

Second-quarter 2018 results

August 10, 2018



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natura & co

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Q2-18 highlights: A strong quarter for Natura &Co

Natura &Co

- **Double-digit revenue and EBITDA growth:**
 - **Natura:** Continued growth in net revenue and EBITDA, with further productivity gains and advances in digitization
 - **The Body Shop:** Transformation plan ongoing; Strong double-digit growth in EBITDA excluding transformation costs, as part of the plan to generate further EBITDA margin improvement
 - **Aesop:** Another remarkable quarter with high double-digit growth in sales and EBITDA across all channels and geographies
- **Key appointments** to strengthen management teams at The Body Shop and Natura
- **New achievements in sustainability:** Natura's Ekos line certified by Union for Ethical BioTrade and more than 7 million signatures in The Body Shop's Forever Against Animal Testing global campaign
- Natura &Co **on track to achieve its medium-term targets**

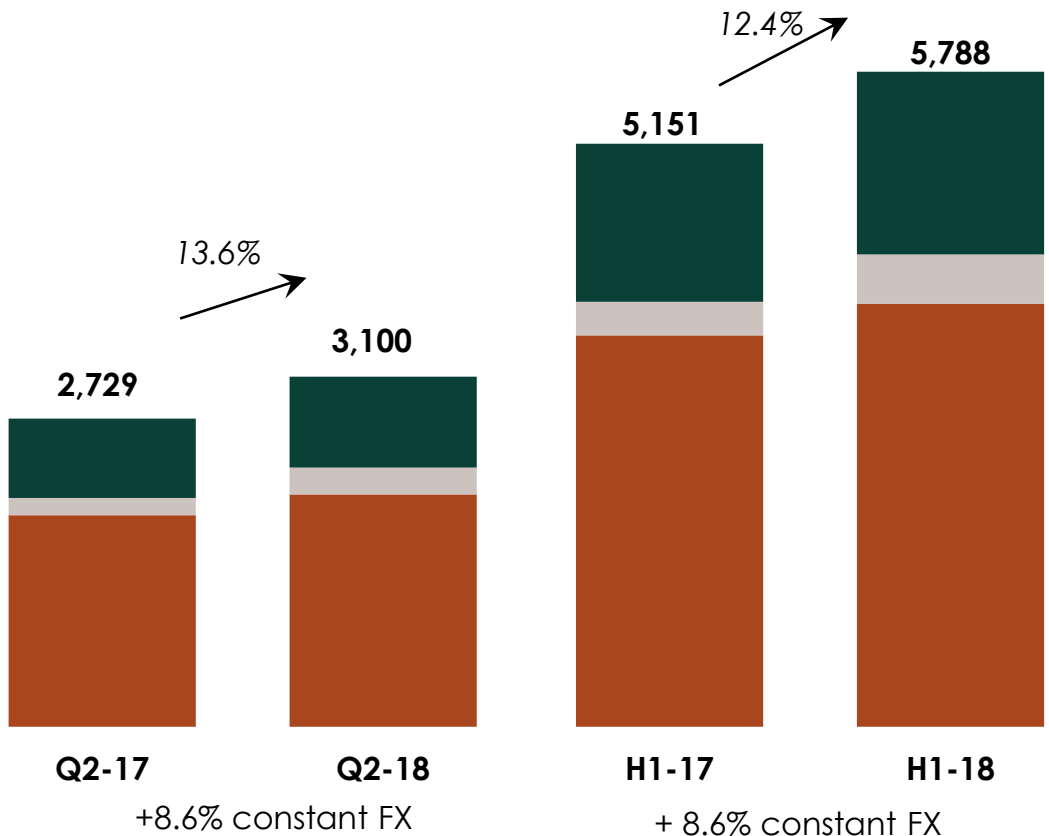
Consolidated Financial Performance

Double-digit growth in pro-forma net revenue

(Pro-forma¹; R\$ million)

2nd Quarter

1st Half



● Natura ● Aesop ● The Body Shop

Natura: +10.3%² in Q2-18, +8.6%² in H1-18, supported by growth in Brazil and Latam

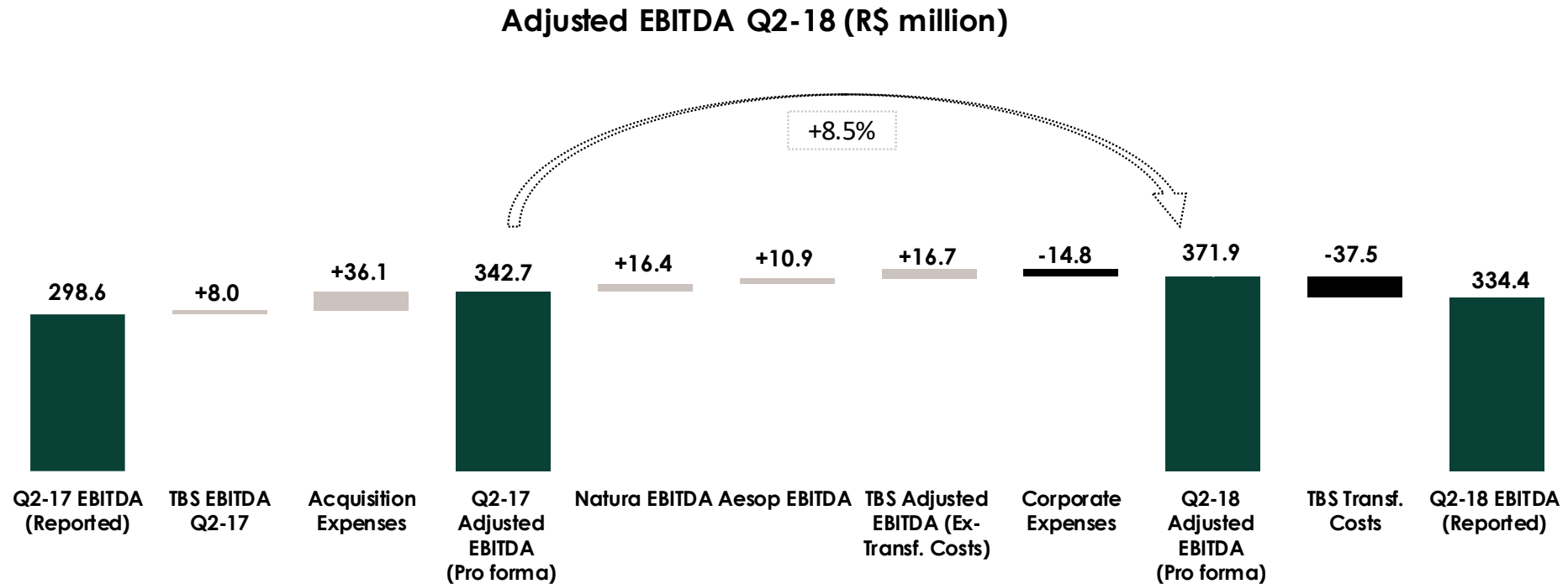
The Body Shop: -1.1%² in Q2-18, impacted by calendar and phasing of franchise purchases which benefited Q1-18. Healthy 3.6%² in H1-18

Aesop: Stellar growth of 36.6%² in Q2-18, +33.4%² in H1-18 across all geographies and channels

¹ Pro -forma includes The Body Shop's figures, as if they were part of the consolidated accounts in the comparable period
² At constant exchange rates

Adjusted EBITDA: 8.5% growth, driven by all three businesses

(Pro-forma¹, adjusted²; R\$ million)



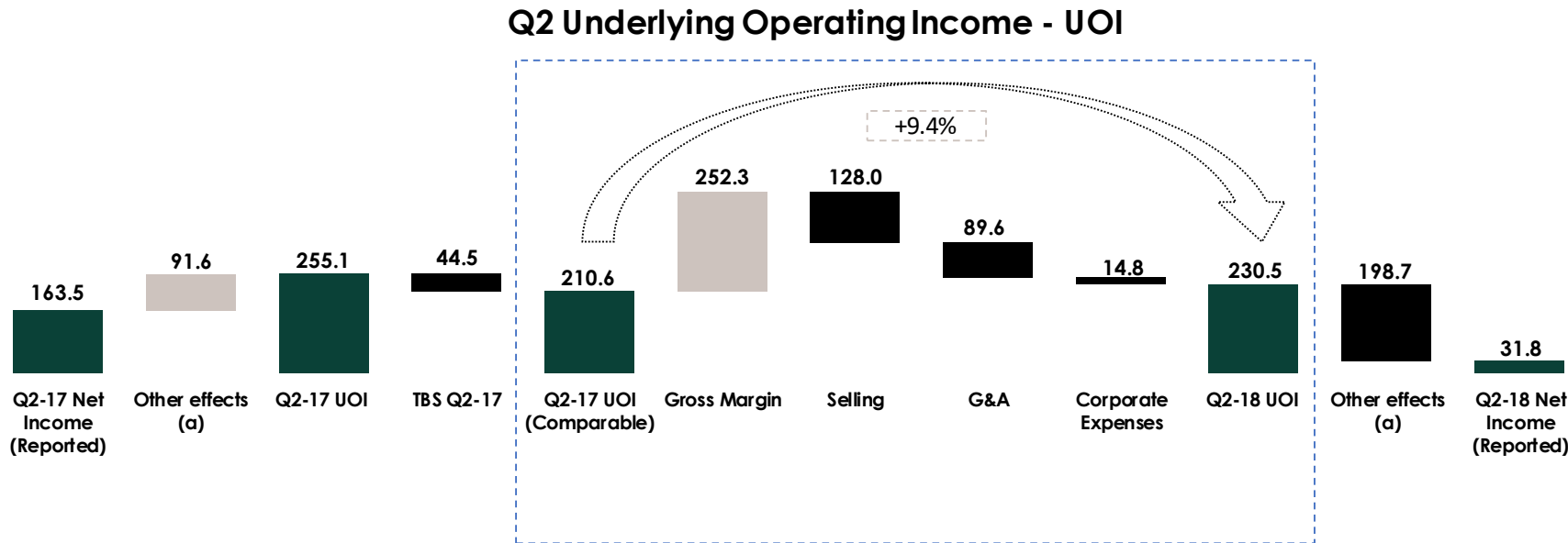
- **Q2-18** reported EBITDA +12.0%, adjusted +8.5%
- **H1-18** reported EBITDA -1.5%, adjusted +27.0%

¹ Pro-forma includes The Body Shop's figures, as if they were part of the consolidated accounts in the comparable period under analysis

² Adjusted to exclude effects not considered usual or which are not comparable between the periods under analysis

Underlying Operating Income up 9.4% in Q2 and 54.1% in H1

(Pro forma¹; R\$ million)



- **Q2-18 UOI +9.4%**
- **H1-18 UOI +54.1%**

Underlying operating income growth driven by improved performance by The Body Shop and Aesop in Q2, while Natura was broadly stable, and by strong performance in all three businesses in H1

Underlying operating income excludes acquisition-related expenses, transformation costs, financial expenses and income tax

Net income was R\$31.8 million in Q2 and R\$56.2 million in H1, impacted by The Body Shop acquisition debt servicing costs and transformation costs

¹ Pro-forma includes The Body Shop's figures, as if they were part of the consolidated accounts in the comparable period under analysis

Positive free cash flow generation of R\$121.5 million in Q2; Indebtedness ratio on track to achieve 2021 guidance

(R\$ million)

Q2-18 Free Cash Flow

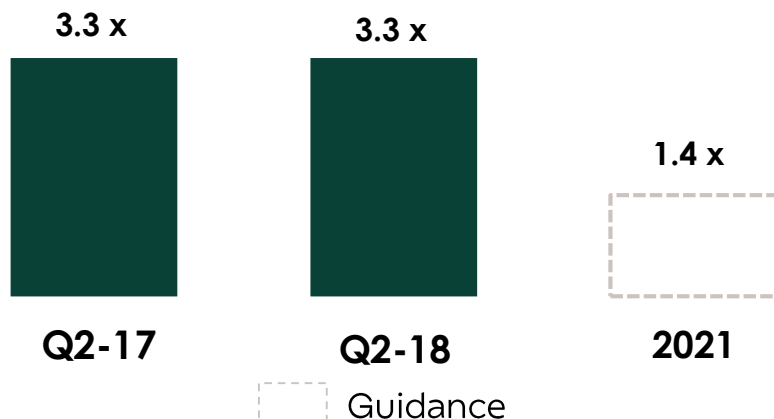


Positive cash generation in the quarter, with all three businesses contributing

Q2 impacted by:

- debt service acquisition costs
- higher working capital investments in:
 - Seasonal inventory at The Body Shop
 - Higher receivables from sales growth at Natura

Net-debt-to-EBITDA ratio



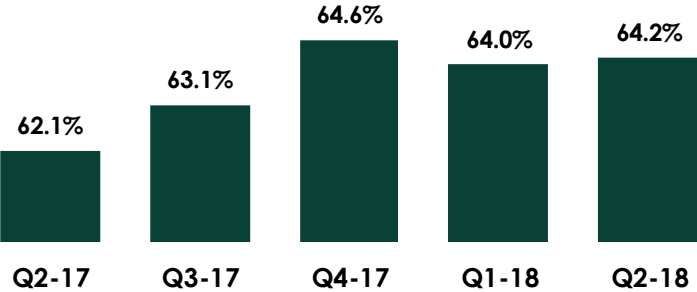
Net-debt-to-EBITDA ratio in line with expectations and on track to reach 2021 target

Natura's Performance

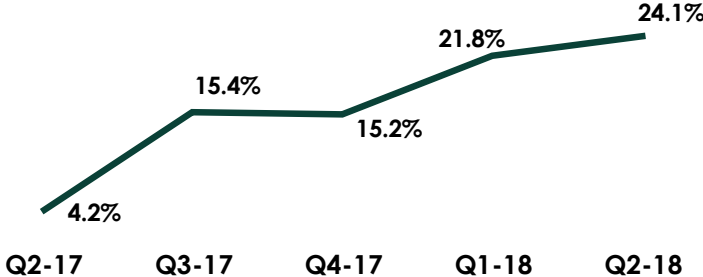
Q2 highlights: Solid growth in revenue and profitability, higher productivity

- **Sales growth** in both Brazil and Latin America
- **Market share gains** in Brazil
- **Mother's Day** and **Valentine's Day** campaigns **outperformed** last year's
- **Consistent** signs of **improvement** in our **Relationship Selling model**: Productivity per consultant up 24.1% in Q2 in Brazil and improving in Latam
- **Multichannel model advancing**: High **double-digit growth in online sales** in Brazil and acceleration in online strategy in Chile and Argentina

Natura - Brazil Innovation Index (%GR)



Natura - Brazil Productivity (% year over year)



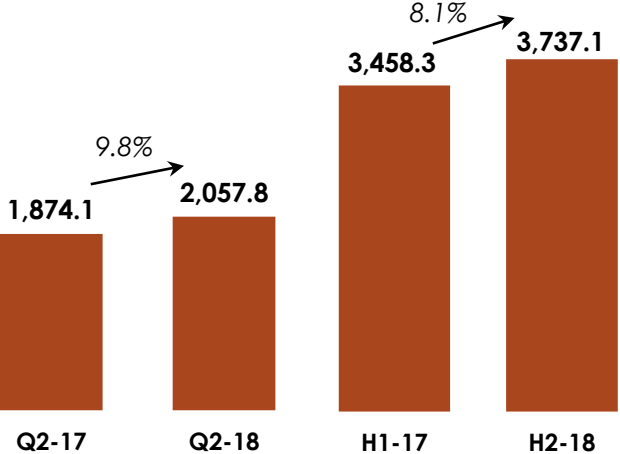
Net revenue: Solid growth in Q2; higher consultants' productivity and market share gains

(R\$ million)

Natura

2nd Quarter

1st Half



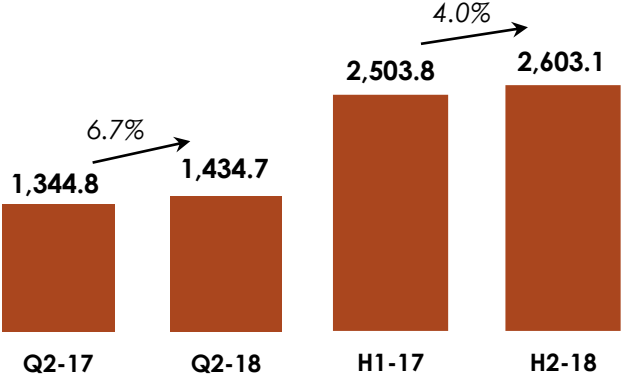
10.3% constant FX

8.6% constant FX

Natura Brazil

2nd Quarter

1st Half



Brazil: Positively impacted by Mother's Day shift to Q2 and negatively impacted by the truckers' **strike**

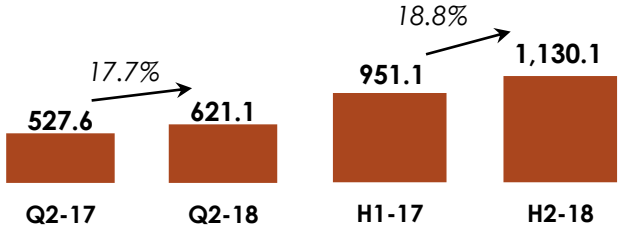
Consultants' productivity: +24.1%. Number of consultants stable sequentially

Over 50% of consultants using **mobile platform**

Natura Latam

2nd Quarter

1st Half



20.6% constant FX

21.8% constant FX

Latam: 10.5% growth in number of consultants

Growth in **all geographies**. Highlights were Argentina, Chile and Mexico

New Relationship Selling model in Chile with strong results

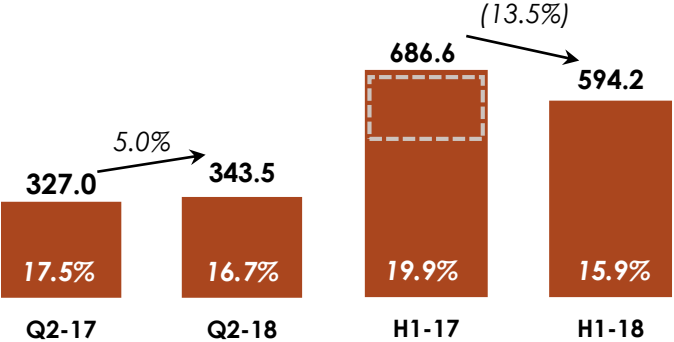
EBITDA up 5% in Q2; strong growth in Latam more than offset broadly stable Brazil

(R\$ million)

Natura

2nd Quarter

1st Half



4.3% constant FX

11.9% constant FX

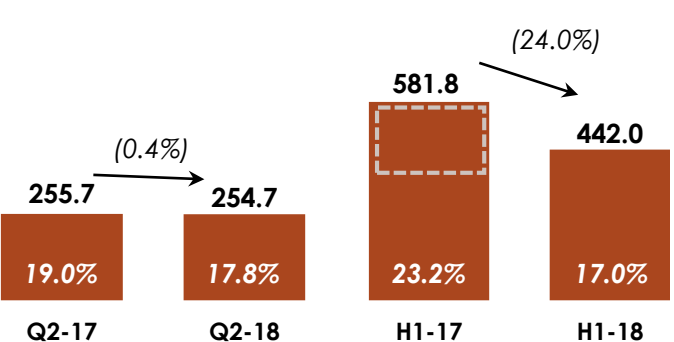
H1 EBITDA up 11.7% when adjusted to exclude non-recurring PIS/COFINS reversal and other provisions (R\$154.8) in H1-17

 PIS / COFINS reversal and other provisions

Natura Brazil

2nd Quarter

1st Half



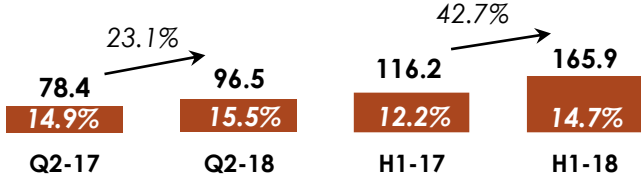
Q2 impacted by lower gross margin pressured by **higher manufacturing costs** from the truckers' strike, FX effects and promotional investments

H1 EBITDA up 3.5% when adjusted to exclude non-recurring PIS/COFINS tax reversal (R\$154.8 million) in H1-17

Natura Latam

2nd Quarter

1st Half



19.5% constant FX

42.4% constant FX

Strong growth in Q2 and H1 driven by **productivity** and **efficiency gains**

The Body Shop's Performance

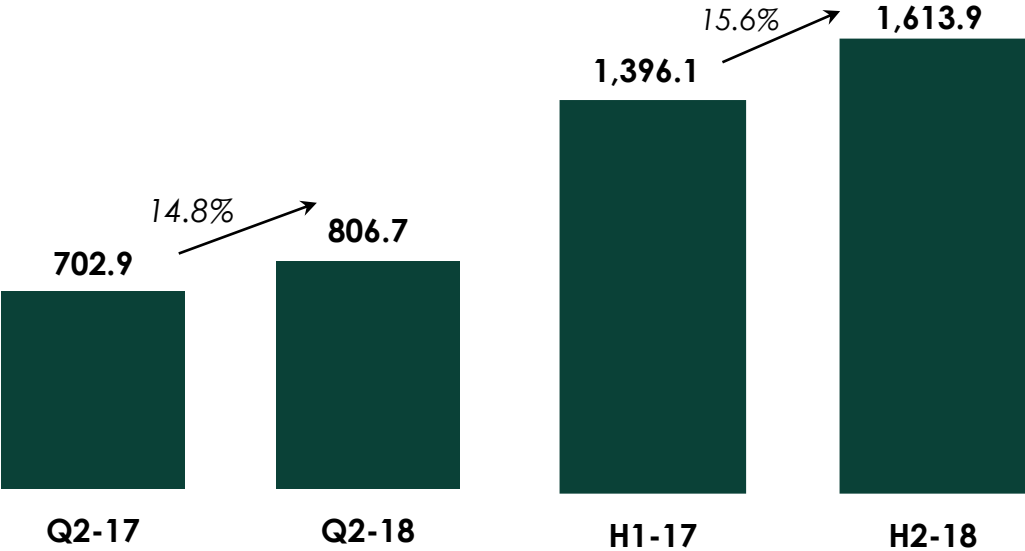
Net Revenues: Solid double-digit growth (pro-forma)

(R\$ million)

The Body Shop – Net Revenue

2nd Quarter

1st Half



-1.1% constant FX

3.6% constant FX

Healthy 3.6% growth in H1 (constant FX) driven by **franchisees, owned stores** and **online**

Q2 impacted by phasing of head franchise purchases and commercial calendar effects that benefited Q1-18

Strong performance in **APAC¹** and **EMEA¹**

The Body Shop ended the quarter with **1,050 owned stores** (down 52) and **1,928 franchised stores** (down 6) as it continues to optimize its retail network. Most of the store closures were in the UK and US

¹ APAC: Asia and Pacific countries and EMEA: Europe, Middle East and Africa

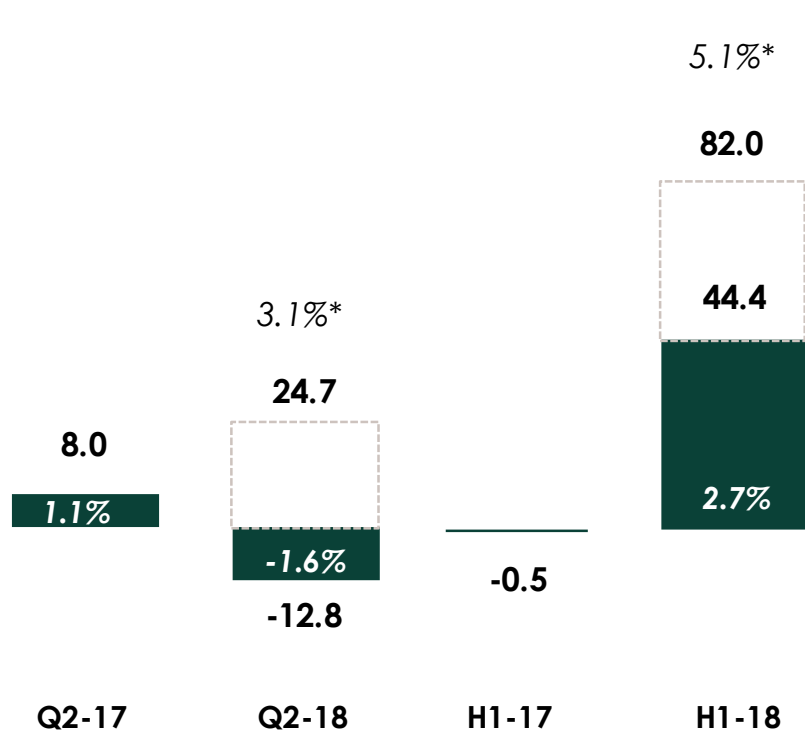
Adjusted EBITDA up in Q2 and H1 (excluding transformation costs)

(R\$ million)

The Body Shop – EBITDA

2nd Quarter

1st Half



Transformation costs of R\$37.5 million in **Q2 EBITDA** (non-recurring) due to advances in all five pillars of the plan:

- 1) Rejuvenate Brand
- 2) Optimize Retail Operation
- 3) Enhance Omni-Channel
- 4) Improve Operational Efficiency
- 5) Re-design Organization

H1 EBITDA of **R\$44.4 million** with **2.7% margin** resulting from:

- **Lower discounting**
- **Lower occupancy costs in owned stores**
- **Higher franchisee sales**

Excluding transformation costs, adjusted **EBITDA and margin** **grew strongly** both in Q2 and H1

Aesop's Performance

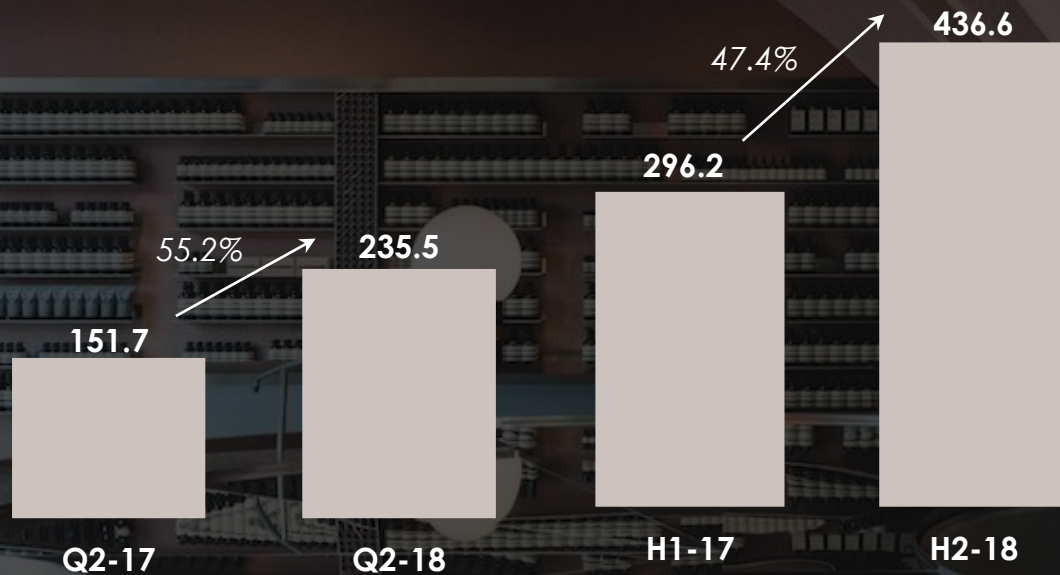
Another quarter of impressive growth

(R\$ million)

Aesop – Net Revenue

2nd Quarter

1st Half



High double-digit growth across all channels and geographies

Like-for-like growth of 21.6% in signature stores

- 213 signature stores (+25 in LTM)

Accelerating growth in online sales

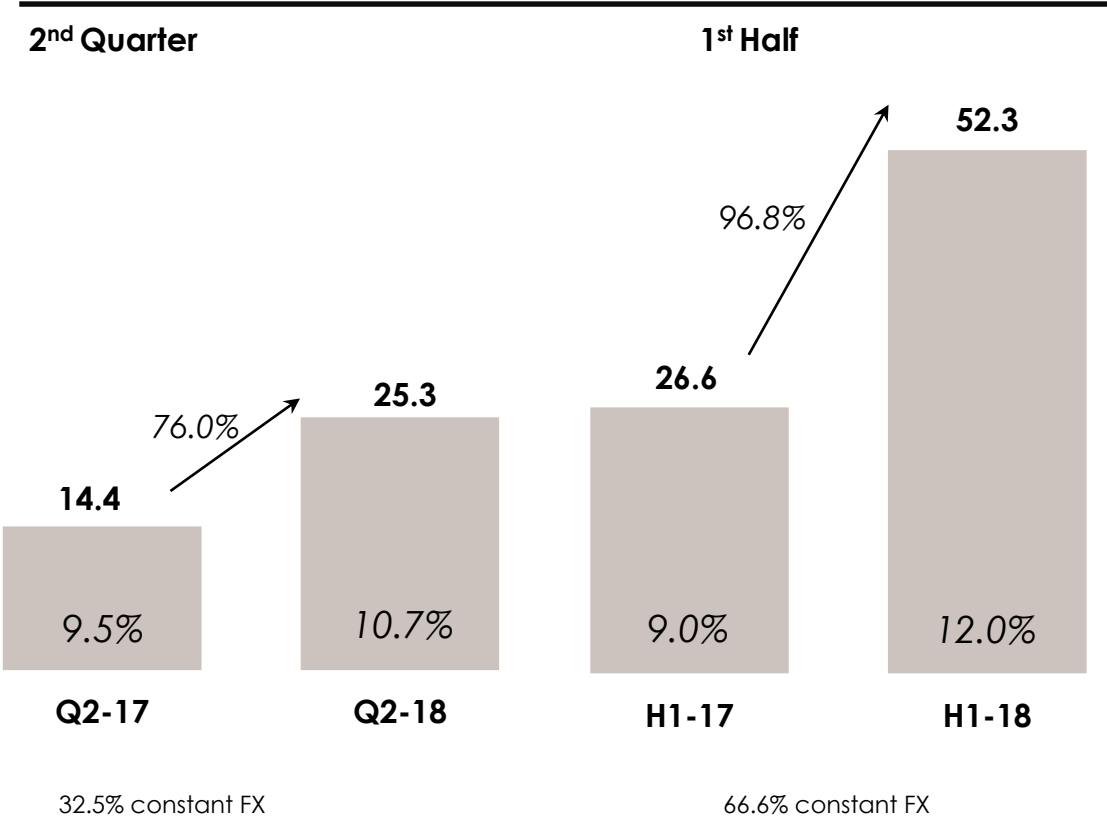
36.0% constant FX

33.4% constant FX

Very sharp EBITDA growth; 300 bps improvement in margin in H1-18

(R\$ million)

Aesop - EBITDA



76.0% growth in Q2-18 EBITDA, with margin of 10.7%

Near doubling of EBITDA in H1, with margin reaching 12.0%

Continued advances in sustainability

natura &co



Natura was the first Brazilian brand and one of only two worldwide to win the international UEBT (Union of Ethical BioTrade) certification. This was for the Ekos line product natural ingredient supply chain. The new seal attests to the **three pillars underpinning the company's business fair trade, conservation of biodiversity and community relations based on trust.**



The **UN Global Compact nominated Guilherme Leal**, Co-founder of Natura and co-chairman of Natura's Board of Directors, **as a member of its global council.** The nomination was made by the UN Secretary General, António Guterres.



The **Body Shop** has already obtained **7 million signatures** in support of its global campaign **Forever Against Animal Testing**, nearing its target of 8 million.

Key Takeaways

With **another quarter of growth in revenues and EBITDA**, Natura &Co has demonstrated again the strength of its multibrand and multichannel model

- **Natura:** Continued solid momentum, strengthened Relationship Selling and multichannel model in Brazil and Latam
- **The Body Shop:** Very encouraging first results from the transformation plan. Further upside potential
- **Aesop:** Remarkable growth quarter after quarter

Natura &Co well positioned to deliver further growth and achieve its financial targets.

Thank you



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