share - R$	0.1315	0.2991
Interest on capital per share, net - R$	0.2199	0.1681
Total remuneration per share, net - R$	0.3514	0.4672

(i) Subsidy for ICMS investments and Profit from Exploration.

(ii) Withholding Income Tax considering the exempted beneficiaries. According to CVM Instruction 683/12, interest on equity only can be attributed towards the mandatory dividend at an amount net of IRRF.

On December 31, 2018, the Company did not declare dividends in excess of the minimum mandatory dividend.

c) Treasury shares

As of December 31, 2018 and 2017, line item 'Treasury shares' is broken down as follows:

	Number of shares	R$ (thousands)	Average price per share - R$
Balance at December 31, 2017	830,506	32,544	39.19
Utilized	(405,847)	(15,888)	39.15
Acquisition	87,103	2,752	31.59
Balance at December 31, 2018	511,762	19,408	37.92

The minimum and maximum cost of the balance of treasury shares in the period ended December 31, 2018 is R$ 29.18 and R$ 45.13, respectively.

d) Capital reserve

On December 31, 2018, the Capital Reserve increased by R$150,513 due to the effects of the calculation of CPC 42 – *Contabilidade e Evidenciação em Economia Altamente Inflacionária* (IAS 29 - Financial Reporting in Hyperinflationary Economies), as detailed in Note 2.3.

e) Legal reserve

Since the balance of legal reserve plus capital reserves, addressed by article 182, paragraph 1, of Law 6,404/76, 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 from the year in which such limit was reached.

f) Retained earnings reserve

The Retained Earnings Reserve is composed of the cumulative balance of allocations in the capital budgets approved by the Annual Shareholders Meetings.

In the Board of Directors' Meeting held on March 14, 2018, the financial statements and the proposal for retaining profits for the fiscal year ended December 31, 2017 and ratified at the Annual and Extraordinary Shareholders Meeting held on April 20, 2018 were presented. The constitution of the profit reserve equivalent to 68% of total profit for the fiscal year of 2017, in the amount of R$456,411.

On December 31, 2018, the Earnings Reserve decreased by R$83,858 due to the effects of CPC 42 – Contabilidade e Evidenciação em Economia Altamente Inflacionária (IAS 29 - Financial Reporting in Hyperinflationary Economies) applied on the balances up to December 31, 2017, as shown in Note 2.3.

g) Losses on capital transaction

Refers to the effect of changes in ownership interest in the acquisition of the remaining portion of non-controlling shareholders when the Company already has control.

h) Equity valuation adjustment - Other comprehensive income

The Company records in this account the effect of exchange rate variation on investments in foreign subsidiaries, actuarial gains and losses from the retirees' healthcare plan result from cash flow hedge. For exchange rate variation, the accumulated effect will be reversed in profit or loss 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 profit or loss for the year when an ineffective portion is identified and/or upon termination of the relationship.

22. SEGMENT INFORMATION

The determination of the Company's operating segments is based on its Corporate Governance structure, which divides the business into the following segments, for purposes of decision making and managerial analyses: Natura ("Natura Brazil Operation" and "Natura LATAM Operation", includes Corporate LATAM), Aesop (includes P&L of the Holdings Natura Brazil Pty Ltd. and Natura Cosmetics Australia Pty Ltd.), The Body Shop (operation of "The Body Shop" retail stores in all continents) and Natura (Brazil) International B.V. - the Netherlands) and Others (include P&L of Natura Europa SAS – France and Natura Brasil Inc. - USA).

In addition to analyses by segment, the Company's Management also analyzes its revenues at various levels, mainly through sales channels: direct sales, retail market, e-commerce and franchise. However, the segregation by this type of operation is still not considered significant for disclosure by the Management.

Net revenue by segment is as follows in the year ended on December, 31 2017:

- Natura Brasil Operation: 45.1%
- Natura LATAM Operation: 17.9%
- Aesop: 7.9%
- The Body Shop: 29.0%
- Others: 0.1%

The accounting practices for each segment are described in Note 2 of these annual financial statements of the Company for the year ended December 31, 2018.

Performance of the Company´s segments was assessed based on net operating revenue and net income for the year, excluding the effects from financial income and expenses, income and social contribution taxes, depreciation and amortization.

The tables below present summarized financial information for the segments and the geographic distribution of commercial operations of the Company as of December 31, 2018 and December 31, 2017.

a) Operating segments

	2018					
	Net revenue	Net income (loss)	Depreciation and amortization	Financial income	Financial expenses	Income tax
Natura Brasil	6,022,207	318,800	(274,013)	1,915,511	(2,439,391)	(68,239)
Natura LATAM	2,415,717	169,141	(30,850)	13,885	(60,941)	(80,446)
Natura others	9,450	(32,393)	(462)	-	-	-
Aesop	1,064,043	61,642	(67,019)	4,608	(2,243)	(36,005)
The Body Shop	3,886,002	98,535	(217,567)	122,417	(137,134)	24,971
Corporate expenses (a)	-	(67,346)	-	-	-	34,693
Consolidated	13,397,419	548,379	(589,911)	2,056,421	(2,639,709)	(125,026)

	2017					
	Net revenue	Net income (loss)	Depreciation and amortization	Financial income	Financial expenses	Income tax
Natura Brasil	5,574,871	403,891	(243,276)	555,167	(955,266)	(187,935)
Natura LATAM	2,108,227	220,548	(25,628)	31,946	(30,408)	(47,338)
Natura others	6,608	(25,274)	(779)	-	-	-
Aesop	706,445	13,544	(47,966)	11	(1,888)	(47,240)
The Body Shop	1,456,557	123,274	(65,703)	17,268	(4,279)	(52,569)
Corporate expenses (a)	-	(65,732)	-	-	-	34,141
Consolidated	9,852,708	670,251	(383,352)	604,392	(991,841)	(300,941)

(a) Corporate expenses refer substantially to the expenses of some administrative departments that provide services to all Group companies and the expenses with the Group's Operational Committee (GOC) since it was created in September 2017, which was established to support the Company's development, to determine and allocate funds and to identify synergies among companies controlled by the Company. These expenses were not allocated to any operating segment.

	2018			2017		
	Non-current assets	Current liabilities	Total assets	Non-current assets	Current liabilities	Total assets
Natura Brasil	3,566,311	2,888,073	7,450,648	3,092,173	5,542,678	8,033,068
Natura LATAM	247,131	636,845	1,190,735	203,859	532,018	996,415
Natura Other	13,329	5,205	27,869	10,372	4,994	22,421
Aesop	413,775	235,033	768,771	382,774	120,239	654,265
The Body Shop	4,683,244	801,725	5,941,526	4,211,975	712,076	5,251,293
Consolidated	8,923,790	4,566,881	15,379,549	7,901,153	6,912,005	14,957,462

b) Net revenue and Non-current assets by geographic region

	Net revenue	Net revenue	Non-current assets	Non-current assets
	2018	2017	2018	2017
Asia	666,154	316,475	115,709	86,113
North America	919,826	857,361	272,296	323,440
South America	8,534,263	7,308,229	3,964,645	3,347,551
Brazil	6,082,896	5,624,295	3,704,613	3,268,685
Other	2,451,367	1,683,934	260,032	78,866
Europe	2,660,243	1,000,843	4,110,794	3,684,922
United Kingdom	1,877,475	664,858	3,885,666	423,084
Other	782,768	335,985	225,128	3,261,838
Oceania	616,933	369,800	460,346	459,127
Consolidated	13,397,419	9,852,708	8,923,790	7,901,153

In terms of net revenue by country, Brazil (included under South America) accounts for 45% and United Kingdom (included under Europe) accounts for 14% of total net revenue. No other country had net sales greater than 10% of total.

The Company has predominantly a class of products sold by Natura's Consultants, denominated as "Cosmetics". In the case of the subsidiaries Emeis Holding Pty Ltd. ("Aesop") and The Body Shop International Limited ("The Body Shop"), cosmetics are sold through a wholesale structure, both in own stores as in department stores, franchises and e-commerce.

No individual or aggregate customer (economic group) represents more than 10% of the Company's net revenues.

23. NET REVENUE

	Company		Consolidated	
	2018	2017	2018	2017
Gross revenue:				
Domestic market	8,442,723	7,889,218	8,575,971	7,963,375
Foreign market	-	-	9,936,334	5,773,637
Other sales	211	255	49,657	13,864
	8,442,934	7,889,473	18,561,962	13,750,876
Returns and cancellations	(28,976)	(23,759)	(54,522)	(50,477)

Commercial discounts and rebates	(17,284)	(937)	(1,421,251)	(608,168)
Taxes on sales	(2,062,485)	(1,997,402)	(3,688,770)	(3,239,523)
Net revenue	6,334,189	5,867,375	13,397,419	9,852,708

24. OPERATING EXPENSES AND COST OF SALES

Breakdown of operating expenses and cost of sales by function:

	Company		Consolidated	
	2018	2017	2018	2017
Cost of sales	2,503,637	2,329,717	3,782,843	2,911,077
Selling, marketing and logistics expenses	2,199,719	2,035,393	5,828,713	3,965,019
Administrative, R&D, IT and Project expenses	908,758	859,333	2,251,341	1,535,945
Total	5,612,114	5,224,443	11,862,897	8,412,041

Breakdown of operating expenses and cost of sales by nature:

	Company		Consolidated	
	2018	2017	2018	2017
Cost of sales	2,503,637	2,329,717	3,782,843	2,911,077
Raw material/packaging material/resale	2,503,637	2,329,717	3,223,446	2,402,340
Personnel expenses (Note 25)	-	-	276,848	261,859
Depreciation and amortization	-	-	65,157	69,433
Others	-	-	217,392	177,445
Selling, marketing and logistics expenses	2,199,719	2,035,393	5,828,713	3,965,019
Logistics costs	410,098	402,351	750,238	669,657
Personnel expenses (Note 25)	391,366	402,551	1,656,611	1,027,690
Marketing, sales force and other selling expenses	1,358,309	1,192,665	3,191,895	2,142,220
Depreciation and amortization	39,946	37,826	229,969	125,452
Administrative, R&D, IT and project expenses	908,758	859,333	2,251,341	1,535,945
Investments in innovation	-		102,436	80,027

Personnel expenses (Note 25)	302,250	247,313	1,036,866	692,242
Other administrative expenses	455,935	501,105	817,254	575,209
Depreciation and amortization	150,573	110,915	294,785	188,467
Total	5,612,114	5,224,443	11,862,897	8,412,041

25. EMPLOYEE BENEFITS

	Company		Consolidated	
	2018	2017	2018	2017
Payroll, profit sharing and bonuses	459,773	419,573	2,350,182	1,510,175
Pension Plan (note 25.2)	3,040	1,949	41,923	7,099
Share-based payments (note 25.1)	34,348	16,610	40,505	19,136
Charges on restricted stock (note 25.1)	19,968	6,117	22,428	7,801
Health medical care, food, transportation and other benefits	53,549	87,877	177,135	197,524
Charges, taxes and social contributions	25,943	29,065	181,240	93,910
INSS	96,995	88,673	156,912	146,146
Total	693,616	649,864	2,970,325	1,981,791

25.1 Share-based Payment

The Board of Directors 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 may receive stock options to purchase or subscribe shares of the Company and the total number to be distributed.

From 2009 to 2014, the plans vest for exercise at the end of the fourth year after grant date, with the possibility of early maturity after the third year, conditioned to renouncing 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.

The Stock Option Plan effective for 2018, 2017, 2016 and 2015 sets out that options may be exercised over three years, one third each year, as from the second year.

The Stock Option Plan or Subscription Bonus termed as "Strategy Acceleration" Plan related to 2015, 2016, 2017 and 2018 provides that 50% of the options may be exercised in the fourth year anniversary and the rest in the fifth year.

The Restricted Share Plan implemented in 2015 consists in the grant of the Company's 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 participants remain linked to the Group 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 Share Plan, there will be no financial disbursement by the Group employee or managing officer upon end of the vesting period.

Grants made in 2018

On March 12, 2018, the Company's Board of Directors approved the Stock Option or Stock Subscription plan, the Restricted Share plans and 2018 Stock Option or Subscription for Strategy Acceleration plans. For this reason, the Company started recording the due provisions as from this month.

On August 13, 2018, the Board of Directors of the Company approved the new extraordinary plan for the grant of restricted shares for 2018; therefore, the Company started to record the necessary provisions this month.

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

	Stock Option Plan and Strategy Acceleration Plan			
	2018		2017	
	Average exercise price per share - R$	Options (thousands)	Average exercise price per share - R$	Options (thousands)
Balance at beginning of year	33.15	7,204	36.17	6,381
Granted	31.55	3,057	26.07	1,699
Expired	40.37	(992)	44.81	(866)
Exercised	27.31	(98)	28.09	(10)
Balance at end of year	31.92	9,171	33.15	7,204

	Restricted shares (thousands)	
	2018	2017
Balance at beginning of year	1,059	875
Granted	809	453
Expired	(118)	(134)
Exercised	(308)	(135)
Balance at end of year	1,442	1,059

From the 9,171 outstanding options as of December 31, 2018 (7,204 outstanding options as of December 31, 2017), 1,672 options (1,376 outstanding options as of December 31, 2017) are vested. The options exercised during the year ended December 31, 2018 resulted in the use of 98,000 treasury shares (10,000 options exercised during the year ended December 31, 2017).

The expense relating to the fair value of stock options and restricted shares, including social security and related expenses calculated over restricted shares, recognized in the year ended December 31, 2018, according to the period elapsed for entitlement to exercise the options and restricted shares, was of R$54,316 and R$62,933 company and consolidated, respectively. On December 31, 2017, expenses totaled R$22,727 and R$26,937 company and consolidated, respectively.

The stock options outstanding and the restricted shares at the end of the year have the following vesting dates and exercise prices:

As of December 31, 2018 -Stock option plan

Grant date	Right acquisition conditions	Exercise price - R$	Fair value	Existing options	Remaining contractual life (years)	Vested options (thousands)
March 23, 2011	4 years of service as from the grant date	65.88	16.45	351	0.5	351
March 18, 2013	4 years of service as from the grant date	71.99	12.10	364	2.5	364
March 17, 2014	4 years of service as from the grant date	48.17	8.54	455	3.5	455
March 16, 2015	From 2 to 4 years of service as from the grant date	27.59	9.70 to 10.57	617	4.3	392
July 28, 2015 (Strategy acceleration)	From 4 to 5 years of service as from the grant date	26.18	12.40 to 12.46	1,100	4.6	-
March 15, 2016	From 2 to 4 years of service as from the grant date	26.06	14.31 to 14.85	327	5.3	109
July 11, 2016 (Strategy acceleration)	From 4 to 5 years of service as from the grant date	23.21	13.67 to 13.78	1,320	5.6	-
March 10, 2017	From 2 to 4 years of service as from the grant date	25.57	13.31 to 13.35	536	6.3	-
March 10, 2017 (Strategy acceleration)	From 4 to 5 years of service as from the grant date	25.57	13.73 to 13.78	1,105	6.3	-
March 12, 2018	From 2 to 4 years of service as from the grant date	34.32	15.92 to 16.41	1,096	7.3	-
March 12, 2018 (Strategy acceleration)	From 3 to 5 years of service as from the grant date	25.57 to 34.32	16.41 to 19.34	1,900	7.3	-
				9,171		1,671

As of December 31, 2018 - restricted shares

Grant date	Right acquisition conditions	Existing stock	Fair value	Remaining contractual life (years)	Vested stock (thousands)
March 16, 2015	From 2 to 4 years of service as from the grant date	122	20.42 to 22.27	0.2	7
March 15, 2016	From 2 to 4 years of service as from the grant date	232	23.97 to 25.70	0.2 to 1.2	11
March 10, 2017	From 2 to 4 years of service as from the grant date	365	23.39 to 25.02	0.2 to 2.2	-
March 12, 2018 – Plan I	From 2 to 4 years of service as from the grant date	373	30.37 to 31.80	1.2 to 3.2	-
March 12, 2018 – Plan II	From 0.4 to 2.4 years of service as from the grant date	89	31.52 to 32.99	0.6 to 1.6	-
March 12, 2018 – Plan III	From 1 to 3 years of service as from the grant date	111	31.08 to 32.55	0.2 to 2.2	-

March 12, 2018 – Extraordinary Plan I	From 1 to 3 years of service as from the grant date	6	31.09 to 32.56	0.2 to 2.2	-
March 12, 2018 – Extraordinary Plan II	From 0.5 to 1.5 year of service as from the grant date	10	32.14 to 32.87	0.7	-
August 13, 2018 – Extraordinary Plan III	From 0.7 to 1.7 year of service as from the grant date	50	26.17 to 26.76	0.4 to 1.4	-
August 13, 2018 – Extraordinary Plan IV	From 0.8 to 1.8 v year of service as from the grant date	25	26.13 to 26.72	0.5 to 1.5	-
August 13, 2018 – Extraordinary Plan V	From 1 to 2 years of service as from the grant date	20	26.04 to 26.65	0.6 to 1.6	-
August 13, 2018 – Extraordinary Plan VI	From 1.6 to 3.6 years of service as from the grant date	39	24.49 to 26.26	1.2 to 3.2	-
		1,442			18

On December 31, 2018, the market price was R$ 45.00 (R$ 33.06 as of December 31, 2017) per share.

The pricing of stock options and restricted shares was based on the binomial model and significant data included in the fair value pricing model of the stock options and restricted shares granted in the period ended December 31, 2018 were:

	Stock option plan	
	March 12, 2018	March 12, 2018 (Strategy Acceleration Program)
Volatility	39.13%	39.13%
Dividend yield	2.31%	2.31%
Expected option life for the year	2 to 4 years	3 to 5 years
Risk-free annual interest rate	7.39% to 8.27%	7.84% to 8.70%

	Restricted shares		
	March 12, 2018 – Plan I	March 12, 2018 – Plan II	March 12, 2018 – Plan III
Volatility	39.13%	39.13%	39.13%
Dividend yield	2.31%	2.31% to 2.44%	2.31%
Expected option life for the year	2 to 4 years	0.4 to 2.4 years	1 to 3 years
Risk-free annual interest rate	7.39% to 8.27%	6.17% to 7.39%	6.17% to 7.84%

	Restricted shares – Extraordinary Plan					
	March 12, 2018 – Extra I	March 12, 2018 – Extra II	August 13, 2018 – Extra. III	August 13, 2018 – Extra. IV	August 13, 2018 – Extra. V	August 13, 2018 – Extra. VI
Volatility	39.13%	39.13%	38.62%	38.62%	38.62%	38.62%
Dividend yield	2.31%	2.31% to 2.44%	1.67% to 1.99%	1.67% to 1.99%	1.67% to 1.99%	1.99% to 2.83%
Expected option life for the year	1 to 3 years	0.5 to 1.5 year	0.7 to 1.7 year	0.8 to 1.8 years	1 to 2 years	2 to 4 years
Risk-free annual interest rate	6.17% to 7.84%	6.17% to 6.56%	7.38% to 8.71%	7.38% to 8.71%	7.38% to 8.71%	8.20% to 9.89%

25.2 Pension plan

The contributions made by the Group totaled R$3,040 company and R$41,923 consolidated in the year ended December 31, 2018 (R$1,949 and R$3,397 company and consolidated, respectively, in the year ended December 31, 2017), and were recorded as expenses in the year.

26. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2018	2017	2018	2017
Financial income:				
Interest on short-term investments	62,002	81,119	129,296	164,442
Gains on monetary and exchange rate variations (a)	397,060	156,009	477,297	176,450
Gains on swap and forward transactions (c)	1,162,010	28,872	1,323,470	34,055
Gains on fair value adjustment of swap and forward derivatives	949	152	2,760	606
Effect of joining the Special Tax Regulation Program (PERT) established by Federal Law 13,496/17)	-	70,348	-	70,348
Inflation adjustment of provision for tax risks and tax liabilities and recognition of contingent asset (note 27 (d))	-	26,707	89,151	129,770
Other financial income	21,651	19,569	34,447	28,721
	1,643,672	382,776	2,056,421	604,392
Financial expenses:				
Interest on financing	(582,741)	(337,123)	(631,475)	(387,658)
Losses on monetary and exchange rate variations (b)	(992,053)	(116,472)	(1,073,549)	(141,499)
Losses on swap and forward transactions (d)	(619,434)	(160,972)	(794,504)	(161,802)
Loss on fair value adjustment of swap and forward derivatives	(538)	-	(2,197)	-
Inflation adjustment of provision for tax, civil and labor risks and tax liabilities	(24,331)	(59,353)	(22,026)	(89,792)
Derivatives ("NDF") contracted to hedge the acquisition of The Body Shop, including the market value (MtM)	-	(27,400)	-	(27,400)
IOF on remittance of funds abroad for acquisition of The Body Shop	-	(14,218)	-	(14,218)
Debt structuring expenses for acquisition of The Body Shop (e)	-	(60,919)	-	(60,919)
Effect of reclassification of government grant (CPC07)	-	(1,747)	-	(29,976)
Appropriation of funding costs (debentures and notes)	(37,400)	-	(37,400)	-
Financial result arising from exposure to inflation (Argentina)	-	-	(25,066)	-
Other financial expenses	(26,405)	(70,457)	(53,492)	(78,577)
	(2,282,902)	(848,661)	(2,639,709)	(991,841)
Financial expenses	(639,230)	(465,885)	(583,288)	(387,449)

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	
	2018	2017	2018	2017
(a) Gains on monetary and exchange rate variations	397,060	156,009	477,297	176,450
Gains on exchange rate variation on loans	395,897	155,940	402,345	159,952
Exchange rate variation on imports	1,081	69	6,385	-
Exchange rate variation on export receivables	82	-	42,901	2,746
Exchange rate variation on accounts payable to subsidiaries abroad	-	-	25,666	13,752
(b) Losses on monetary and exchange rate variations	(992,053)	(116,472)	(1,073,549)	(141,499)
Losses on exchange rate variation on loans	(991,938)	(116,339)	(996,034)	(124,753)
Exchange rate variation on imports	(76)	-	(40,140)	(27)
Exchange rate variation on export receivables	(26)	(21)	(18,323)	-

Exchange rate variation on accounts payable to subsidiaries abroad	-	-	(13,075)	-
Exchange rate variation on financing	(13)	(112)	(5,977)	(16,719)
(c) Gains on swap and forward transactions	1,162,010	28,872	1,323,470	34,055
Revenue from swap exchange coupons	170,555	28,872	170,555	29,091
Gains from exchange variations on swap instruments	991,455	-	1,152,915	4,964
(d) Losses on swap and forward transactions	(619,434)	(160,972)	(794,504)	(161,802)
Losses on exchange rate variation on swap instruments	(396,098)	(40,595)	(402,708)	(39,287)
Financial costs of swap instruments	(223,336)	(120,377)	(391,796)	(122,420)
Loss on interest rate swap	-	-	-	(95)
(e) Other financial expenses	-	(60,919)	-	(60,919)
Expenses with debt structuring for acquisition of The Body Shop, resulting from the change of loan facility agent	-	(60,919)	-	(60,919)

27. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	2018	2017	2018	2017
Result on write-off of property, plant and equipment	1,268	(23,186)	1,188	(25,623)
ICMS credit	-	7,785	2,290	7,785
BNDES, FINAME and FINEP subsidy	-	1,747	-	29,976
Crer para Ver (a)	(23,686)	(16,785)	(29,686)	(22,771)
ICMS-ST (b)	(38,244)	(31,745)	(27,126)	(33,784)
Sale of customer portfolio (c)	15,239	28,701	16,254	28,701
Exclusion of ICMS based on PIS/COFINS (d)	-	1,248	57,242	197,230
Initial costs of acquisition of The Body Shop	-	(68,580)	-	(87,106)
Transformation Plan (e)	-	-	(98,465)	-
Tax contingencies	(6,309)	(5,267)	(706)	(38,765)
Reversal of IPI – equal commercial rights (f)	-	129,061	-	133,595
Prior-period credits	-		23,677	-
Reintegra credits	-		3,058	-
Other operating income (expenses)	33,872	(10,027)	12,329	(37,550)
Other operating income (expenses), net	(17,860)	12,952	(39,945)	151,688

(a) Allocation of operating profit from sales of "Crer para Ver" line of non-cosmetic products to Natura Institute, specifically directed to social projects for developing the quality of education.

(b) Refers to the requirement of ICMS tax substitution, for different states, see details in note 18 (b).

(c) Refers to the revenue from the sale of securities portfolio of customers overdue for more than 180 days, net of legal costs with lawsuits filed by debtors against the company acquiring the portfolio. Proceeds from the sale of portfolio, as well as reimbursement of legal costs, are received after write-off of overdue securities.

(d) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda. are challenging in court the non-inclusion of ICMS in the calculation basis of PIS and COFINS contributions. Since 2007, they are legally authorized to pay contributions excluding ICMS, but have held the balance ICMS provisioned as Tax liabilities. On June 30, 2017, based on the conclusion from the judgment delivered by the Plenary Session of the Federal Supreme Court on the Extraordinary Appeal, with general repercussion across society, which ruled unconstitutional the inclusion of ICMS in the calculation base of PIS and COFINS, the Company reversed the tax obligation provisioned for. On December 31, 2018, the Company recognized the principal credit of R$57,242, arising from Contingent Asset backed by the final and unappealable decision (see note 19).

(e) Expenses related to the implementation of the transformation plan of The Body Shop, which is supported by five pillars, namely: (1) renewal of the brand; (2) optimization of retail operations; (3) improvement of omni-channel; (4) improvement of operating efficiency; and (5) redesign of the organization.

(f) The Company and its subsidiary Indústria e Comércio de Cosméticos Natura Ltda., in the operations in which it operates exclusively as distributor, are legally challenging the condition brought by Decree 8,393/2015, which equated to industrial establishments, for the purposes of levying the Tax on Manufactured Products (IPI), interdependent wholesale establishments that sell products envisaged in said decree. After the delivery of judgments in favor of the Company, as well as the currently favorable jurisprudence on the issue, the Company, based on the opinion of its legal counsel, revaluated the probability of loss as possible, with a higher chance of favorable outcome, thereby reversing the balance recorded as tax liability under Consolidated on September 30, 2017.

28. EARNINGS PER SHARE

28.1. Basic

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

	2018	2017
Net income attributable to owners of the Group	548,379	670,251
Weighted average of outstanding common shares	431,239,264	431,239,264
Weighted average of treasury shares	(644,207)	(867,934)
Weighted average of outstanding common shares	430,595,057	430,371,330
Basic earnings per share - R$	1.2735	1.5574

28.2. 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, restricted actions and strategy acceleration.

	2018	2017
Net income attributable to owners of the Group	548,379	670,251
Weighted average of outstanding common shares	430,595,057	430,371,330
Adjustment for stock options and restricted shares	764,764	641,156
Weighted average number of common shares for diluted earnings per share calculation purposes	431,359,821	431,012,486
Diluted earnings per share - R$	1.2713	1.5551

At December 31, 2018, a total of 8,831,788 existing options (6,570,788 at December 31, 2017), 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.

29. RELATED-PARTY TRANSACTIONS

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

	Company	
	2018	2017
Current assets:		
Natura Logística e Serviços Ltda. (a)	89	72
Natura Biosphera Franqueadora Ltda.	295	244
Aesop Brasil Comércio de Cosméticos Ltda. (subsidiary of Emeis Holdings Pty Ltd.)	-	2
The Body Shop International Limited (f)	11,535	8,878
Natura Cosméticos S.A. - Chile	-	195
Natura Cosméticos S.A. - Peru	-	195
Natura Cosméticos Ltda. - Colombia	-	195
Natura Cosméticos S.A. - Mexico	-	195
Natura Cosméticos S.A. - Argentina	-	195
Total current assets (*)	11,919	10,171
Current liabilities:		
Indústria e Comércio de Cosméticos Natura Ltda. (b)	224,217	214,295
Natura Inovação e Tecnologia de Produtos Ltda. (c)	-	7,407
Total current liabilities	224,217	221,702

(*) Based on Management's analysis, expected loss on receivables from related parties is insignificant and hence no provision for losses was registered by the Company.

Related-party transactions are as follows:

	Company			
	Sale of products		Purchase of products	
	2018	2017	2018	2017
Aesop Brasil Comércio de Cosméticos Ltda. (subsidiary of Emeis Holdings Pty Ltd.)	1,750	21	-	-
Natura Comercial Ltda.	-	7,985	-	-
Indústria e Comércio de Cosméticos Natura Ltda.	-	-	2,970,620	2,801,421
Total sale or purchase of products	1,750	8,006	2,970,620	2,801,421

	Company			
	Sale of services		Purchase of services	
	2018	2017	2018	2017
Administrative structure: (d)				
Natura Logística e Serviços Ltda.	-	-	-	3,450
Product and technology research and development: (e)				
Natura Inovação e Tecnologia de Produtos Ltda.	-	-	186,908	221,176
Total sale or purchase of products and services	1,750	8,006	3,157,528	3,026,047

The Company holds 100% interest in the Investment Fund Essencial, which refers to the exclusive private credit fixed-income investment fund, whose breakdown is presented below (see Note 7), except for quota of Natura Institute:

	2018	2017
Certificate of time deposits	73,268	143,214
Repurchase agreement	344,051	992,054
Treasury bills	574,310	915,853
Government bonds (LFT)	402,895	864,825
	1,394,524	2,915,946

The Natura Institute holds shares in the investment fund Fundo de Investimento Essencial, and on December 31, 2018 the balance was R$2,228.

(a) Advances granted for providing of product separation, packaging for transportation and mailing services, logistics advisory, human resources management and human resources training.

(b) Payables for the purchase of products.

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

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

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

(f) Refers to transfer of software licensing expenses.

On June 5, 2012, an agreement was entered into, still present, between Indústria e Comércio de Cosméticos Natura Ltda. and Bres Itupeva Empreendimentos Imobiliários Ltda., ("Bres Itupeva"), for the construction and lease of processing, distribution, storage (HUB), in the city of Itupeva / SP 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. The amount involved in the registered transaction is "Buildings" in the amount of R$ 49,136 (R$ 54,008 as of December 31, 2017).

Natura Cosméticos S.A. and Raia Drogasil S.A. entered into a purchase and sale agreement and other covenants for selling products in Raia and Drogasil. Mr. Antonio Luiz da Cunha Seabra, Mr. Guilherme Peirão Leal and Mr. Pedro Luiz Barreiros Passos, members of the Natura Cosméticos S.A. control block, indirectly hold shareholding interest in Raia Drogasil S.A.

In the fiscal year ended December 31, 2018, Natura Cosméticos S.A. and its subsidiary transferred to the Natura Institute, in the form of a donation associated with maintenance, the amount of R$3,351 (R$2,288 on December 31, 2017) corresponding to 0.5% of net income for the prior fiscal year, and a donation associated with the net sales of products in the Natura Crer Para Ver line, in the amount of R$25,289 (R$24,733, on December 31, 2017).

29.2. Key management personnel compensation

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

	2018			2017		
	Compensation			Compensation		
	Fixed (a)	Variable (b)	Total	Fixed (a)	Variable (b)	Total
Board of Directors	13,141	24,860	38,001	8,700	7,300	16,000
Officers	32,739	68,540	101,279	24,681	46,729	71,410
	45,880	93,400	139,280	33,381	54,029	87,410

(a) The item "Officers" includes the amount of R$ 1,946 referred to the amortization of the Confidentiality and Non-Compete Agreement during the fiscal year ended December 31, 2018 (R$8,441 in the fiscal year ended December 31, 2017).

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

29.3. Share-based payments

Breakdown of Natura Cosméticos officers and executives' compensation:

	Grant of options					
	2018			2017		
	Stock option balance (number) (a)	Average fair value of stock options	Average exercise price - R$ (b)	Stock option balance (number) (a)	Average fair value of stock options – R$	Average exercise price - R$ (b)
Officers	5,578,203	14.94	31.92	4,917,574	12.44	33.15

	Restricted share			
	2018		2017	
	Stock option balance (number) (a)	Average exercise price - R$ (b)	Stock option balance (number) (a)	Average exercise price - R$ (b)
Officers	375,897	29.62	281,195	23.35

(a) Refers to the balance of the options and restricted shares vested and non-vested, not carried out, at the balance sheet dates.

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

30. COMMITMENTS ASSUMED

30.1. Inputs supply contracts

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

- Agreements effective until 2018, whereby a minimum monthly volume of 0.8 Megawatts shall be purchased, equivalent to R$ 110.
- Agreements that started in 2018 and effective up to 2019, with the value of Megawatts/h between R$177 and R$302.
- Agreements that started in 2018 and effective up to 2020, with the value of Megawatts/h between R$265 and R$363.

As of December 31, 2018, the subsidiary was in compliance with this agreement's commitments.

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

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

	2018	2017
Less than one year	1,268	1,406
More than one year and less than five years	4,940	-
Total	6,208	1,406

30.2. Operating lease transactions

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

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

As of December 31, 2018, and December 31, 2017, the commitment made for future payments of these operating leases had the following maturities:

	Company		Consolidated	
	2018	2017	2018	2017
				Restated (i)
Less than one year	9,082	13,833	486,521	457,348
More than one year and less than five years	11,545	16,993	1,039,382	1,055,681
More than five years	-	-	337,074	527,040
Total	20,627	30,826	1,862,977	2,040,069

(i) Amounts restated to correct previously disclosed information.

On December 31, 2018, the Group incurred R$655,416 (R$284,565 on December 31, 2017) in expenses with operating leases.

31. INSURANCE

The Group has an insurance policy that considers principally risk concentration and materiality, taking into consideration the nature of its activities and the opinion of its insurance advisors. As of December 31, 2018, insurance coverage is as follows:

Item	Type of coverage	Amount insured
Manufacturing complex and administrative sites	Any damages to buildings, facilities, inventories, and machinery and equipment	2,269,660
Vehicles	Fire, theft and collision for 936 vehicles	204,329
Loss of profits	No loss of profits due to material damages to facilities buildings and production machinery and equipment	1,409,278
Transport	Damages to products in transit	31,193
Civil liability	Protection against error or complaints in the exercise of professional activity that affect third parties	514,430
Environmental liability	Protection against environmental accidents that may result in environmental lawsuits	30,000

32. ADDITIONAL STATEMENTS OF CASH FLOWS

The following table presents additional information on transactions related to the statement cash flows:

	Company		Consolidated	
Non-cash items	2018	2017	2018	2017
Hedge accounting, net of tax effects	51,121	7,468	51,165	9,172
Finance lease of new administrative building	-	8,739	-	8,739
Dividends and interest on equity declared and not yet paid	111,449	213,840	111,449	213,840
Net effect of acquisition of property, plant and equipment and intangible assets not yet paid	(2,197)	1,088	6,797	1,875

33. EVENTS AFTER THE REPORTING PERIOD

The management proposed to the Board of Directors, at a meeting held on February 21, 2019, a capital expenditure budget for 2019 comprising property, plant and equipment and working capital in the amount of R$725 million, to be approved at the Annual Shareholders Meeting on April 12, 2019.

34. APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were approved by the Board of Directors and authorized for issue at the meeting held on February 21, 2019.

2018 **management report**

natura &co

THE BODY SHOP natura Aēsop

natura 50 anos

message from the Board of Directors

Our global future

Antonio Luiz da Cunha Seabra, Guilherme Peirão Leal, Pedro Luiz Barreiros Passos (co-chairmen) e Roberto de Oliveira Marques (executive chairman)

We have had a great year! Natura &Co has given shape to our dream of reaching out to the world and furthering our vision that business should drive positive transformation in society. In this first year of consolidating a global cosmetics group, we have made significant progress in building the foundations that will sustain our future development.

Maintaining our belief in the power of transformation, of collaboration, of transparency, of integrity, of diversity and of the interdependent nature of everything and everyone. These certainties enable us to mobilise people and businesses in different geographies aligned with the same purpose: "To nurture beauty and relationships for a better way of living and of doing business".

With regards to business results, 2018 also saw key developments. For the second year running, Natura consolidated the bases of its new growth cycle, supported by the revitalisation of direct selling.

The Body Shop advanced successfully in its transformation plan, which will drive efficiency, new platforms for growth and rejuvenation of the brand. And Aesop maintained the expansion of its businesses, both in number of stores, as well as in channels and new markets.

However, this poweful start for Natura &Co should not allow us to lose sight of the times in which we live. The world is beset by great uncertainty. And frequently we see the propagation of world views that are radically different from ours. Faced with systemic challenges that impact the entire planet, we often witness the worrying emergence of isolationist reactions among nations that make efforts aimed at achieving a global understanding even more complex.

Trusting in the constructive power of open debate, it is our understanding that this conjuncture requires that we reaffirm our belief in universal values that should shape a globalised civilisation. We believe in the power of free trade, in social justice that combats inequalities, and in the urgent need to address the global warming and the regeneration of natural resources.
We understand that businesses have an indispensable role to play in the transformation of the world we live in. Beyond generating wealth, they generate values that shape human relationships and enable people to live their lives more fully. Natura &Co is founded on these premises.

This is a fundamental commitment that is at the heart of all our companies. It seems fitting that in August 2019 we will celebrate the 50th anniversary of Natura, the oldest company in our group. This is an incredibly special event for us. Above all, because we recognise in our past the drivers of our future: a passion for cosmetics and for relationships. The experience of self-knowledge bestowed by cosmetics allied with the expanded possibilities of relationship enabled by complementary physical and digital means signals an excellent opportunity for us to connect with an ever larger number of people, in more places, through different brands.

This gives us every reason to celebrate the excellent results of Natura &Co's first year. They are the result of the quality and talent of a team of co-workers who make the most of the power and beauty of their own diversity, in all dimensions, from origins to cultures, from experiences to business contexts. This is complemented by the focused application of a strategy that respects the particularities of the businesses, seeking to ensure that each business evolves and contributes in the best way possible to the group as a whole. Thus, we advance in the construction of the future of a global group that values the strength of relationships at every point in its network.■

message from the CEOs

What a start!

David Boynton (The Body Shop), João Paulo Ferreira (Natura) e Michael O'Keeffe (Aesop)

Change is inevitably tested in its early stages, and 2018 following the creating of Natura &Co has proven no exception. We embarked on our ambition to build a different kind of corporation. A corporation with a light weight structure that showcases the expertise and truly unique identities of its individual companies, but that are united in a common purpose to create immense value for society.

In Natura &Co's first year we exceeded even the most optimistic projections. While these financial results are consistent with our initial group strategy, they do not reveal the true potential that is yet to come. Through our synergies, engagement and creative forces currently being mobilised, we have created the foundations of the new group. We have clearly defined our purpose, our beliefs and the aspirations that unite us, put into practice a governance structure in line with our ambition to create an interdependent yet autonomous culture between our companies and begun to work together in the pursuit of excellence in key areas such as retail, digital and sustainability while still maintaining focus on the distinct agenda of each individual company.

Natura has triumphed against adversity. In Latin America, despite the extremely challenging economic environment especially in Brazil and Argentina, we have gained market share in all the countries in which we are present. We have become market leaders in three target sectors: perfumery, body and gifts, and have successfully completed our second year of internal transformation, positioning the company for a new cycle of growth and transformation beginning in 2019 and underpinned by a cutting-edge approach to our direct sales model. Productivity and gains by our direct sales consultants have been leveraged by our commercial model, which includes using digital to strengthen relations with customers. Customers now have at their disposal an improved buying experience supported by various sales channels. There is still much to be achieved with the expansion of digital resources in Brazil, our largest market and other Latin American markets.

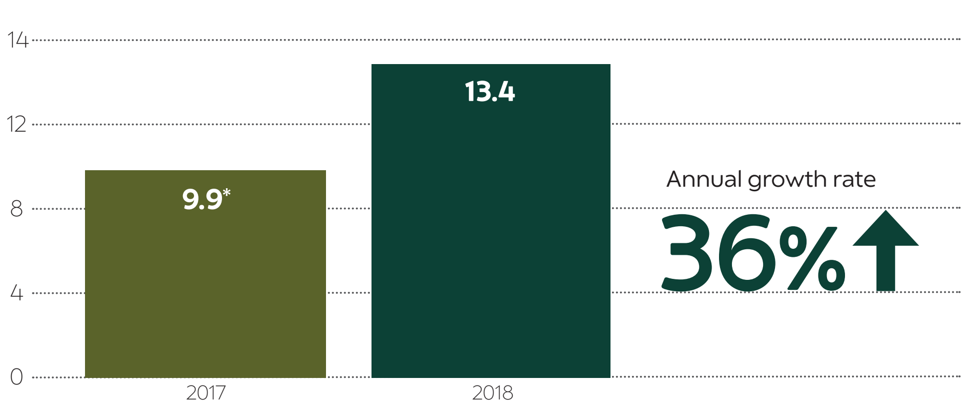
Aesop has maintained its solid growth trajectory, increasing its sales by five times since the beginning of the decade, and is now capitalising on strategic opportunities available through Natura &Co which includes expanding its omnichannel offer, seeking competitive advantage through our non-conformist mentality, reducing environmental impact and generating positive effects on society. We continue to launch signature stores around the world and have implemented a global program to bring us closer to our customers and gain a better understanding of their insights.

In terms of The Body Shop's organisational transformation, 2018 was a crucial year. We have achieved significant gains on all strategic fronts: revitalisation of our brand, optimisation of our retail operations, expansion in our digital presence, gains in operational efficiency and in redesigning our organisation. We have gone back to our roots to rediscover our original purpose: "We exist to fight for a fairer and more beautiful world." In this process, we have rediscovered our voice and once again become a leader in the global movement to ban animal testing in the cosmetics industry. We also launched operations in new markets such as Bangladesh and Bulgaria and are focused on strengthening key markets like the United States of America and Germany.

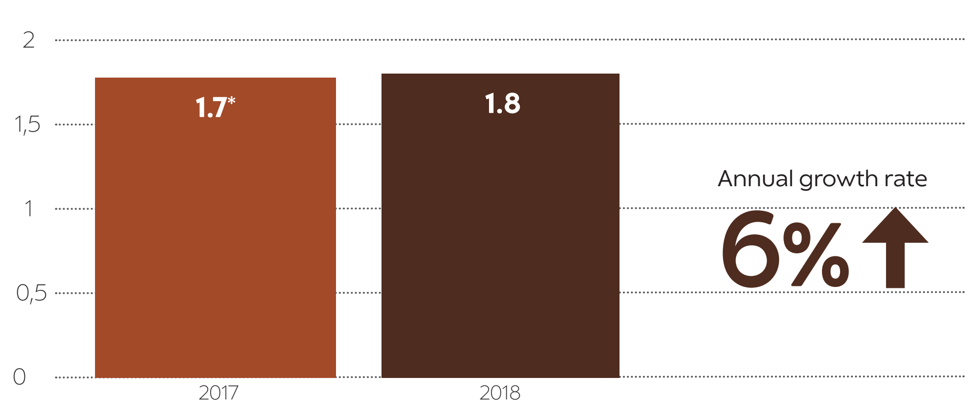
This impressive list of achievements reinforces our belief in the capacity for growth and the positive impact that Natura &C0 can have on the world, strengthened by synergies, gains in efficiency and the integration of the three businesses. Among the opportunities still to be explored are the expansion of The Body Shop in Latin America, supported by Natura's organisational structure and the expansion of sales of all products through digital platforms, across various geographies. These are examples of how iconic brands can reach new heights by combining strengths, and protecting and preserving their unique individual identities. Therefore, we aim to not just be another big corporation in the world, but to be the best corporation for the world. ■

Performance highlights

Consolidated net revenue (R$ billion)



Consolidated EBITDA** (R$ billion)



*Does not include results from before The Body Shop acquisition (between January and August 2017).
**EBITDA = Net Income - Financial Revenue + Financial Expenses + Income Tax and Social Contributions + Depreciation/Amortization.

Who we are

Natura &Co is a global cosmetics group comprising three iconic brands aligned behind the purpose of nurturing a better way of living and doing business through beauty and relationships. We are present in 73 countries across all continents. We comprise more than 18,000 co-workers committed to generating a positive economic, social and environmental impact based on products of natural origin.

OUR PURPOSE

To nurture beauty and relationships for a better way of living and doing business.

OUR BELIEFS

We are **passionate** agents of change.

We build **relationships** based on transparency, collaboration and diversity.

We are committed to **integrity** and hold ourselves accountable.

We find the **courage** to challenge the status quo and go beyond.

We honour and respect the **interdependent** nature of all things.

OUR ASPIRATION

We will dare to innovate to promote positive economic, social and environmental impact.

FURTHER INFORMATION ABOUT EACH COMPANY

NATURA

is our most seasoned brand, which celebrates its 50th anniversary in August 2019. Founded in Brazil, the company also operates in Argentina, Chile, Colombia, France, Mexico, Peru and the United States. It has a network of 1.7 million consultants, 45 company-owned stores, products in 3,800 pharmacies and a market leading online platform in Brazil. Natura was the first publicly listed company to become a B Corp, in 2014.

AESOP

is recognised internationally for delivering exceptional products and experiences to its consumers. It operates in 25 countries, with 227 company-owned signature stores, many designed by renowned architects; its products are also commercialised in 92 department stores. Aesop's digital platform is in place in 17 countries and operates key partnerships with other online sales platforms.

THE BODY SHOP

has a global presence. The brand is present in 69 countries, with a total of 2,935 stores, of which 1,037 are company owned. TBS has 12 distribution centres, 45 e-commerce websites and around 20,000 consultants. It rates highly as one of the most ethical global cosmetics brands, as a result of its widely recognised activism. In 2018, the brand was engaged in various causes, ranging from banning animal testing, through the promotion of the UN Sustainable Development Goals to humanitarian aid for refugees.

2018 Performance

In the first full year of the group's activities, we made important advances for Natura, Aesop and The Body Shop. Last year's performance demonstrated that our three companies have the capacity of execution and mobilisation to reach the goals set for each of them. "Last year's results make us confident about the choices we have made. Natura &Co is based on respect for the identities of its component brands, it has a light structure that encourages autonomy and the interdependence of the businesses and is sustained by authentic and differentiated beliefs and values", says Roberto Marques, executive chairman of the Board of Directors.

Natura &Co showed a strong performance in sales and profit in 2018. Consolidated net revenue was of R$13.397 billion in 2018, an increase of 36.0% over the same period last year, with a positive contribution from the three businesses.

Natura had robust consolidated results, maintaining its leadership position in key categories in Brazil and an accelerated pace of expansion in Latin America, particularly in Mexico, Argentina and Chile. This resulted in 9.9% growth in net revenue compared with 2017.

Aesop posted 50.6% growth in net revenue in 2018 compared with the same period last year. In the same comparison, The Body Shop's net revenue grew 166.8%. Including pro forma amounts for 2017 (January to August, prior to the acquisition of the company), net revenue growth would have been 17.7%.

Natura &Co's consolidated Ebitda in 2018 was R$ 1.847 billion, 6.0% higher than the previous year, while net income reached R$ 548.8 million. These numbers reaffirm that the group is on track to achieve its medium-term goals.

In line with our commitment to make positive environmental and social impact an integral part of our economic performance, our business continued to develop sustainable initiatives in 2018. The Body Shop led the global movement to ban animal testing in the cosmetics industry. Natura is the only company, within the sector in which it operates, both on the São Paulo stock exchange's (B3) Index of Corporate Sustainability (ISE) and the Dow Jones Sustainability Index Emerging Markets. Aesop for its part has put in place a new structure for its newly formed foundation, which aims to support marginalised communities in Australia.

Currently our three companies are engaged in aligning their environmental and social impact indicators in accordance with the group's commitment to create sustainable value for its stakeholders in all geographies.

DISTRIBUTION OF DIVIDENDS

On 28 December 2018, "ad referendum" of the Ordinary General Shareholders' Meeting, the Board of Directors approved a proposal for the payment of interest on equity in the gross amount of R$111.4 million (R$ 94.7 million net of withholding of income tax at source), payable on 12 April 2019. This is equivalent to a net remuneration of R$ 0.2199 per share, for the period from 1 January 2018 to 31 December 2018, to be paid out on 26 February 2019. Additionally, on 21 February, 2019, dividends amounting to R$ 56.7 million, before income tax, were proposed. Equivalent to a remuneration of R$ 0.1315 per share, payable on 18 April 2019. Dividends and interest on own capital, net of income tax, for the fiscal year ending on 31 December 2018, totalled R$ 151.4 million, corresponding to a net remuneration of R$ 0.3514 per share based on the distribution of 30% of the 2018 net profit, after the deduction of amounts set aside for taxs incentives reserves.

Strategy

We have developed a multi-brand model that pursues synergic business growth on a global scale based on the offer of innovative, sustainable products through multiple sales channels.

Our brands enjoy local and international projection, complementary expertise and predominance in diverse market segments. And they are beginning to benefit from a more integrated corporate structure with fewer hierarchical levels (see Governance). In 2018, we created our Excellence Networks, centres of cross business collaboration in three strategic areas – digital, sustainability and retail – to share best practices and to build joint action forces among the executives of the three companies. We also launched the Global Procurement Organisation, which has driven gains in scale for the group in negotiations with suppliers. It is estimated that initiatives such as these will generate synergies and an increase in Ebitda of around R$ 1 billion in the first five years of the group's activities.

Operation via multiple channels will also be intensified in 2019, with the accelerated growth of our digital platforms, as well as the brands' geographical expansion, supported by the group's existing structures. An example is the potential for expanding The Body Shop's presence in Latin America, with support from Natura operations. In parallel, Natura's international growth will benefit from The Body Shop relationship network.

The three brands maintain their own strategic agendas:

NATURA has completed two years of its transformation process and is now initiating a new expansion cycle, focused on the following directives:

- Recover preference and desire for the brand
- Pursue greater differentiation in focus categories by means of innovation
- Regain the power of Direct Selling, improving the consumer purchase experience and profitability for consultants
- Expand multichannel presence
- Accelerate the business' digital transformation
- Expand to international markets allowing accelerated growth
- Adopt innovative organisational and people management models that enable future busines

AESOP is continuing its business expansion, with greater precision on its objectives:

- Build deeper penetration in markets across the globe
- Evolve into an omni-channel retailer
- Apply a non-conformist mindset
- Continue to launch new and innovative products
- Lighten our environmental impact and have a positive impact on society

THE BODY SHOP is entering its second year of organisational transformation, seeking to consolidate gains in efficiency and initiate preparations for future growth:

- Rejuvenation of the brand
- Optimisation of retail operations
- Enhancement of the omnichannel experience
- Improvement in operational efficiency
- Redesign of organisational structure

Governance

The governance structure continues to evolve in line with the characteristics of Natura &Co, a global group of which Natura Cosméticos S.A. is the controlling shareholder. The Board of Directors ended the year with nine members, five of whom are independent. The Board welcomed Jessica DiLullo Herrin, whose experience in direct selling and large technology companies will benefit the group. Marcos Lisboa, who made important contributions during his seven years on the Natura board, left at his own volition in April to pursue other projects. We also note with profound regret the loss of board member Peter Saunders, who passed away in August. On the executive level, in May José Antonio de Almeida Filippo assumed the position of Vice President of Finance and Investor Relations. He is also a member of the Group Operations Committee (GOC), which is headed by the executive chairman of the Board, Roberto Marques. The CEOs of the three companies are also members of the committee, as are representatives of key areas and The Body Shop's Chief Transformation Officer, Robert Chatwin. Created in 2017, the committee's mission is to identify dynamic solutions for the Natura &Co group. It met five times during the course of the year, with the first meeting held in Brazil in February 2018.

Each of our three companies has its own Executive Committee, ensuring a proper balance between the need for integration and synergy and business autonomy. Compliance structure has been consolidated in all three companies, including the ombudsman channel, reinforcing ethics and integrity throughout the group. In line with best global practices, we reviewed the Natura Code of Conduct in 2017. In 2018, we updated the Aesop and The Body Shop codes.

SUBMISSION TO THE MARKET ARBITRATION CHAMBER

A Natura, its shareholders, officers, directors and members of the Audit Board agree to settle exclusively through binding arbitration, which shall be conducted in the Market Arbitration Chamber, any and all disputes or controversies arising between them that are related to or stem from their condition as issuer, shareholders, administrators and members of the Audit Board, in particular, from the provisions in federal laws number 6.385/76 and 6.404/76, the company's bylaws, the rules published by the National Monetary Council (CMN), by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil (CVM), as well as those in the Novo Mercado Listing Regulations, the other B3 Exchange regulations and the Novo Mercado Participation Agreement.

RELATIONS WITH INDEPENDENT AUDITORS

In compliance with Instruction 381/03, we declare that the Company and its subsidiaries are audited by the independent auditors KPMG Auditores Independentes. Company policy regarding contracting services not related to external audit is aimed at evaluating the existence of conflicts of interest. This involves assessing the following aspects: the auditor should not (i) audit its own work; (ii) perform management functions at its client and (iii) promote the interests of its client. In the fiscal year ending on 31 December,2018, tax compliance services were contracted to the amount of R$ 0.5 million, corresponding to 4.1% of the total independent audit services contracted during the aforementioned fiscal year. Regarding these non-audit related services, KPMG declared to Natura that there was no link or situation that might constitute a conflict of interest which would impede the independent execution of its activities as auditor for the Company.

São Paulo, February 21, 2019.

Another very strong quarter in Q4-18
Double-digit growth in revenue, EBITDA and net income; cash generation more than doubled
Natura, The Body Shop and Aesop all deliver consistent underlying performance

- Double-digit consolidated net revenue growth in Q4: R$4.3 billion in Q4-18, up 16.1% on a reported basis and 12.9% on an adjusted[1] basis (9.6% at constant currency). In 2018, reported[2] net revenue grew by 36.0% to R$13.4 billion, while adjusted net revenue improved by 13.5% (8.6% at constant currency):
  - Natura: Reported net revenue grew by 15.7% in Q4-18, and by 9.9% in the full-year. Adjusted net revenue in BRL was up by 10.4% in Q4-18 and by 8.2% in the year, driven by both Brazil (+11.2% in Q4-18, adjusted) and Latam (+8.1% in BRL adjusted, and +23.1% at constant currency). Q4 growth in Brazil was the highest since 2010, driven by the most successful-ever Christmas campaign and by the 9th consecutive quarter of double-digit increase in consultant productivity. During the year, we grew our market share and strengthened our leadership in the sector, notably in key categories such as fragrance, body and gifts*. In Latin America, we saw strong growth in all countries, especially in Mexico, Argentina and Colombia, with a significant gain in brand preference in the region.
  - The Body Shop: Net revenue in BRL rose 11.2% in Q4-18 and by 17.7%[1] in the full year. At constant currency, sales were down 1.7% in Q4-18 and up 1.7% in the full year. Q4 sales were impacted by the net closing of 62 underperforming own stores in the year and the phasing of head franchise orders that shipped in Q3 (vs Q4-17). On a like-for-like ("LFL") basis, own stores sales were up 0.7% in Q4-18, with a successful Christmas campaign, including in the UK, our largest market, where LFL was +2.5%. In the year, total own stores LFL sales were up by 1.8%.
  - Aesop: Strong double-digit growth in BRL of 43.9% in Q4-18 (+25.6% at constant currency), and +50.6% (+31.0% at constant currency) in the full-year, with solid performance in all channels and geographies. Signature stores' LFL sales were up by 13.5% in Q4-18 and 17.8% in the year.

- Double-digit consolidated EBITDA growth. Reported EBITDA of R$714.6 million in Q4-18 up by 13.7% vs. Q4-17, reaching EBITDA margin of 16.5%, and adjusted[1] EBITDA of R$738.0 million, up by a strong 17.4%. In 2018, reported EBITDA was R$1,846.6 million, +6.0% (EBITDA margin of 13.8%), while adjusted EBITDA was R$1,904.4 million, up by 23.0%:
  - Natura: In Q4-18, reported EBITDA rose 21.9%, reaching a margin of 17.5%. Adjusted EBITDA grew 18.5% (Brazil: +18.4% and Latam: +21.5%). In the full-year, reported EBITDA was down 2.9% (EBITDA margin of 17.5%), but up 9.9% on an adjusted basis (Brazil: +5.5% and Latam: 27.3%).
  - The Body Shop: In Q4-18, reported EBITDA margin reached 15.5%, impacted by the revenue effects described above and transformation costs of R$36.1 million. Adjusted EBITDA margin (ex-transformation costs) reached 18.2%, up 23 bps. In 2018, reported EBITDA margin was 7.9% and adjusted EBITDA margin was 10.4% (+284 bps).
  - Aesop: In Q4-18, reported EBITDA was up by 25.0% in BRL, reaching EBITDA margin of 23.9%, despite the higher retention plan provision reflecting the company's superior performance. In 2018, EBITDA rose 46.7% in BRL (EBITDA margin of 15.3%).

- Net income up 48.7% in the quarter. Q4-18 reported net income of R$381.7 million vs. R$256.8 million in Q4-17, driven by higher EBITDA, lower financial expenses and lower effective income tax rate. This strong growth was achieved despite hyperinflationary effects from Argentina and The Body Shop's transformation costs. Underlying operating income grew by 2.9% in Q4-18, and by 17.3% in the full year.

- Free cash flow generation more than doubled to R$708.7 million in the quarter, vs. R$296.2 million in Q4-17, contributing to significant deleveraging. The net debt to EBITDA ratio fell to 2.71 times in Q4-18, from 3.01 times in Q4-17 and 3.27 times in Q3-18, on track to deliver the guidance of 1.4 times by 2021.

- Sustainability advances: Natura won the Sustainable Development Goals award granted by the Brazilian Federal Government for its Sociobiodiversity Verification System, which promotes fair trade and ethical sourcing of Amazon bio-assets with supplier communities. Aesop launched a package recycling program in Hong Kong, while The Body Shop's *Re-Wilding the World* program committed to protect over 11 million sqm of the Wye Valley forest in England and the Caucasus Wildlife Refuge in Armenia.

1 Adjusted: Excluding effects that are not considered recurring or not-comparable between the periods under analysis. Includes The Body Shop pro-forma figures from January to August in 2017 for comparable purposes.

2 With only 4 months of The Body Shop in 2017.

* Source: Kantar Worldpanel 2018. Key Categories: Fragrance, Bodycare and Gifts.

Management commentary:

Natura &Co completed its first full year of existence with a very strong set of results that underscores excellence in execution and the relevance and further growth potential of the purpose-driven, multi-brand, multi-channel group we are building. This resulted in double-digit growth in revenue, adjusted EBITDA and net income as well as strong cash generation in Q4, despite a challenging environment in many key markets, while continuing to make a positive social and environmental impact.

All three of our iconic brands contributed to this performance, demonstrating that each one is asserting its individuality while benefiting from the scale, resources, sharing of best practices and strategic direction of the group.

Q4 was the strongest quarter in Natura's history in terms of sales. EBITDA increased in both Brazil and Latin America. Natura's Q4 growth in Brazil, the highest since 2010, was driven by the most successful-ever Christmas campaign and by the 9th consecutive quarter of double-digit increase in consultant productivity as the company further consolidates its Relationship Selling model, enhancing the digital capabilities of its 1.7 million consultants. Natura is also continuing its omnichannel growth and launching innovative products. During the year, we grew our market share in Brazil and strengthened our leadership in the sector, notably in key categories such as fragrance, body and gifts. In Latin America, we saw strong growth in all countries, especially in Mexico, Argentina and Colombia, with a significant gain in brand preference in the region.

The Body Shop's transformation is well underway and showing encouraging results. Like-for-like rose in Q4, while reported sales were impacted by the decision to close underperforming stores to optimize the network and expected phasing effects of sales to franchisees. The full year performance shows that the brand's revival is on track: Both revenues and adjusted EBITDA posted growth and EBITDA margin expanded, despite transformation costs which, as expected, reached 20 million pounds in the year. A combination of winning, innovative products (such as body yogurt) and good execution allowed the company to deliver a strong Christmas, including in the UK, where it outperformed the market.

Aesop continues to deliver impressive high double-digit sales growth. This is true not just in markets in which Aesop's presence is more recent as it continues its expansion - in 2018, the company opened in Russia and Belgium – but also in more mature markets such as its home country of Australia, where sales were up by 18%. Aesop further advanced in the roll-out of its One Retail strategy, offering differentiated products through various channels.

Natura's Sociobiodiversity Verification System, a partnership with UEBT that promotes fair trade with supplier communities and the ethical sourcing of bio-assets from the Amazon region, received an important award in the quarter: "Sustainable Development Goals – SDG Brazil", granted by the Brazilian Federal Government. Meanwhile, Aesop launched a package recycling program in Hong Kong, aiming at developing a recycling culture in that country, and The Body Shop advanced its Re-Wilding the World program, a commitment to protect over 11 million sqm of the Wye Valley forest in England and the Caucasus Wildlife Refuge, in Armenia.

From a financial point of view, Natura &Co continues to post strong cash flow generation, which more than doubled in the last quarter of the year. This allowed the group to continue its deleveraging and end the year with net debt at 2.71 times EBITDA, down from 3.27 times at the end of the previous quarter and 3.01 times one year ago.

With strong results and all three of its brands delivering further growth, Natura &Co is on track to achieve its medium-term ambitions and continue creating value for its stakeholders.

DistributionOn February 21st, 2019, Natura announced the distribution of dividends referring to 2018 earnings in the amount of R$56.7 million. Considering the interest on shareholder´s equity already announced in December 2018, total distribution of 2018 earnings reached R$151.4 million, to be approved on the Annual Shareholders Meeting, on April 12th, 2019. Total net remuneration per share reached R$ 0.3514 in 2018.

1. Results analysis

Fourth quarter and full-year 2018:

Our consolidated results by brand and business unit are shown below:

R$ million	Consolidated[3]			Profit and Loss by Business Natura			The Body Shop			Aesop		
	Q4-18[a]	Q4-17[d]	Ch. %	Q4-18	Q4-17	Ch. %	Q4-18	Q4-17	Ch. %	Q4-18	Q4-17	Ch. %
Gross Revenue	**6,112.0**	**5,350.1**	14.2	**3,631.6**	**3,173.9**	14.4	**2,083.0**	**1,900.1**	9.6	**397.4**	**276.2**	43.9
Net Revenue	***4,335.6***	***3,732.9***	16.1	***2,629.3***	***2,271.6***	15.7	***1,346.2***	***1,211.0***	11.2	***360.0***	***250.2***	43.9
COGS	(1,264.0)	(1,096.5)	15.3	(885.2)	(753.2)	17.5	(337.2)	(310.9)	8.5	(41.6)	(32.4)	28.3
Gross Profit	***3,071.6***	***2,636.3***	16.5	***1,744.1***	***1,518.4***	14.9	***1,009.0***	***900.1***	12.1	***318.5***	***217.8***	46.2
Selling, Marketing and Logistics Expenses[e]	(1,785.9)	(1,534.6)	16.4	(1,042.0)	(870.3)	19.7	(627.4)	(558.3)	12.4	(116.4)	(106.0)	9.8
Administrative, R&D, IT and Projects Expenses	(703.6)	(562.1)	25.2	(365.9)	(348.8)	4.9	(200.0)	(155.6)	28.6	(137.6)	(57.7)	138.5
Corporate Expenses[b]	(39.7)	(12.6)	215.1	-	-	-	-	-	-	-	-	-
Other Operating Income/ (Expenses), Net	37.3	(42.4)	-	32.9	(22.2)	-	2.1	(21.4)	-	2.3	1.1	105.3
Acquisition Related Expenses[c]	-	(22.5)	-	-	-	-	-	-	-	-	-	-
Transformation Costs	(36.1)	-	-	-	-	-	(36.1)	-	-	-	-	-
Depreciation	171.0	166.3	2.8	90.6	100.0	(9.4)	61.3	52.7	16.2	19.2	13.6	41.2
EBITDA	***714.6***	***628.4***	***13.7***	***459.7***	***377.2***	***21.9***	***208.8***	***217.5***	***(4.0)***	***85.9***	***68.7***	***25.0***
Depreciation	(171.0)	(166.3)	2.8									
Financial Income/(Expenses), Net	(107.6)	(113.5)	(5.2)									
Earnings Before Taxes	***436.0***	***348.6***	***25.1***									
Income Tax and Social Contribution	(54.2)	(91.7)	(40.8)									
Consolidated Net Income	***381.7***	***256.8***	***48.7***									
Gross Margin	70.8%	70.6%	0.2 pp	66.3%	66.8%	(0.5) pp	75.0%	74.3%	0.6 pp	88.5%	87.1%	1.4 pp
Selling, Marketing and Logistics exp./ Net Revenue	41.2%	41.1%	0.1 pp	39.6%	38.3%	1.3 pp	46.6%	46.1%	0.5 pp	32.3%	42.4%	(10.0) pp
Admin., R&D, IT, and Projects Exp./ Net Revenue	16.2%	15.1%	1.2 pp	13.9%	15.4%	(1.4) pp	14.9%	12.8%	2.0 pp	38.2%	23.1%	15.2 pp
EBITDA Margin	16.5%	16.8%	(0.4) pp	17.5%	16.6%	0.9 pp	15.5%	18.0%	(2.5) pp	23.9%	27.5%	(3.6) pp
Net Margin	8.8%	6.9%	1.9 pp	-	-	-	-	-	-	-	-	-

a TBS acquisition expenses and corporate expenses were included in the consolidated Profit & Loss

b Expenses related to the management and integration of the Group - reclassified from Adm. Expenses also in 2017 for better presentation and comparability

c TBS acquisition related expenses

d Natura's Q4-17 EBITDA includes the positive effects of IPI tax reversal

e Includes Impairment losses on trade receivables

R$ million	Consolidated[3]			Profit and Loss by Business Natura			The Body Shop			Aesop		
	2018[a]	2017[d]	Ch. %	2018	2017	Ch. %	2018	2017	Ch. %	2018	2017	Ch. %
Gross Revenue	**18,562.0**	**13,750.9**	35.0	**11,647.3**	**10,716.2**	8.7	**5,740.2**	**2,254.9**	154.6	**1,174.4**	**779.7**	50.6
Net Revenue	***13,397.4***	***9,852.7***	36.0	***8,447.4***	***7,689.7***	9.9	***3,886.0***	***1,456.6***	166.8	***1,064.0***	***706.4***	50.6
COGS	(3,782.8)	(2,911.1)	29.9	(2,723.3)	(2,460.5)	10.7	(943.5)	(370.5)	154.6	(116.1)	(80.1)	44.9
Gross Profit	***9,614.6***	***6,941.6***	38.5	***5,724.0***	***5,229.2***	9.5	***2,942.5***	***1,086.0***	171.0	***948.0***	***626.4***	51.3
Selling, Marketing and Logistics Expenses[e]	(6,066.6)	(4,198.7)	44.5	(3,492.5)	(3,138.3)	11.3	(2,097.8)	(700.3)	199.6	(476.3)	(360.2)	32.2
Administrative, R&D, IT and Projects Expenses	(2,149.5)	(1,501.7)	43.1	(1,110.9)	(1,095.3)	1.4	(660.3)	(201.5)	227.7	(378.3)	(204.9)	84.6
Corporate Expenses[b]	(102.0)	(34.7)	194.1	-	-	-	-	-	-	-	-	-
Other Operating Income/ (Expenses), Net	58.7	239.4	(75.5)	54.6	259.4	(79.0)	2.3	(21.4)	-	1.9	1.3	48.2
Acquisition Related Expenses[c]	-	(87.3)	-	-	-	-	-	-	-	-	-	-
Transformation Costs	(98.5)	-	-	-	-	-	(98.5)	-	-	-	-	-
Depreciation	589.9	383.3	53.9	305.3	269.6	13.3	217.6	65.7	231.2	67.0	48.0	39.6
EBITDA	***1,846.6***	***1,741.9***	***6.0***	***1,480.5***	***1,524.7***	***(2.9)***	***305.8***	***228.6***	***33.8***	***162.3***	***110.6***	***46.7***
Depreciation	(589.9)	(383.3)	53.9									
Financial Income/(Expenses), Net	(583.3)	(387.4)	50.5									
Earnings Before Taxes	***673.4***	***971.2***	***(30.7)***									
Income Tax and Social Contribution	(125.0)	(300.9)	(58.4)									
Consolidated Net Income	***548.4***	***670.3***	***(18.2)***									
Gross Margin	71.8%	70.5%	1.3 pp	67.8%	68.0%	(0.2) pp	75.7%	74.6%	1.2 pp	89.1%	88.7%	0.4 pp
Selling, Marketing and Logistics exp./ Net Revenue	45.3%	42.6%	2.7 pp	41.3%	40.8%	0.5 pp	54.0%	48.1%	5.9 pp	44.8%	51.0%	(6.2) pp
Admin., R&D, IT, and Projects Exp./ Net Revenue	16.0%	15.2%	0.8 pp	13.2%	14.2%	(1.1) pp	17.0%	13.8%	3.2 pp	35.6%	29.0%	6.5 pp
EBITDA Margin	13.8%	17.7%	(3.9) pp	17.5%	19.8%	(2.3) pp	7.9%	15.7%	(7.8) pp	15.3%	15.7%	(0.4) pp
Net Margin	4.1%	6.8%	(2.7) pp	-	-	-	-	-	-	-	-	-

a TBS acquisition expenses and corporate expenses were included in the consolidated Profit & Loss

b Expenses related to the management and integration of the Group - reclassified from Adm. Expenses also in 2017 for better presentation and comparability

c TBS acquisition related expenses

d Natura's 2017 EBITDA includes the positive effects of PIS/COFINS and IPI tax reversal

e Includes Impairment losses on trade receivables

3 Consolidated results include Natura, Aesop, The Body Shop as well as the Natura subsidiaries in the U.S., France and the Netherlands.

A reconciliation between consolidated reported results and consolidated adjusted results, for net revenue and EBITDA, is shown below:

	Consolidated Results					
R$ million	**Q4-18**	**Q4-17**	**Ch. %**	**2018**	**2017**	**Ch. %**
Reported Net Revenue	**4.335,6**	**3.732,9**	***16,1%***	***13.397,4***	***9.852,7***	***36,0%***
IFRS 15 - Late payment charges in Natura Brazil and other provisions	(29,4)	-	-	(128,2)	-	-
IFRS 15 - Late payment charges in Natura Latam	(11,4)	-	-	(40,9)	-	-
Hyperinflation and exchange rate effects in Argentina	(80,2)	-	-	44,5	-	-
Net Revenue The Body Shop 2017 pro-forma	-	-	-	-	1.844,5	-
Adjusted (comparable) Net Revenue	**4.214,6**	**3.732,9**	***12,9%***	***13.272,8***	***11.697,1***	***13,5%***

	Consolidated Results					
R$ million	**Q4-18**	**Q4-17**	**Ch. %**	**2018**	**2017**	**Ch. %**
Reported EBITDA	**714,6**	**628,4**	***13,7%***	***1.846,6***	***1.741,9***	***6,0%***
IPI and other tax provision/reversal	-	-	-	-	(59,3)	-
PIS & COFINS recovery/provision reversal	(57,2)	-	-	(57,2)	(154,8)	-
IFRS 15 - Late payment charges in Natura Brazil and other provisions	35,7	-	-	(27,6)	-	-
Hyperinflation & exchange rate effects in Argentina and other provisions	8,8	-	-	44,1	-	-
The Body Shop's transformation costs	36,1	-	-	98,5	-	-
EBITDA The Body Shop 2017 (pro-forma)	-	-	-	-	20,7	-
Adjusted (comparable) EBITDA	**738,0**	**628,4**	***17,4%***	***1.904,4***	***1.548,5***	***23,0%***
Adjusted (comparable) EBITDA Margin	*17,5%*	*16,8%*	*0,7 pp*	*14,3%*	*13,2%*	*1,1 pp*

- Tax provision reversals in Natura Brazil in 2017, with impacts on net revenue and COGS (IPI and other tax provision/reversal), and EBITDA (IPI, PIS & COFINS) and other provision adjustments in 2017
- Tax recoveries related to ICMS taxes imputed on the base of PIS and COFINS
- IFRS 15: Reclassification of late payment charges in Q4-18, with impacts on net revenue and EBITDA for Natura Brazil and with impact on net revenue in Latam
- Hyperinflation and foreign currency translation accounting standards (IAS29 and IAS21, respectively*) in Argentina in Q4-18 with impact in Latam's full P&L
- The Body Shop's transformation costs refer to the amounts allocated to the execution of its transformation plan, as previously announced by the group, with impact on EBITDA.
- The Body Shop's pre-acquisition pro forma revenue and EBITDA from January through August were included in 2017 figures above, for comparison purposes

Double digit growth in consolidated net revenue in Q4 and 2018

In Q4, reported consolidated net revenue in BRL grew year-on-year by 16.1%. Adjusted net revenue (see explanation above) grew by 12.9%, driven by all three businesses. At Natura, Brazil and Latam grew in core categories and online, with market share and consultant productivity gains. The Body Shop's sales increased 11.2% in BRL, despite the net closing of 62 underperforming own stores and phasing of orders by head franchisees that benefited Q3-18 (while in 2017, orders were concentrated in Q4). Aesop posted strong growth of 43.9% in BRL, supported by strong like-for-like sales in signature stores and online.

In 2018, reported consolidated net revenue in BRL grew year-on-year by 36.0%. Adjusted net revenue in BRL grew by 13.5%.

Gross margin improvement in Q4 and 2018

Reported consolidated gross margin improved by 22 basis points (bps) in Q4-18, to 70.8%. Adjusted gross margin was 71.2%, up 56 bps in Q4-18.

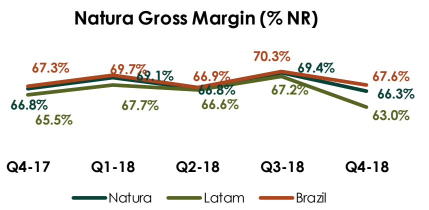
In 2018, reported consolidated gross margin stood at 71.8%, improving 131 bps from 2017, while adjusted gross margin improved 40 bps to 71.7%.

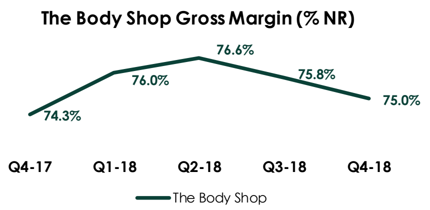
In Brazil, Natura's reported gross margin was 67.6% in Q4-18, up 27 bps, reflecting the adoption of IFRS 15. Excluding this effect, adjusted gross margin was 67.1%, -24 bps vs. Q4-17, mainly impacted by the foreign currency effects on COGS.

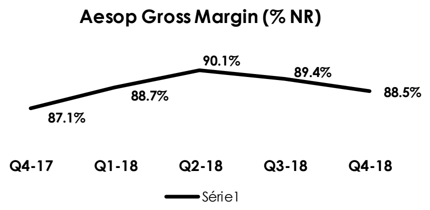
In Latam, Natura's reported gross margin was 63.0% in Q4-18 vs. 65.5% in Q4-17. Adjusted gross margin (excluding IFRS 15 effects and hyperinflationary accounting effects) was 65.5% in Q4-18, stable vs Q4-17.

The Body Shop's gross margin improved 70 bps in Q4-18, to 75.0%, mainly driven by lower discount levels.

Aesop's gross margin increased 140 bps in Q4-18, to 88.5%.





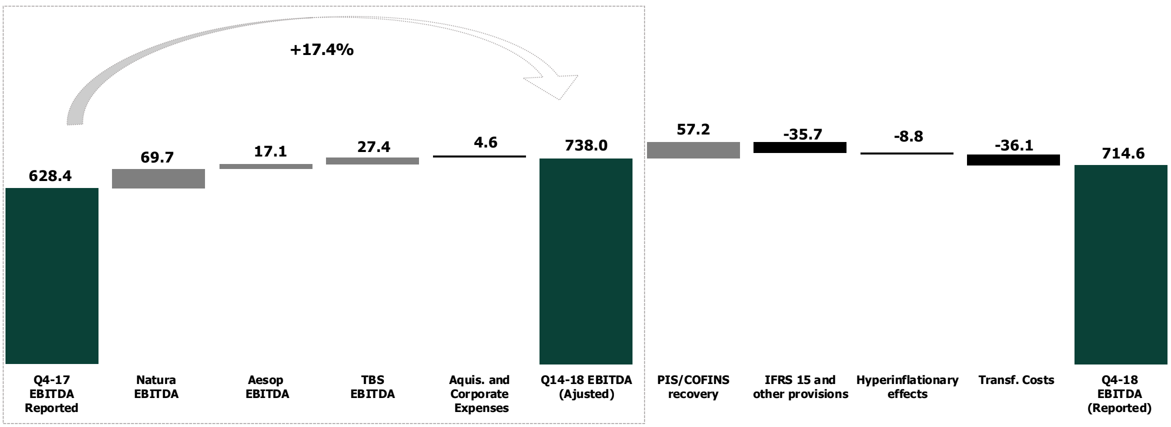


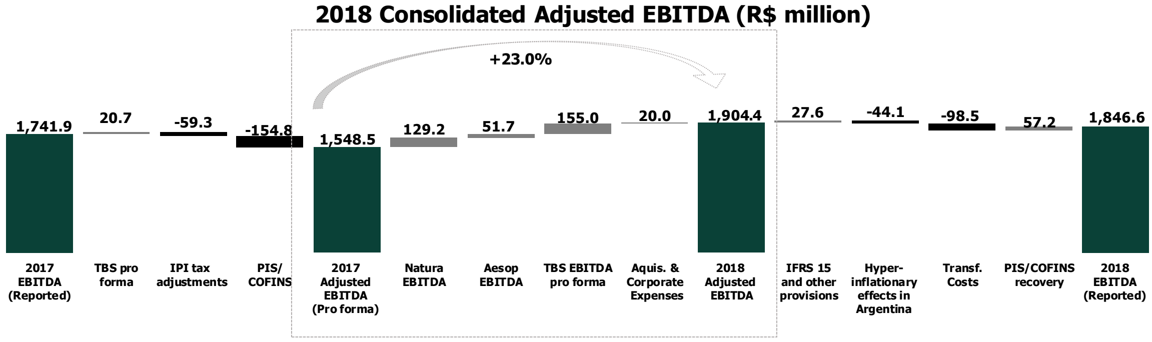
Consolidated EBITDA growth in Q4 and 2018

In Q4, reported consolidated EBITDA in BRL grew year-on-year by 13.7%. Adjusted consolidated EBITDA (see reconciliation on page 4) grew by 17.4%, reaching adjusted EBITDA margin of 17.5%, an expansion of 67 bps, driven by all three businesses. Adjusted EBITDA at Natura Brazil and Latam combined grew 18.5%, thanks to increased sales and lower G&A expenses, resulting in margin expansion of 121 bps. The Body Shop's adjusted EBITDA grew 12.6%, reaching a margin of 18.2%, growing by 23 bps, reflecting advances in operational efficiency, despite the impact on sales of 62 net store closures and phasing of franchisee orders in Q3 (unlike in the previous year, in which orders were concentrated in Q4-17). Aesop's EBITDA grew 25.0% in Q4, with margin reaching 23.9%, impacted by a higher retention plan provision, reflecting the company's superior EBITDA performance.

In 2018, reported consolidated EBITDA in BRL grew year-on-year by 6.0%, reaching a margin of 13.8%, while adjusted EBITDA in BRL grew by 23.0%, with margin expanding by 111 bps, reaching 14.3%.

Q4-18 Consolidated Adjusted EBITDA (R$ million)





Financial income and expenses

The chart below demonstrates the main changes in our financial income and expenses. The net financial expense of R$107.6 million in Q4-18 was R$ 5.9 million lower than in Q4-17. The main effects were the tax recoveries related to PIS and COFINS over ICMS (item 3 below), and lower financial expenses related to The Body Shop acquisition (item 5 below). These were partially offset by higher financial expenses in our Latam operations (item 4), as a result of hyperinflation applied in Argentina.

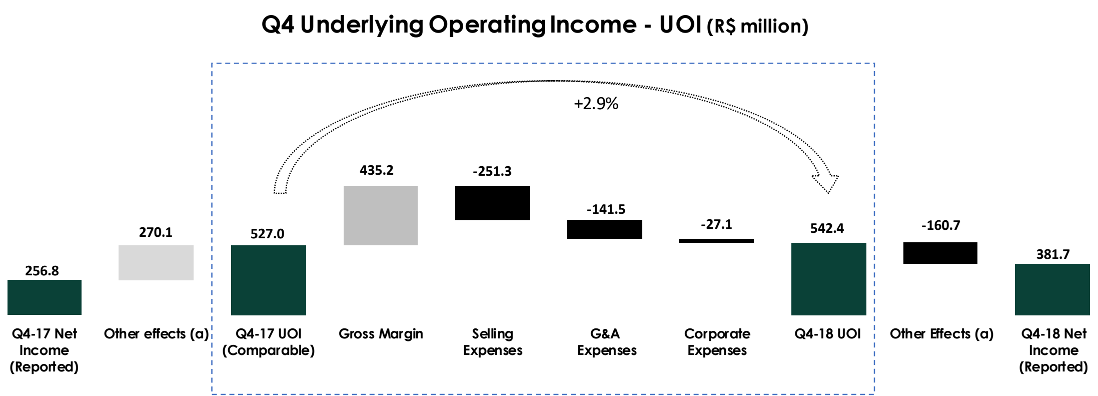
In 2018, net financial expenses stood at R$583.3 million, vs. R$387.4 million in 2017, mainly due to debt servicing from The Body Shop acquisition.

R$ million	Q4-18	Q4-17	Ch. R$	2018	2017	Ch. R$
Financial Income and Expenses, Net	**(107.6)**	**(113.5)**	**5.9**	**(583.3)**	**(387.4)**	**(195.8)**
1. Borrowings/Financing (B/F) and Short-Term Investments (STI)	**(129.6)**	**(122.6)**	**(7.0)**	**(524.4)**	**(312.7)**	**(211.7)**
2. Operational FX Gains/(Losses) - Brazil	**(2.6)**	**4.6**	**(7.3)**	**26.2**	**2.7**	**23.5**
3. Judicial Contingencies	**82.9**	**61.4**	**21.5**	**92.2**	**126.2**	**(34.0)**
4. International Operations - Latam	**(22.7)**	**(1.5)**	**(21.2)**	**(47.1)**	**1.5**	**(48.5)**
5. Other Financial Income and Expenses	**(35.5)**	**(55.4)**	**20.0**	**(130.3)**	**(205.2)**	**74.9**
Reclassification BNDES - CPC 07	0.0	(3.0)	3.0	*0.0*	*(30.0)*	30.0
TBS Related Financial Expenses	(9.4)	(33.2)	23.8	(50.1)	(94.4)	44.3
Financial derivatives to acquire The Body Shop	0.0	0.0	0.0	0.0	(27.5)	27.5
Leasing Expenses	(10.9)	(11.7)	0.8	(45.7)	(18.4)	(27.3)
Other	(15.2)	(7.5)	(7.6)	(34.4)	(34.9)	0.5

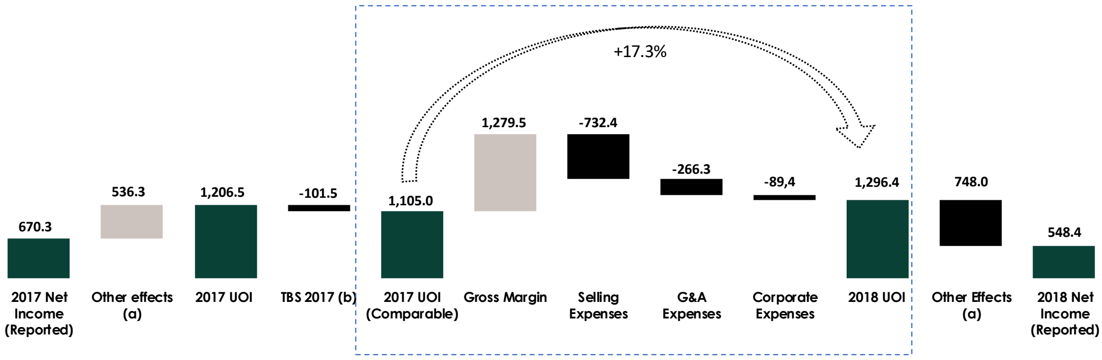
Net income increase of 48.7% in Q4-18, to R$381.7 million, vs. R$256.8 million in Q4-17. Net income was supported by higher consolidated EBITDA, lower financial expenses and lower effective income tax rate. The latter is due mainly to tax recoveries in Brazil, recognition of deferred tax credits at Natura in Brazil and at The Body Shop, and higher accrual of interest on equity.

In 2018, net income totalled R$548.4 million vs. R$670.3 million in 2017, mainly impacted by debt servicing from The Body Shop acquisition and higher depreciation expenses (one full year of depreciation from The Body Shop in 2018, vs. 4 months in 2017), partially offset by the lower effective income tax rate in 2018.

Underlying Operating Income, which excludes all non-operating effects, grew 2.9% in the quarter and 17.3% in the year, as shown below:



Full Year Underlying Operating Income - UOI (pro forma; R$ million)



(a) Other effects refer to the P&L lines not considered part of underlying operating income: other operating income/expenses, acquisition-related expenses, transformation costs, financial income/expenses and income tax expenses and social contribution.
(b) The Body Shop's 2017 pro forma net income (for the 8 months prior to the acquisition)

Underlying Operating Income is calculated as follows:

R$ million	Q4-18	Q4-17	2018	2017
Gross Profit	**3,071.6**	**2,636.3**	**9,614.6**	**6,941.6**
Selling, Marketing and Logistics Expenses	(1,785.9)	(1,534.6)	(6,066.6)	(4,198.7)
Administrative, R&D, IT and Project Expenses	(703.6)	(562.1)	(2,149.5)	(1,523.7)
Corporate Expenses	(39.7)	(12.6)	(102.0)	(12.6)
Underlying Operating Income	**542.4**	**527.0**	**1,296.4**	**1,206.5**
2017 Pro forma TBS Underlying Op. Income	-	-	-	(101.5)
Pro Forma Underlying Operating Income	**542.4**	**527.0**	**1,296.4**	**1,105.0**

Cash flow

R$ million	Q4-18	Q4-17	*Ch. R$*	12M-18	12M-17	*Ch. R$*
Net Income	**381.7**	**256.8**	124.9	**548.4**	**670.3**	*(121.9)*
Depreciation and Amortization	171.0	166.3	4.7	589.9	383.3	206.6
Non-Cash/Others [a]	(87.3)	103.4	(190.8)	7.6	205.6	*(198.1)*
Hyperinflation and exchange rate effects in Argentina (non-cash)	19.4	0.0	*19.4*	64.3	0.0	64.3
Internal Cash Generation	**484.7**	**526.5**	(41.8)	**1,210.1**	**1,259.2**	*(49.1)*
Working Capital (Increase)/Decrease	442.1	(66.8)	508.9	(249.1)	(279.5)	30.4
Cash Generation Before Capex	**926.8**	**459.7**	467.1	**961.0**	**979.7**	*(18.6)*
CAPEX	(218.1)	(163.6)	(54.5)	(491.8)	(362.5)	*(129.3)*
Free Cash Flow[b]	**708.7**	**296.2**	412.5	**469.2**	**617.2**	*(147.9)*

[a] Includes the effects of deferred income tax, fixed and intangible assets write-offs, FX on translation of working capital, fixed assets, etc.

[b] (Internal cash generation) +/- (changes in working capital and long-term assets and liabilities) - (acquisitions of property, plant, and equipament)

Cash flow in Q4-18 was a strong inflow of R$708.7 million, versus R$296.2 million in Q4-17, mainly attributable to:

- Efforts across the 3 companies to reduce working capital needs. At Natura, the improvement was driven by reduced inventory and higher accounts payable to suppliers; at The Body Shop, it was driven by lower accounts receivable and at Aesop by reduced inventory;
- Higher net income.

Strong deleveraging: Net-debt-to-EBITDA ratio reduced to 2.71x in Q4-18 from 3.01x in Q4-17 and 3.27x in Q3-18

Natura &Co's net-debt-to-EBITDA ratio stood at 2.71 times as at December 31, 2018, decreasing in comparison both to Q4-17 and Q3-18. We are on track to achieve our target of reducing the company's leverage to the pre-Body Shop acquisition level of 1.4 times by 2021, as indicated in our guidance.

R$ million	12M-18	12M-17
Short-Term	1,181.9	4,076.7
Long-Term	7,258.5	5,255.2
Foreign currency hedging (Swaps) [a]	(557.4)	(9.9)
Financial Leases/Others [b]	(446.2)	(405.5)
Total Debt[a]	**7,436.8**	**8,916.6**
(-) Cash, Cash Equivalents and Short-Term Investment	(2,430.4)	(3,670.0)
(=) Net Debt	**5,006.3**	**5,246.5**
Net Debt/EBITDA	2.71	3.01
Total Debt/EBITDA	4.03	5.12

a Foreign currency debt hedging instruments adjustment, excluding the mark-to-market effects

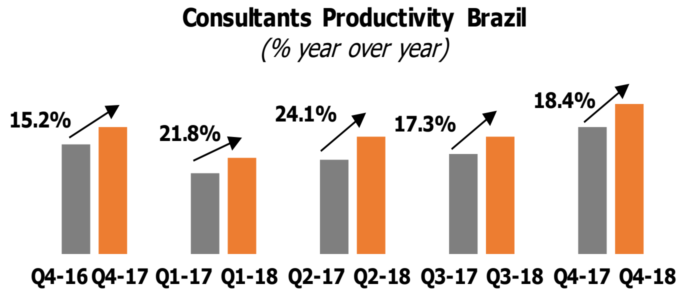
b Other: reclassification of expenses with interest on subsidized loans from financial

2. Performance by business

Natura – Brazil: Double-digit growth in revenues and EBITDA

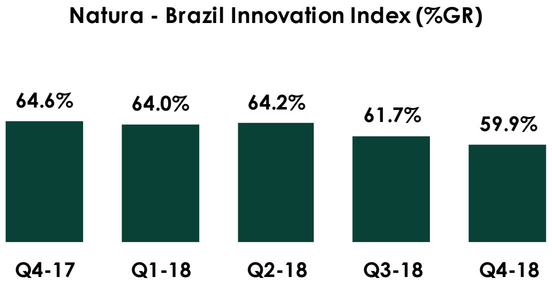
Natura Brazil's reported sales grew by 12.9% in Q4-18 and were the highest ever achieved in a single quarter. Adjusted net sales, excluding the effect of IFRS 15 *, grew by 11.2%, the highest growth rate for a fourth quarter since 2010. Adjusted net revenue of R$1,860.7 million was the highest ever in any quarter.

This performance was driven by the most successful Christmas campaign ever. We continued to outperform the market, securing the leadership position in the CFT sector and in our key categories (fragrance, body care and gifts). We also gained market share and brand preference in other categories.



The continued growth in sales demonstrates the vigor of our Relationship Selling model. Consultant loyalty reached a historically high level and consultant productivity rose for the 9th consecutive quarter, by 18.4% on top of 15.2% in Q4-17. The average number of consultants was down by 6% in Q4-18 vs Q4-17 but has stabilized since Q1-18. The adoption of our digital platform by our consultants continued to increase, as did the range of available digital solutions and services. Online training sessions, both in digital tools and cosmetic products, totalled 2.5 million in 2018.

In the quarter, we launched relevant product innovations, notably the men's fragrance, Cor.agio, an immediate best seller, and differentiated offers in the gifts category. Our innovation index reached 59.9%, in line with our expectations, considering the innovation phasing and the focus on extending the life cycle of existing hero products.



Online sales grew in high double digits in the quarter, accounting for nearly 4% of total net sales in the period, supported by higher traffic, orders and average ticket. Rede Natura now has approximately 400,000 consultant virtual stores and over 5 million consumers in its CRM base. EBITDA margin for the channel expanded in the quarter and year, growing in strong double digits in both periods.

Our retail channel continues to expand with the opening of 5 stores in the quarter, reaching 36 owned stores in 2018.

The franchisee channel for Entrepreneur Consultants accelerated its growth in the quarter.

Natura – Brazil: Financial reconciliation

Our reported net sales were impacted by IFRS 15 (*Revenue from Contracts with Customers*) in Q4-18. Under IFRS 15, Natura Brazil was required to reclassify as net revenues the late payment charges, which were historically booked as reductions to selling expenses. The amount reclassified is net of the corresponding PIS and COFINS excise taxes.

The impact of the adoption of IFRS 15 on net revenue in Q4-18 was an increase of R$31.8 million, and R$130.6 million in the full year. The previous years did not require adjustment.

In 2018, reported net revenue increased by 8.0%. Adjusted net revenue, excluding the above effect, was up by 5.7%.

R$ million	Profit and Loss Natura - Brazil					
	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Total Consultants - end of period ('000)	1.058,7	1.129,8	(6,3)	1.058,7	1.129,8	(6,3)
Total Consultants - average of period ('000)	1.068,4	1.144,6	(6,7)	1.057,3	1.205,6	(12,3)
Units Sold - items for resale (in million)	99,4	95,1	4,6	346,0	324,4	6,7
Gross Revenue	**2.673,7**	**2.389,5**	**11,9**	**8.540,8**	**7.947,4**	**7,5**
Net Revenue	***1.890,1***	***1.673,6***	***12,9***	***6.022,2***	***5.574,9***	***8,0***
COGS	(612,4)	(546,7)	12,0	(1.895,9)	(1.750,1)	8,3
Gross Profit	**1.277,8**	**1.126,9**	**13,4**	**4.126,3**	**3.824,8**	**7,9**
Selling, Marketing and Logistics Expenses	(734,4)	(610,7)	20,2	(2.455,6)	(2.237,2)	9,8
Administrative, R&D, IT and Projects Expenses	(267,3)	(272,0)	(1,8)	(818,5)	(829,5)	(1,3)
Other Operating Income/ (Expenses), Net	34,1	(24,3)	-	58,7	255,8	(77,0)
Depreciation	81,8	93,1	(12,2)	274,0	243,3	12,6
EBITDA	**391,9**	**312,9**	**25,3**	**1.184,9**	**1.257,2**	***(5,8)***
Gross Margin	*67,6%*	*67,3%*	*0,3 pp*	*68,5%*	*68,6%*	*(0,1) pp*
Selling, Marketing and Logistics Expenses/Net Revenue	*38,9%*	*36,5%*	*2,4 pp*	*40,8%*	*40,1%*	*0,6 pp*
Administrative, R&D, IT and Projects Expenses/Net Revenue	*14,1%*	*16,3%*	*(2,1) pp*	*13,6%*	*14,9%*	*(1,3) pp*
EBITDA Margin	*20,7%*	*18,7%*	*2,0 pp*	*19,7%*	*22,6%*	*(2,9) pp*

[a] *Excludes impacts of TBS acquisition*

[b] *Natura's Q1-17 EBITDA includes the positive effects of PIS/COFINS tax reversal of R$154.8 million*

[c] *Corporate expenses have been reclassified to the Consolidated P&L*

[d] *Natura's Q4-18 includes impacts of IFRS15 reclassification and other provisions*

A reconciliation between reported and adjusted net sales is provided below:

R$ million	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Reported Net Revenue	**1.890,1**	**1.673,6**	***12,9%***	***6.022,2***	***5.574,9***	***8,0%***
IFRS 15 - Late payment charges and other provisions	(29,4)	-	-	(128,2)	-	-
Adjusted (comparable) Net Revenue	**1.860,7**	**1.673,6**	***11,2%***	***5.894,0***	***5.574,9***	***5,7%***

Reported EBITDA was R$391.9 million in Q4-18, vs. R$312.9 million in Q4-17. Adjusted EBITDA was R$370.4 million in Q4-18, up by 18.4% vs. Q4-17, resulting in a margin expansion of 120 bps, reaching 19.9%. Q4-18 adjusted EBITDA excludes: i) the recovery of R$57.2 million referring to ICMS imputed on PIS and COFINS base, and ii) the effects of IFRS 15 and other provisions, of R$35.7 million.

A reconciliation between reported and adjusted EBITDA is presented below:

R$ million	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Reported EBITDA	**391.9**	**312.9**	***25.3%***	***1,184.9***	***1,257.2***	***-5.8%***
IPI and other tax provision/reversal	-	-	-	-	(59.3)	-
PIS/COFINS recoveries/reversals	(57.2)	-	-	(57.2)	(154.8)	-
IFRS 15 - Late payment charges and other provisions	35.7	-	-	(27.6)	-	-
Adjusted (comparable) EBITDA	**370.4**	**312.9**	***18.4%***	**1,100.1**	**1,043.2**	***5.5%***
Adjusted (comparable) EBITDA Margin	*19.9%*	*18.7%*	*1.2 pp*	*18.7%*	*18.7%*	*(0.0) pp*

G&A declined by 213 bps to 14.1% of net revenue, as a result of continued rationalization efforts despite investments in innovation and technology, which more than offset higher marketing costs and short-term impact of salesforce investments, which reached 37.7% of net sales.

In 2018, reported EBITDA stood at R$1,184.9 million, -5.8% vs. 2017. Adjusted 2018 EBITDA was R$1,100.1 million, growing 5.5% year-on-year, reaching a margin of 18.7%.

Natura – Latam: Strong performance in all countries

In Q4, sales at Natura - Latam were up 23.4% on a reported basis. Adjusted net sales in BRL, excluding the effects of hyperinflation and foreign currency translation accounting standards (IAS29 and IAS21, respectively*) and IFRS 15** adjustments, grew by 8.1%. At constant currency, Latam's revenue grew by 23.1% in Q4.

We continued to improve market share and brand preference across the region. Argentina, Mexico and Colombia were the highlights, and all countries posted solid sales growth in the quarter and year. We have reached 644,800 consultants, +9.5% vs Q4-17. We are also accelerating our digital strategy, with 30% of consultants already using our mobile platform. In Argentina, despite the challenging macro-economic environment, our business has significantly outperformed the market, thanks to a loyal network of consultants, brand preference, efficient operations and market knowledge. In Chile and Peru, where we have implemented the Relationship Selling model, we are seeing positive results, in line with our experience in Brazil.

In 2018, reported net revenue increased by 14.6%. Adjusted net sales in BRL, excluding the effect of hyperinflation and foreign currency translation accounting standards (IAS29 and IAS21), were up in double digits, growing by 14.8% (20.8% at constant currency).

Reported EBITDA was R$78.3 million in Q4-18 vs. R$71.7 million in Q4-17. Adjusted EBITDA in Q4-18 excluding hyperinflationary and foreign exchange currency accounting effects was R$87.1 million, up by 21.5% (20.0%) vs. Q4-17.

In 2018, reported EBITDA was R$327.5 million, vs. R$292.0 million the previous year, while adjusted EBITDA was R$371.6 million, up by 27.3% (+28.0%[5]).

Natura – Latam: Financial reconciliation

**Hyperinflation and foreign currency translation accounting*: Inflation in Argentina reached 100% over the last three years and has subsequently triggered the adoption of the following accounting standards:

IAS 29 - *Financial Reporting in Hyperinflationary Economies,* which requires the restatement of an entity's financial statements whose functional currency is that of a hyperinflationary economy, to reflect the changes in the general pricing power of its currency, and

IAS 21 – *The Effects of Changes in Foreign Currency,* whereby Argentina's financial statements (including P&L) had to be translated from ARS into BRL at the foreign currency exchange rate at the end of the reporting period (December 31st, 2018). For further detail please refer to Explanatory Note 2.3.d) of the financial statements.

**IFRS 15 – *Revenue from Contracts with Customers:* Our reported net sales were impacted by IFRS 15 in Q4-18, under which Natura Latam was required to reclassify as net revenues the late payment charges, which were historically booked as reductions to selling expenses. The net impact on net revenues was an increase of R$11.4 million. The previous years did not require adjustment.

4 At constant exchange rates

R$ million	Profit and Loss					
	Natura - Latam					
	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Total Consultants - end of period ('000)	644.8	589.0	9.5	644.8	589.0	9.5
Total Consultants - average of period ('000)	644.4	589.9	9.2	589.0	568.4	3.6
Units Sold - items for resale (million)	40.4	36.2	11.8	141.1	126.8	11.3
Gross Revenue	**954.0**	**782.0**	**22.0**	**3,095.8**	**2,761.1**	**12.1**
Net Revenue	**735.6**	**596.0**	**23.4**	**2,415.7**	**2,108.2**	**14.6**
COGS	(271.9)	(205.8)	32.1	(824.8)	(707.7)	16.5
Gross Profit	**463.8**	**390.1**	**18.9**	**1,590.9**	**1,400.5**	**13.6**
Selling, Marketing and Logistics Expenses	(298.8)	(253.4)	17.9	(1,008.4)	(882.3)	14.3
Administrative, R&D, IT and Projects Expenses	(94.2)	(73.9)	27.4	(281.6)	(255.4)	10.3
Other Operating Income/(Expenses), Net	(1.1)	2.1	-	(4.2)	3.6	-
Depreciation	8.7	6.7	28.9	30.8	25.6	20.4
EBITDA	**78.3**	**71.7**	**9.2**	**327.5**	**292.0**	**12.2**
Gross Margin	63.0%	65.5%	(2.4) pp	65.9%	66.4%	(0.6) pp
Selling, Marketing and Logistics Expenses/Net Revenue	40.6%	42.5%	(1.9) pp	41.7%	41.9%	(0.1) pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	12.8%	12.4%	0.4 pp	11.7%	12.1%	(0.5) pp
EBITDA Margin	10.6%	12.0%	(1.4) pp	13.6%	13.8%	(0.3) pp

A reconciliation between reported and adjusted net sales is provided below:

R$ million	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Reported Net Revenue	**735.6**	**596.0**	**23.4%**	**2,415.7**	**2,108.2**	**14.6%**
Hyperinflation and exchange rates effects in Argentina	(80.2)	-	-	44.5	-	-
IFRS 15 - Late payment charges	(11.4)	-	-	(40.9)	-	-
Adjusted (comparable) Net Revenue	**644.1**	**596.0**	**8.1%**	**2,419.3**	**2,108.2**	**14.8%**

A reconciliation between reported and adjusted EBITDA is presented below:

R$ million	Q4-18	Q4-17	Ch. %	2018	2017	Ch. %
Reported EBITDA	**78.3**	**71.7**	**9.2%**	**327.5**	**292.0**	**12.2%**
Hyperinflation/exchange rates effects in Argentina and other provisions	8.8	-	-	44.1	-	-
Adjusted (comparable) EBITDA	**87.1**	**71.7**	**21.5%**	**371.6**	**292.0**	**27.3%**
Adjusted (comparable) EBITDA Margin	13.5%	12.0%	1.5 pp	15.4%	13.8%	1.5 pp

SG&A declined by 200 bps as a result of continued rationalization efforts despite continued investments in technology, marketing and salesforce investments.

The Body Shop: Robust full-year like-for-like sales growth, operational efficiency and transformation plan advancing

In the fourth quarter, The Body Shop posted net revenue of R$1,346.2 million, growing by 11.2% in BRL (-1.7% vs. Q4-17 at constant currency), impacted by the net closure of 62 underperforming stores in the year and phasing of Christmas orders by head franchisees in Q3 (vs. Q4-17). On a like-for-like basis, own stores were up 0.7%[4] in Q4-18, with a successful Christmas campaign, including in the UK, our most important market, where LFL was +2.5%[4], and North America, which was also up +2.5%[4]. Adjusted EBITDA in the quarter (excluding transformation costs) stood at R$244.9 million, growing by 12.6% in BRL, resulting in an adjusted EBITDA margin of 18.2% in BRL (up by 23 bps).

[4] At constant exchange rates

In 2018, net sales were R$3,886.0 million, up by 17.7% (+1.7%[4]) versus the previous year. Sales in own stores posted like-for-like growth of +1.8% at constant currency, with consistent growth across all regions, including EMEA (Europe, Middle East and Africa) and North America. Adjusted EBITDA (excluding transformation costs) was R$404.3 million, compared to R$249.8 million in 2017, up by 61.9%, resulting in an adjusted EBITDA margin of 10.4%, a 280 bps margin expansion. Head franchisees drove sales growth, notably in South Asia. Own stores delivered improved profitability thanks to lower discount levels, product launches and an optimized store footprint, with the net closure of 62 stores in the year.

The Body Shop's transformation program is advancing well, with costs and benefits in line with the plan. The transformation costs of R$36.1million (£7.6 million) incurred in the quarter and R$98.5 million (£19.9 million) in the year, are related to initiatives such as organization redesign and store footprint optimization, among others. The total estimated cost for the program is approximately £30.0 million through 2018 and 2019, and these costs are already factored into the targets presented for 2019 and 2022, as shown on the chart.

The quarter ended with 1,037 owned stores and 1,898 franchised stores, resulting in 114 net total store (vs. Q4 in2017 (own + franchise) in the last twelve months and a net total of 23 closures since Q3-18. The chart below shows the store count evolution:

Store	The Body Shop store count				
	Q4-18	Q3-18	*Q4-17*	Change vs. Q3-18	Change vs. Q4-17
Own	1.037	1.041	*1.099*	*(4)*	*(62)*
Franchise	1.898	1.917	*1.950*	*(19)*	*(52)*
Total	***2.935***	***2.958***	***3.049***	***(23)***	***(114)***

Aesop: Continued strong double-digit growth

Aesop continued its strong growth momentum in Q4-18, with a net revenue increase of 43.9% (25.6%[4]) vs. Q4-17, to R$360.0 million, supported by strong growth in channels and geographies. Signature stores like-for-like sales growth was 13.5%[4] in the quarter and 17.8%[4] in the year. In Asia, Aesop's biggest market, we saw strong growth in signature stores LFL as well as impressive digital sales penetration. In Australia, a mature market where Aesop is based, the company posted double-digit LFL growth both in the quarter and the year. In the U.S., the company continues to grow sales and increase profitability.

Q4-18 EBITDA stood at R$85.9 million, up by 24.8% (7,4%[4]) vs. Q4-17, resulting in an EBITDA margin of 23.9% (-360 bps from Q4-17), impacted by the retention plan provision. Excluding this, EBITDA margin would be circa 30%.

In 2018, sales grew by 50.6% (31.0%[4]), while EBITDA increased 46.7% (25.9%[4]), resulting in an EBITDA margin of 15.3% (-40 bps vs 2017).

[4] At constant exchange rates

Aesop advanced its signature stores expansion, with 18 net openings in the last 12 months and 8 this quarter. Total doors reached 319, of which 227 signature stores and 92 department stores, as shown in the table below:

Store	Aesop door count				
	Q4-18	Q3-18	Q4-17	Change vs. Q3-18	Change vs. Q4-17
Signature stores	227	219	209	8	18
Department	92	89	95	3	(3)
Total doors	**319**	**308**	**304**	**11**	**15**

3. Social and environmental performance

In Q4, Natura won the "Sustainable Development Goals – Brazil" award, granted by the Brazilian Federal Government, for its Certification of Sociobiodiversity Chains project. The award seeks to support institutions in Brazil to achieve the United Nations' 2030 Sustainable Development Goals.

Natura signed the Global Commitment Pact for the eradication of plastic waste, an initiative led by the Ellen MacArthur Institute and the United Nations.

Natura was included for the 14th consecutive year in the ISE – Corporate Sustainability Index of the Brazilian Stock Exchange, B3. The ISE is composed of only 30 companies with the highest standards of corporate governance based on economic efficiency, environmental equilibrium and social responsibility.

The Body Shop engaged in projects to build bio-bridges to help protect animals and their natural habitats. Bio-bridges are restored wildlife corridors in damaged landscapes that help endangered species to reconnect, breed and thrive again. The *Re-Wilding the World* campaign helped preserve over 11 million sqm of the Wye Valley forest in England, as well as the Caucasus Wildlife Refuge, home to many endangered species in Armenia.

Aesop launched its packaging recycling program in Hong Kong, with the goal of increasing recycling rates in the country, where recycling rates are among the lowest in the world. The Aesop Foundation supported charity organizations in Australia in the period and has introduced a formal strategy to support the donation of products to local charitable organizations. In addition, a formalized volunteering policy allows Aesop staff across the world to contribute time to charitable causes.

These achievements reinforce Natura &Co's sustainable positioning for positive impact.

Below are the non-financial key performance indicators that we report quarterly for Natura:

Scope	Indicator	Unit	2020 ambition	Results		
				2018	2017	Highlights
Natura: Brazil + Latam	**Relative Carbon Emissions (Scopes 1, 2 and 3)**	% CO2/kg products Billed	2.15	3.14	3.22	Favorable mix of products sold, higher efficiency in sales catalogues printing, and optmization modal transportation exports to Latam
Natura: Brazil	**Eco-Efficient Packaging[a]**	% (eco-efficient packaging units billed/total units billed)	40	22	21	Greater use of refills and renewable origin packages in Tododia and Plant product lines; higher post-consumer recycled materials in other brands
Natura: Brazil + Latam	**Consumption of Amazon-Sourced Inputs In Relation to Natura's Overall Inputs**	% (R$ Amazon inputs/R$ total inputs)	30.0	17.8	18.1	Despite the increase in Amazon sourced inputs in the period, total input purchase was higher, impacting the KPI
Natura: Brazil + Latam	**Total Investments In The Pan-Amazon Region[b]**	R$ billion	1.00	1.50	1.22	Greater emphasis on the consumption of Amazon-sourced inputs
Natura: Brazil + Latam	**Collection From "Crer para Ver" (Education) Line - Global[c]**	R$ million	41.0	44.4	35.6	Record-breaking results in Brazil due to successful product launches. Strong performance in Latam thanks to new brand positioning and gifts strategy
Natura: Brazil + Latam	**Women In Leadership Positions Index (Director Level and Above)**	%	50.0	38.2	32.7	Consistent growth on higher number of women occupying leadership positions
Natura: Brazil	**Employees With Disabilities**	%	8.0	6.5	6.1	Consistent results from a diversity project implemented in 2018

[a] Eco-efficient packaging is 50% lighter in relation to regular/similar packaging or which has at least 50% in potentially recyclable materials and/or reneweable materials, as long as there is no mass increase

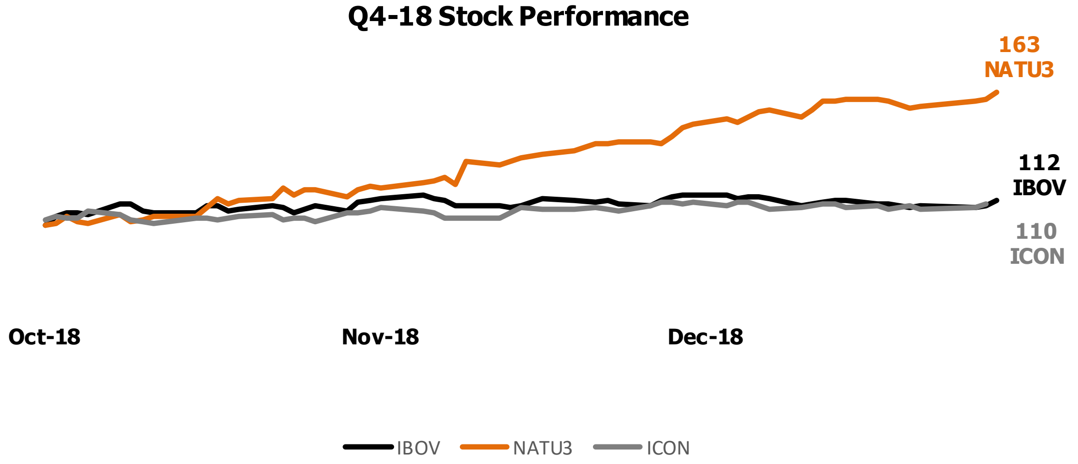
[b] Cumulativ e since 2011

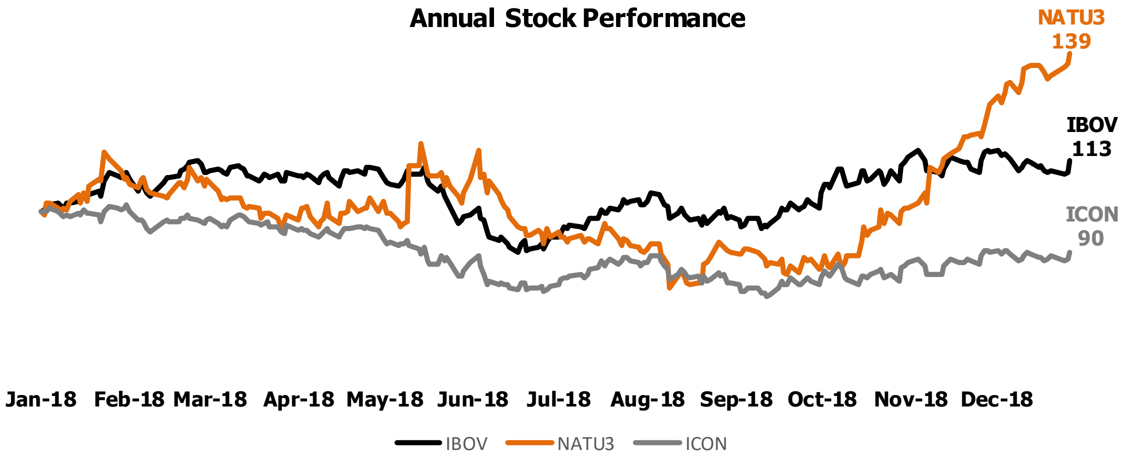
[c] Refers to the year to date earnings before income tax attributed to the Crer para Ver product line

4. Stock performance

Natura shares (B3: NATU3) at the end of Q4-18 traded at R$45.00, representing a 63% appreciation in the quarter and 39% over the full year. The Average Daily Trading Volume (ADTV) for the quarter was R$84.0 million (+103% vs. Q4-17) and R$59.2 million for the year (+29% vs 2017).

The following charts shows the performance of Natura stock in Q4-18 and 2018.





5. Appendices

Consolidated Balance Sheet

ASSETS	Q4-18	Q4-17
CURRENT ASSETS		
Cash and cash equivalents	1,215.0	1,693.1
Securities	1,215.4	1,977.3
Trade receivables	1,691.6	1,507.9
Inventories	1,364.7	1,243.9
Recoverable taxes	379.3	210.6
Income tax and social contribution	326.8	197.5
Derivative financial instruments	-	14.8
Other current assets	269.3	211.2
Total current assets	**6,455.8**	**7,056.3**
NON CURRENT ASSETS		
Recoverable taxes	368.6	439.1
Deferred income tax and social contribution	398.4	344.2
Judicial deposits	333.6	319.4
Derivatives	584.3	-
Other non-current assets	(507.0)	46.1
Total long term assets	**1,736.5**	**1,148.9**
Property, plant and equipment	2,236.7	2,276.7
Intangible assets	4,950.5	4,475.6
Total non-current assets	**8,923.8**	**7,901.2**
TOTAL ASSETS	**15,379.5**	**14,957.5**

LIABILITIES AND SHAREHOLDER'S EQUITY	Q4-18	Q4-17
CURRENT LIABILITIES		
Borrowing, financing and debentures	1,181.9	4,076.7
Trade and other payables	1,736.8	1,553.8
Payroll, profit sharing and social changes	574.4	366.0
Tax liabilities	310.1	269.9
Income tax and social contribution	183.0	147.9
Dividends and interest on shareholders' equity payable	153.0	201.7
Derivatives	69.2	-
Provision for tax, civil and labor risks	20.4	17.4
Other current liabilities	338.2	278.7
Total current liabilities	**4,566.9**	**6,912.0**
NON CURRENT LIABILITIES		
Borrowings, financing and debentures	7,258.5	5,255.2
Tax liabilities	165.3	195.1
Deferred income tax and social contribution	431.5	422.4
Provision for tax, civil and labor risks	241.4	264.7
Other non-current liabilities	141.8	273.3
Total non-current liabilities	**8,238.6**	**6,410.7**
SHAREHOLDERS' EQUITY		
Capital stock	427.1	427.1
Treasury shares	(19.4)	(32.5)
Capital reserves	329.3	155.7
Retained earnings	1,437.0	1,123.2
Losses on capital transactions	(92.1)	(92.1)
Equity valuation adjustment	492.2	53.3
Total equity attributable to owners of the Company	**2,574.1**	**1,634.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**15,379.5**	**14,957.5**

Consolidated Income Statement

R$ million	12M-18	12M-17	*Ch. %*
GROSS SALES			
Internal Market	8,576.0	7,963.4	*7.7*
External Market	9,936.3	5,773.6	*72.1*
Other sales	49.7	13.9	*258.2*
GROSS REVENUE	**18,562.0**	**13,750.9**	***35.0***
Taxes, returns and rebates	(5,164.5)	(3,898.2)	*32.5*
NET REVENUE	**13,397.4**	**9,852.7**	***36.0***
Cost of products sold	(3,782.8)	(2,911.1)	*29.9*
GROSS PROFIT	**9,614.6**	**6,941.6**	***38.5***
OPERATING (EXPENSES) INCOME			
Selling, Marketing and Logistics expenses	(5,828.7)	(3,965.0)	*47.0*
Impairment Losses	(237.9)	(233.7)	*1.8*
Administrative, R&D, IT and Project Expenses	(2,251.3)	(1,535.9)	*46.6*
Other operating income (expenses), net	(39.9)	151.7	*(126.3)*
INCOME FROM OPERATIONS BEFORE FINANCIAL RESULT	**1,256.7**	***1,358.6***	***(7.5)***
Financial income	2,056.4	604.4	*240.2*
Financial expenses	(2,639.7)	(991.8)	*166.1*
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**673.4**	**971.2**	***(30.7)***
Income tax and social contribution	(125.0)	(300.9)	*(58.5)*
NET INCOME FOR THE PERIOD	**548.4**	**670.3**	**(18.2)**

Consolidated Statements of Cash Flow

R$ million	12M-18	12M-17
CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	**1,808.9**	**1,473.5**
OTHER CASH FLOWS FROM OPERATING ACTIVITIES		
Payments of income tax and social contribution	(270.0)	(88.2)
Accrual (payments) of judicial deposits	(0.4)	2.9
Payments related to tax, civil and labor lawsuits	(36.5)	(17.6)
Payments of funds due to settlement of derivative transactions	(31.0)	(127.5)
Payment of interest on financial leases	(22.7)	(21.0)
Payment of interest on borrowings, financing and debentures	(604.2)	(231.5)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**844.3**	**990.7**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitio of The Body Shop PLC, net of cash acquired	-	(3,880.9)
Acquisition of property, plant and equipment and intangible assets	(485.0)	(364.4)
Proceeds from sale of property, plant and equipment and intangible assets	6.6	8.2
Investment in securities	(8,483.7)	(7,411.3)
Redemption of securities	9,187.7	6,350.6
Redemption of interest on securities	163.4	455.2
NET CASH PROVIDED BY (USED IN) BY INVESTING ACTIVITIES	**389.1**	**(4,842.4)**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of financial leases- principal amount	(46.2)	(45.9)
Payment of borrowings, financing and debentures - principal amount	(6,552.2)	(1,679.4)
New borrowings, financing and debentures	5,015.3	6,391.0
Use of treasury shares to settle execised stock options	1.1	4.6
Payment of dividends and interest on capital for the previous year	(201.7)	(109.4)
Receipts (payments) to settle derivative operations	32.4	(107.5)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(1,751.4)**	**4,453.4**
Effect of exchange variation on cash and cash equivalents	39.9	(0.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(478.1)**	**601.7**
Opening balance of cash and cash equivalents	1,693.1	1,091.5
Closing balance of cash and cash equivalents	1,215.0	1,693.1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(478.1)**	**601.7**

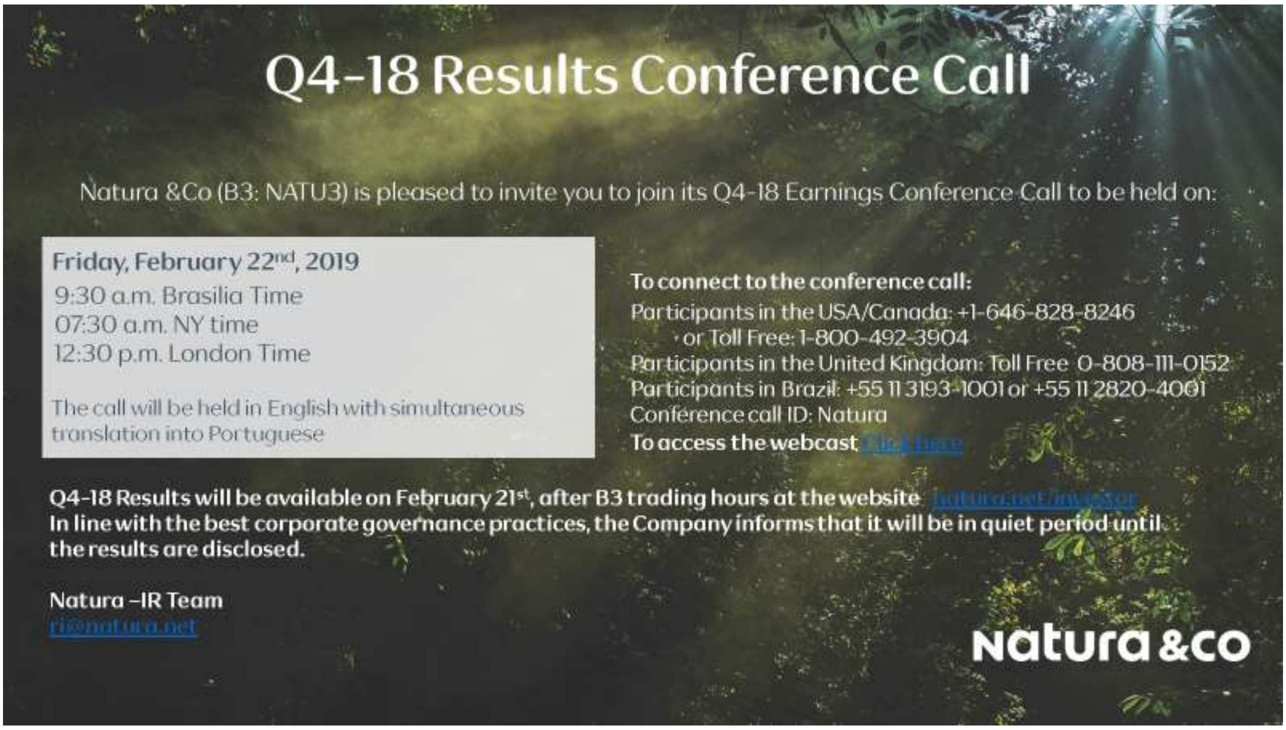
Additional information to the statements of cash flows:

Some comparison amounts were reclassified for better presentation

*The notes are na integral part of financial statements

** The CAPEX information contained in the cash flow table on page 7 contains additions to the property, plant and equipment / intangible assets paid within the year and payable in the following periods

Conference Call and Webcast



Live webcast: www.natura.net/investor

5. Glossary –

Adjusted EBITDA: Excludes effects that are not considered usual, recurring or not-comparable between the periods under analysis

APAC: Asia and Pacific

ARS: Argentine Pesos

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

BPS: Basis points

BRL: Brazilian Reais

CDI: The overnight rate for interbank deposits.

CFT: Cosmetics, Fragrances and Toiletries Market (CFT = Fragrances, Body Care and Oil Moisture, Make-up (without Nails), Face Care, Hair Care (without Colorants), Soaps, Deodorants, Men's Grooming (without Razors) and Sun Protection.

COGS: Costs of Goods Sold

Constant currency or constant exchange rates: when exchange rates used to convert financial figures into a reporting currency are the same for the years under comparison, excluding fluctuation effects

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

EMEA: Europe, Middle East and Africa

EP&L: Environmental Profit & Loss.

Foreign currency translation: conversion of figures from a foreign currency into the currency of the reporting entity

GBP: Sterling Pounds

G&A: general and administrative expenses

GHG: Greenhouse gases.

Hyperinflation: indications of when hyperinflation exists include a cumulative inflation rate over three years of approaching or exceeding 100%; when interest rates, prices and wages are linked to an index, among others.

ICON: Consumer Stock Index of the B3 stock exchange, designed to track changes in the prices of the more actively traded and better representative cyclical and non-cyclical consumer stocks.

Innovation Index: Share in the last 12 months of the sale of products launched in the last 24 months.

Latam: often used to refer to the countries where Natura has operations: Argentina, Chile, Colômbia, México and Peru.

LFL: Like-for-Like, applicable to measure growth including only comparable items.

Natura Consultant: Self-employed resellers who do not have a formal labor relationship with Natura.

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

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

PCRC: Post-Consumer Recycled Content.

P&L: Profit and loss

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

SM&L: Selling, marketing and logistics expenses

SSS: Same-Store-Sales

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

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

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

TBS: The Body Shop.

UOI: Underlying Operating Income.

7. Disclaimer

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

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

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natura &co

NATURA COSMÉTICOS S.A.

CNPJ/MF No. 71.673.990/0001-77 Publicly-held Company NIRE 35.300.143.183

MINUTES OF THE AUDIT, RISK MANAGEMENT AND FINANCE COMMITTEE MEETING

On March 13, 2018, at 09:00, at the London office of a subsidiary of **NATURA COSMÉTICOS S.A.** ("Company"), located in the city of London, at 4-5 Long Yard, London WC1N 3LU, UK, held a meeting, which was presided over by Mr. Gilberto Mifano, who invited me, Moacir Salzstein, to be Secretary of the meeting, and with the attendance of Mr. Roberto de Oliveira Marques, member of the Company's Audit, Risk Management, and Finance Committee.

Unanimously and without any reservations, the members of the Committee reviewed and expressed themselves favorably to the Company's financial statements related to the fiscal year 2017.

There being no further matters to address, these minutes were read, approved and signed by all attendees. Signatures: Gilberto Mifano, Chairman of the meeting; Roberto de Oliveira Marques, member of the Committee; and Moacir Salzstein, Secretary of the Meeting.

Moacir Salzstein
Secretary of the Meeting

STATEMENT OF THE EXECUTIVE COMMITTE REGARDING THE FINANCIAL STATEMENTS

Pursuant to article 25, paragraph 1, item VI of CVM Ruling No. 480, of December 7, 2009, I, as amended, the Executive Committee represents that has reviewed, discussed and agreed with Company's Financial Statements referring to the fiscal year of 2018.

São Paulo, February 21st, 2018.

João Paulo Brotto Gonçalves Ferreira
Chief Executive Officer

Andrea Figueiredo Teixeira Alvares
Chief Marketing, Innovation and Sustainability Officer

José Antonio de Almeida Filippo
Chief Financial and Investor Relations Officer

Erasmo Toledo
Chief of Direct Sales

Itamar Gaino Filho
Chief Legal and Compliance Officer

STATEMENT OF THE EXECUTIVE COMMITTE REGARDING THE AUDITOR'S REPORT

Pursuant to article 25, paragraph 1, item V of CVM Ruling No. 480, of December 7, 2009, I, as amended, the Executive Committee represents that has reviewed, discussed and agreed with the independent auditor's report in connection with the Company's Financial Statements referring to the fiscal year of 2018.

São Paulo, February 21st, 2018.

João Paulo Brotto Gonçalves Ferreira
Chief Executive Officer

Andrea Figueiredo Teixeira Alvares
Chief Marketing, Innovation and Sustainability Officer

José Antonio de Almeida Filippo
Chief Financial and Investor Relations Officer

Erasmo Toledo
Chief of Direct Sales

Itamar Gaino Filho
Chief Legal and Compliance Officer

NATURA COSMÉTICOS S.A.

Corporate Taxpayer ID (CNPJ/MF): 71.673.990/0001-77	Publicly Held Company	Company Registry (NIRE) 35.300.143.183

MINUTES OF THE BOARD OF DIRECTORS' MEETING

On February 21st, 2019, at 9:00 a.m., at the headquarters of **NATURA COSMÉTICOS S.A.** ("Company") located in the city of São Paulo and in the state of São Paulo at Avenida Alexandre Colares, n. 1.188, Vila Jaguara, CEP 05106-000, with the attendance of all the members of the Board of Directors , having Mr. Guilherme Peirão Leal acting as chairman in order to discuss on the following matters:

1. to recommend approval by the shareholders of Company at the annual shareholders meeting of the Company to be held on April 12, 2019 (the "ASM"), the annual management report, financial statements and its notes, accompanied by the independent auditors' report, the favorable opinion from the Audit, Risk Management and Finance Committee and the proposal for the allocation of net income, related to the fiscal year ended December 31, 2018.

2. to recommend approval by the shareholders of the Company at the ASM, the proposed capital budget for 2019.

After examining the matters on the agenda, the directors approved, by unanimous vote and without any reservations:

1. to recommend, pursuant to article 142, item V of Federal Law 6,404/76 and article 20, item X of the bylaws of the Company, the approval by shareholders of the Company at the ASM, the annual management report, financial statements and its notes, accompanied by the independent auditors' report, the favorable opinion from the Audit, Risk Management and Finance Committee and the proposal for the allocation of net income, related to the fiscal year ended December 31, 2018, to be disclosed on February 21st, 2019 and published in the State Register (*Diário Oficial do Estado de São Paulo*) and Valor Econômico newspaper on February 22nd, 2019.

2. to recommend, pursuant to article 196 of Federal Law 6,404/76 and article 20, item X of the bylaws of the Company, the approval by shareholders of the Company at the ASM, the proposed capital budget for 2019, which, including property, plant and equipment and working capital, will be R$725,000,000.00 (seven hundred and twenty-five million reais). The funds from the capital budget will be used for the capital expenditure required to consolidate the growth plans of the Company.

There being no further matters to address, these minutes were read, approved and signed by all present. Signatures: Guilherme Peirão Leal, chairman of the meeting and co-chairman of the Board of Directors; Pedro Luiz Barreiros Passos, co-chairman of the Board of Directors; Antônio Luiz da Cunha Seabra, co-chairman of the Board of Directors; Roberto de Oliveira Marques, Executive Chairman of the Board of Directors; Gilberto Mifano, director; Carla Schmitzberger, director; Fábio Colletti Barbosa, director; Silvia Freire Dente da Silva Dias Lagnado, director; Jessica DiLullo Herrin, director; and Moacir Salzstein, secretary of the meeting.

Moacir Salzstein
Secretary of the Meeting

NATURA COSMÉTICOS S.A.

Corporate Taxpayer ID (CNPJ/MF): 71.673.990/0001-77	Publicly Held Company	Company Registry (NIRE) 35.300.143.183

MINUTES OF THE BOARD OF DIRECTORS' MEETING

On February 21st, 2019, at 09:30 a.m., at the headquarters of **NATURA COSMÉTICOS S.A.** ("Company") located in the city of São Paulo and state of São Paulo at Avenida Alexandre Colares, n. 1.188, Vila Jaguara, CEP 05106-000, with the attendance of all the members of the Board of Directors having Mr. Guilherme Peirão Leal acting as chairman, in order to discuss on the following matters:

1. To approve, *ad referendum* of the Annual Shareholders' Meeting ("ASM"), the proposal for the distribution of dividends for the period from January to December 2018, to be assigned to the minimum mandatory dividend related to the fiscal year ended December 31th, 2018.

2. To approve the rectification of the total gross amount for the distribution of interest on shareholders' equity, related to the period from January 1st, 2018 to December 31th, 2018, to be assigned to the minimum mandatory dividend regarding the fiscal year ended on December 31th, 2018, in the total amount of R$111,449,405.28 (one hundred eleven million, four hundred and forty nine thousand, four hundred and five Reais and twenty-eight cents), which was incorrectly informed in the minutes of the meeting of the Board of Directors held on December 28th, 2018, to be R$111,449,405.46 (one hundred and eleven million, four hundred and forty-nine thousand, four hundred and five Reais and forty-six cents), an immaterial difference of R$0.18 (eighteen cents), without altering the amount per share informed on that occasion.

After analyzing the matter, the directors present, given that the Company has the conditions to pay dividends and interest on equity, and considering the covenants established in the debt instruments currently in effect, approved unanimously and without any reservations:

1. to approve, pursuant to article 20, item XXVI and article 28, paragraph 3 of the bylaws of the Company, *ad referendum* the ASM, the proposed distribution of dividends related to the period from January to December 2018, to be calculated towards the mandatory dividend for the fiscal year ended December 31, 2018, in the total amount of fifty-six million, six hundred sixty thousand, five hundred eighty-two reais and ninety-eight centavos (R$ 56,660,582.98), corresponding to R$ 0.13154623913 per share (excluding treasury shares), without withholding income tax at source, to be paid on April 18, 2019. Such dividends will be based on the shareholding position on February 26, 2019. Starting from February 27, 2019, the shares of the Company will be traded ex-dividends.

2. To approve the rectification of the total gross amount for the distribution of interest on shareholders' equity, related to the period from January 1st, 2018 to December 31th, 2018, to be assigned to the minimum mandatory dividend regarding the fiscal year ended on December 31th, 2018, in the total amount of R$111,449,405.28 (one hundred eleven million, four hundred and forty nine thousand, four hundred and five Reais and twenty-eight cents), which was incorrectly informed in the minutes of the meeting of the Board of Directors held on December 28th, 2018, to be R$111,449,405.46 (one hundred and eleven million, four hundred and forty-nine thousand, four hundred and five Reais and forty-six cents), an immaterial difference of R$ 0.18 (eighteen cents), without altering the amount per share informed on that occasion.

There being no further matters to address, these minutes were read, approved and signed by all present. Signatures: Guilherme Peirão Leal, chairman of the meeting and co-chairman of the Board of Directors; Antônio Luiz da Cunha Seabra, co-chairman of the Board of Directors; Roberto de Oliveira Marques, Executive Chairman of the Board of Directors; Pedro Luiz Barreiros Passos, co-chairman of the Board of Directors; Gilberto Mifano, director; Carla Schmitzberger, director; Fábio Colletti Barbosa, director; Silvia Freire Dente da Silva Dias Lagnado, director; Jessica DiLullo Herrin, director; and Moacir Salzstein, secretary of the meeting.

Moacir Salzstein
Secretary of the Meeting