



natura & co

São Paulo, August 9, 2018.

Earnings release Q2-18:
Strong revenue growth at Natura &Co
New advances in The Body Shop's transformation

- Double-digit net revenue growth in Q2 and H1: R\$3,100.0 million in Q2-18, up 53.0% on a reported basis¹. On a pro forma² basis, in BRL, consolidated growth was 13.6%³ vs. Q2-17. In H1-18, reported net revenue grew by 54.2%, while pro-forma² net revenue improved 12.4%³ in BRL vs. H1-17.
 - Natura: Net revenue grew by 10.3%⁴ in Q2-18 vs. Q2-17, and by 8.6%⁴ in H1-18 vs. H1-17, driven by both Brazil and Latam:
 - Natura – Brazil: +6.7% in Q2-18 vs Q2-17 and +4.0% in H1-18 vs. H1-17, demonstrating the resilience of the business in the context of the truckers' strike in May, and reflecting the positive impact of the calendar shift in the Mother's Day campaign to Q2.
 - Natura – Latam: +20.6%⁴ in Q2-18 and +21.8%⁴ in H1-18.
 - The Body Shop: -1.1%⁴ in Q2-18 due to commercial calendar and head franchise phasing which benefited Q1-18, in line with our forecasting. A healthy 3.6%⁴ growth in H1-18, driven by strong franchise and e-commerce sales.
 - Aesop: Strong double-digit growth of 36.6%⁴ in Q2-18 and +33.4%⁴ in H1-18, in all channels and geographies.
- Double-digit consolidated EBITDA growth. Reported¹ EBITDA of R\$334.4 million in Q2-18, up by 12.0% vs. Q2-17. Excluding The Body Shop's transformation costs and acquisition expenses, adjusted⁵ EBITDA was R\$371.9 million in Q2-18, up 8.5% vs. Q2-17 on a pro forma basis (see details on page 4). In H1-18, reported EBITDA was R\$653.3 million, -1.5% vs. H1-17, while adjusted⁵ pro forma EBITDA was R\$690.9 million, up by a strong 27.0% vs. H1-17:
 - Natura: EBITDA of R\$343.5 million, up 4.3%⁴ vs. Q2-17. In H1-18, reported EBITDA was R\$594.1 million, -13.5% vs. H1-17. On a comparable basis (excluding non-recurring PIS/COFINS and other tax effects of R\$154.8 million in 2017), H1-18 EBITDA was up by 11.9%⁴ vs. H1-17.
 - The Body Shop: In Q2-18, reported EBITDA was impacted by transformation costs of R\$37.5 million (€7.6 million). Excluding these costs, EBITDA was R\$24.7 million in Q2-18, compared to R\$8.0 million in Q2-17, and R\$82.0 million in H1-18, compared to -R\$0.5 million in H1-17.
 - Aesop: EBITDA of R\$25.3 million in Q2-18, up 32.5%⁴ vs. Q2-17, and R\$52.3 million in H1-18, +66.6%⁴ vs. H1-17.
- Consolidated net income of R\$31.8 million in the quarter, vs. R\$163.5 million in Q2-17, impacted by acquisition debt servicing costs and The Body Shop's transformation costs. Underlying operating income (see page 5), which excludes these effects, grew on a pro forma basis by 9.4% in Q2, to R\$230.5 million, and by 54.1% in H1-18, to R\$434.5 million.
- Positive free cash flow generation of R\$ 121.5 million and net-debt-to-EBITDA ratio of 3.3 times, in line with expectations.
- Sustainability achievements: Natura was a pioneer in receiving a new international certification from UEBT (Union for Ethical BioTrade) for its systems of ethical supply of ingredients in Ekos-branded products. The Body Shop has obtained 7 million signatures in support of its global campaign Forever Against Animal Testing, nearing its target of 8 million.

¹ Without The Body Shop in 2017.

² Including The Body Shop figures as if they were part of the consolidated accounts in the comparable periods under analysis.

³ Growth at constant exchange rates was 8.6% both in Q2-18 and H1-18.

⁴ At constant exchange rates.

⁵ Adjusted to exclude effects that are not considered usual, recurring or not-comparable between the periods under analysis.

Management commentary:

Natura &Co has proven once again the strength of the multibrand, multichannel and global footprint group it is building with another quarter of double-digit growth in both revenues and EBITDA.

All of our brands contributed to this strong performance. Natura posted double-digit growth in the quarter, despite the truckers' strike impact, with both Brazil and Latin America showing great momentum. Natura continued to gain market share in core categories in Brazil and show productivity gains, positively advancing the company's new Relationship Sales model and digitization of its channel.

We began to implement The Body Shop's transformation program this quarter with initiatives including organization redesign, store footprint optimization and measures to improve operational efficiency, among others. We booked £7.6 million (R\$37.5 million) in transformation costs in Q2 and plan to spend approximately £30 million (non-recurring) over 2018 and 2019 to bring about a recurring improvement in the business over the next five years, with an estimated cumulative margin improvement between £105 million and £125 million. This is in line with our previously-disclosed guidance.

The Body Shop's quarter was impacted by commercial calendar and phasing effects, as communicated in the first quarter. Over the first half we saw significant improvements in sales, adjusted EBITDA and adjusted EBITDA margin, excluding transformation costs booked in Q2, in line with expectations, demonstrating that the transformation plan is progressing well.

Aesop again delivered another remarkable quarter with high double-digit growth in sales and EBITDA across all channels and geographies. The steady performance was driven by strong like-for-like sales in signature stores and by the addition of 25 new stores in the past 12 months.

Roberto Marques, Natura &Co's Executive Chairman of the Board stated: "*We are very pleased with these results. Natura has revitalized its business model through its revamped relationship selling approach, digitization and growing multichannel presence; The Body Shop's ongoing transformation plan is delivering initial results and Aesop continues its stellar growth trajectory. Natura &Co is well positioned to deliver further growth, reach its medium-term and long-term ambitions, and create triple bottom line value through continued advances in sustainable business practices.*"

1. Results analysis

Second quarter and first half 2018:

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

R\$ million	Profit and Loss by Business									
	Consolidated ^a			Natura			Aesop			The Body Shop
	Q2-18 ^a	Q2-17	Ch. %	Q2-18 ^b	Q2-17	Ch. %	Q2-18	Q2-17	Ch. %	Q2-18
Gross Revenue	4,301.1	2,801.6	53.5	2,850.5	2,634.1	8.2	260.0	167.5	55.2	1,190.7
Net Revenue	3,100.0	2,025.8	53.0	2,057.8	1,874.1	9.8	235.5	151.7	55.2	806.7
COGS	(894.9)	(605.3)	47.8	(682.6)	(589.9)	15.7	(23.4)	(15.4)	52.1	(188.9)
Gross Profit	2,205.2	1,420.5	55.2	1,375.2	1,284.2	7.1	212.1	136.3	55.6	617.8
Selling, Marketing and Logistics Expenses	(1,449.6)	(879.5)	64.8	(834.0)	(792.1)	5.3	(119.5)	(87.3)	36.8	(496.2)
Administrative, R&D, IT and Projects Expenses	(503.5)	(279.3)	80.3	(283.4)	(234.6)	20.8	(72.5)	(44.7)	62.4	(147.6)
Corporate Expenses ^d	(21.6)	(6.7)	222.4	0.0	0.0	n/a	0.0	0.0	n/a	0.0
Other Operating Income/ (Expenses), Net	(3.2)	13.0	n/a	10.5	13.1	(20.3)	(12.9)	(0.1)	n/a	(0.9)
Acquisition Related Expenses ^c	0.0	(36.1)	n/a	0.0	0.0	n/a	0.0	0.0	n/a	0.0
Transformation Costs	(37.5)	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a	(37.5)
Depreciation	144.7	66.6	117.1	75.2	56.5	33.2	18.0	10.1	77.4	51.4
EBITDA	334.4	298.6	12.0	343.5	327.0	5.0	25.3	14.4	76.0	(12.8)
Adjusted EBITDA (without transformation costs)	371.9	298.6	24.5	343.5	327.0	5.0	25.3	14.4	76.0	24.7
Depreciation	(144.7)	(66.6)	117.1							
Financial Income/(Expenses), Net	(145.0)	14.1	n/a							
Earnings Before Taxes	44.8	246.1	(81.8)							
Income Tax and Social Contribution	(13.0)	(82.6)	(84.3)							
Consolidated Net Income	31.8	163.5	(80.5)							
Gross Margin	71.1%	70.1%	1.0 pp	66.8%	68.5%	(1.7) pp	90.1%	89.9%	0.2 pp	76.6%
Selling, Marketing and Logistics expenses/ Net Revenue	46.8%	43.4%	3.3 pp	40.5%	42.3%	(1.7) pp	50.7%	57.6%	(6.8) pp	61.5%
Administrative, R&D, IT, and Projects Expenses/ Net Revenue	16.2%	13.8%	2.5 pp	13.8%	12.5%	1.3 pp	30.8%	29.4%	1.4 pp	18.3%
EBITDA Margin	10.8%	14.7%	(4.0) pp	16.7%	17.5%	(0.8) pp	10.7%	9.5%	1.3 pp	(1.6)%
Adjusted EBITDA Margin (without transformation costs)	12.0%	14.7%	(2.7) pp	16.7%	17.5%	(0.8) pp	10.7%	9.5%	1.3 pp	3.1%
Net Margin	1.0%	8.1%	(7.0) pp							

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

b TBS acquisition expenses and corporate expenses were excluded from Natura's Profit & Loss

c TBS acquisition related expenses

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

R\$ million	Profit and Loss by Business									
	Consolidated ^a			Natura			Aesop			The Body Shop
	H1-18 ^a	H1-17	Ch. %	H1-18 ^b	H1-17	Ch. %	H1-18	H1-17	Ch. %	H1-18
Gross Revenue	8,009.6	5,197.5	54.1	5,178.1	4,870.7	6.3	481.9	326.9	47.4	2,349.6
Net Revenue	5,787.7	3,754.4	54.2	3,737.1	3,458.3	8.1	436.6	296.2	47.4	1,613.9
COGS	(1,630.8)	(1,125.2)	44.9	(1,202.2)	(1,094.2)	9.9	(46.1)	(31.1)	48.4	(382.5)
Gross Profit	4,156.8	2,629.2	58.1	2,534.9	2,364.1	7.2	390.5	265.1	47.3	1,231.4
Selling, Marketing and Logistics Expenses	(2,732.6)	(1,679.1)	62.7	(1,550.7)	(1,509.1)	2.8	(221.8)	(170.0)	30.5	(960.1)
Administrative, R&D, IT and Projects Expenses	(952.3)	(564.0)	68.9	(533.5)	(474.7)	12.4	(130.2)	(89.3)	45.9	(288.7)
Corporate Expenses ^d	(37.4)	(13.9)	168.9	0.0	0.0	n/a	0.0	0.0	n/a	0.0
Other Operating Income/ (Expenses), Net	(16.4)	193.1	n/a	0.8	193.2	(99.6)	(16.9)	(0.1)	n/a	(0.3)
Acquisition Related Expenses ^c	(0.1)	(36.1)	(99.7)	0.0	0.0	n/a	0.0	0.0	n/a	0.0
Transformation Costs	(37.7)	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a	(37.7)
Depreciation	272.9	134.0	103.7	142.6	113.1	26.1	30.6	20.8	46.8	99.7
EBITDA	653.3	663.2	(1.5)	594.1	686.6	(13.5)	52.3	26.6	96.8	44.3
Adjusted EBITDA (without transformation costs)	691.0	663.2	4.2	594.1	686.6	(13.5)	52.3	26.6	96.8	82.0
Depreciation	(272.9)	(134.0)	103.7							
Financial Income/(Expenses), Net	(301.2)	1.5	n/a							
Earnings Before Taxes	79.1	530.7	(85.1)							
Income Tax and Social Contribution	(23.0)	(178.3)	(87.1)							
Consolidated Net Income	56.2	352.5	(84.1)							
Gross Margin	71.8%	70.0%	1.8 pp	67.8%	68.4%	(0.5) pp	89.4%	89.5%	(0.1) pp	76.3%
Selling, Marketing and Logistics expenses/ Net Revenue	47.2%	44.7%	2.5 pp	41.5%	43.6%	(2.1) pp	50.8%	57.4%	(6.6) pp	59.5%
Administrative, R&D, IT, and Projects Expenses/ Net Revenue	16.5%	15.0%	1.4 pp	14.3%	13.7%	0.5 pp	29.8%	30.1%	(0.3) pp	17.9%
EBITDA Margin	11.3%	17.7%	(6.4) pp	15.9%	19.9%	(4.0) pp	12.0%	9.0%	3.0 pp	2.7%
Adjusted EBITDA Margin (without transformation costs)	11.9%	17.7%	(5.7) pp	15.9%	19.9%	(4.0) pp	12.0%	9.0%	3.0 pp	5.1%
Net Margin	1.0%	9.4%	(8.4) pp							

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

b TBS acquisition expenses and corporate expenses were excluded from Natura's Profit & Loss

c TBS acquisition related expenses

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

e Natura's Q1-17 EBITDA includes the positive effects of PIS/COFINS tax reversal of R\$ 54.8 million

⁶ Consolidated results include Natura, Aesop, The Body Shop as well as the Natura subsidiaries in the U.S., France and the Netherlands.

Double digit growth in consolidated net revenue in Q2 and H1

Pro forma, in BRL, consolidated net revenue grew year-on-year by 13.6% in Q2 and 12.4% in H1 (+8.6% in Q2-18 and +8.6% in H1-18, at constant exchange rates).

In Brazil, Natura's net revenue grew by 6.7% in Q2-18, which benefited from the calendar shift of the Mothers' Day campaign and negatively impacted by the truckers' strike.

In Latin America, Natura's sales increased 20.6%⁷ in Q2-18, supported by robust performance in Argentina and Mexico, with a higher number of consultants, better activity and productivity gains. In H1-18, the region grew by 21.8%⁷.

The Body Shop's net revenue was down 1.1%⁷ in the quarter, as expected, impacted by commercial phasing that helped sales in Q1. H1 sales, which partially eliminate this effect, were up by 3.6%⁷, driven by strong growth in franchise and e-commerce and stable owned-store sales, despite a reduction in the number of stores. EMEA⁸ and APAC⁹ reported strong H1 sales.

Aesop's top line improved by 36.0%⁷ on the back of 21.6% like-for-like (last twelve months) and double-digit online sales growth in all regions. In H1-18, Aesop's sales improved by 33.4%⁷ vs. H1-17.

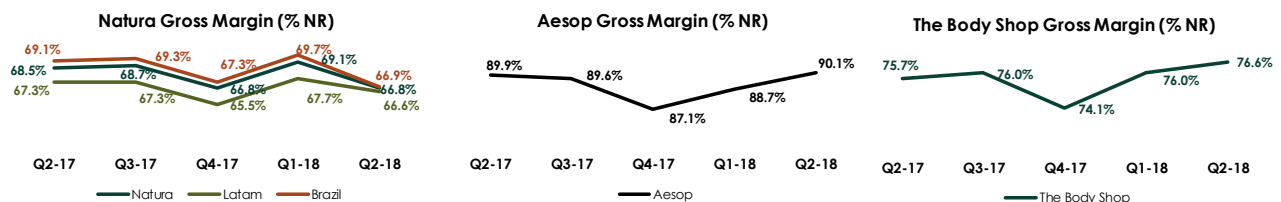
Gross margin

Reported consolidated gross margin improved 100 basis points (bps) in Q2-18, to 71%, while in H1-18 margin stood at 71.8%, improving 180 bps from H1-17. Pro-forma gross margin was down by 80 bps in Q2-18, while it improved 10 bps in H1-18.

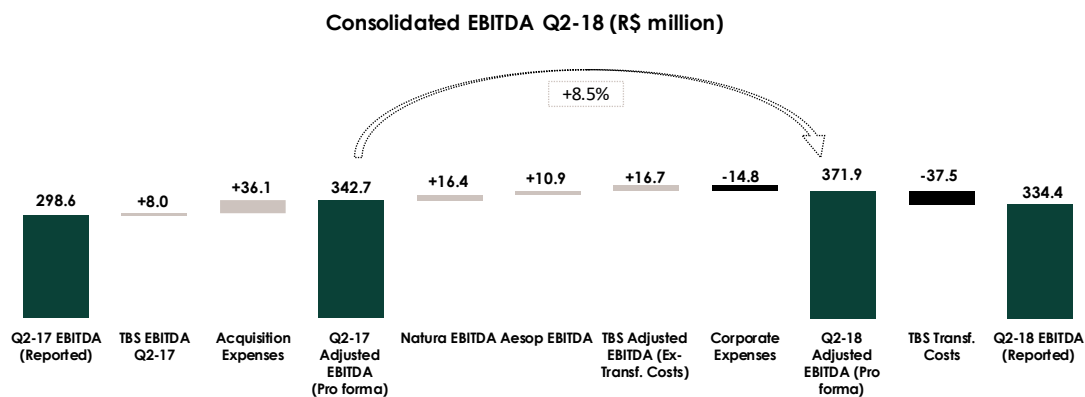
In Brazil, Natura's gross margin was 66.9% in Q2-18, down 210 bps from Q2-17, pressured by higher manufacturing costs resulting from the truckers' strike, foreign exchange currency (FX) effects and promotional investments.

In Latam, Natura's gross margin was 66.6% in Q2-18, vs. 67.3% in Q2-17, impacted by FX effects on imports.

Neither Aesop's nor The Body Shop's gross margin were materially impacted by specific effects in the period.



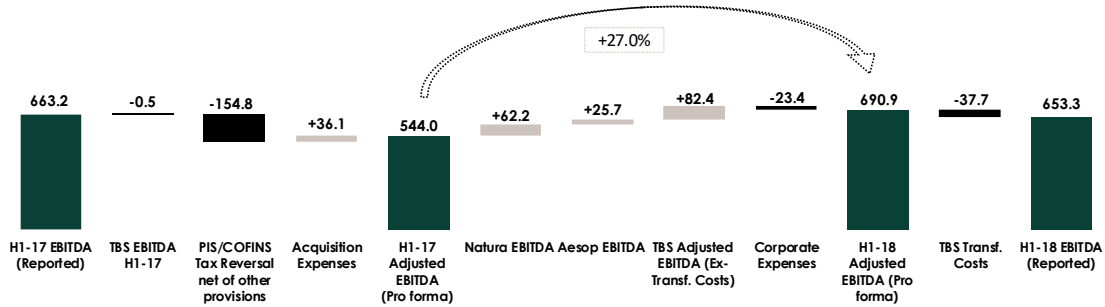
EBITDA growth coming from improvements in all three businesses



⁷ At constant exchange rates.

⁸ EMEA: Europe, Middle East and Africa, APAC: Asia and Pacific countries

Consolidated EBITDA H1-18 (R\$ million)



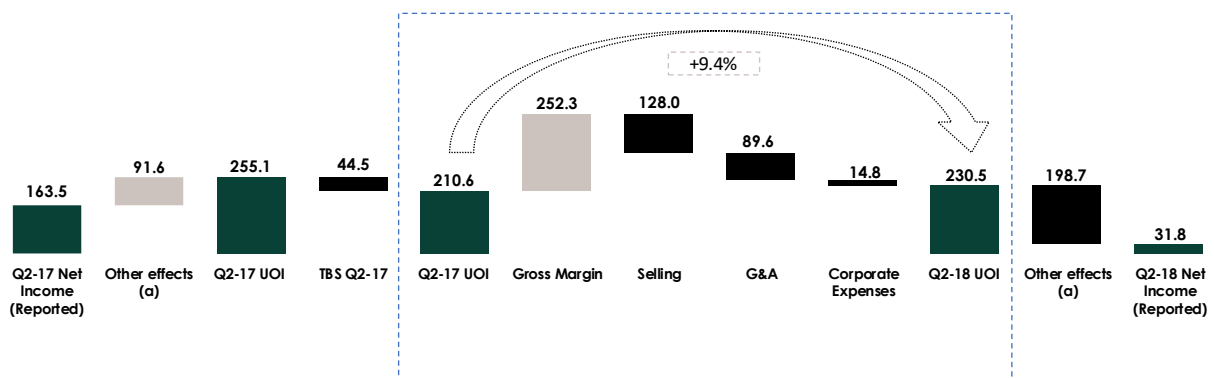
Financial income and expenses

The chart below demonstrates the main changes in our financial income and expenses. The net financial expense of R\$145.0 million in Q2-18 vs. a net financial income of R\$14.1 million in Q2-17 is due to the higher indebtedness and higher debt servicing costs resulting from The Body Shop acquisition.

R\$ million	Q2-18	Q2-17	Ch. R\$	H1-18	H1-17	Ch. R\$
Financial Income and Expenses, Net	(145.0)	14.1	(159.1)	(301.2)	1.5	(302.7)
1. Borrowings/Financing (B/F) and Short-Term Investments (STI)	(134.6)	(51.1)	(83.5)	(259.7)	(113.2)	(146.5)
2. Operational FX Gains/(Losses)	20.1	5.6	14.5	21.6	1.8	19.8
3. International Operations	(11.6)	0.5	(12.1)	(6.3)	3.5	(9.8)
4. Other Financial Income and Expenses	(19.0)	59.1	(78.0)	(56.8)	109.4	(166.2)
Financial derivatives to acquire The Body Shop	0.0	72.7	(72.7)	0.0	72.7	(72.7)
The Body Shop Related Financial Expenses	(6.8)	0.0	(6.8)	(24.4)	0.0	(24.4)
Contingencies and Judicial Deposits	(8.5)	(19.0)	10.5	(15.9)	50.6	(66.4)
Reclassification BNDES - CPC 07	0.0	(6.5)	6.5	0.0	(18.3)	18.3
Other	(3.6)	11.9	(15.5)	(16.6)	4.5	(21.1)

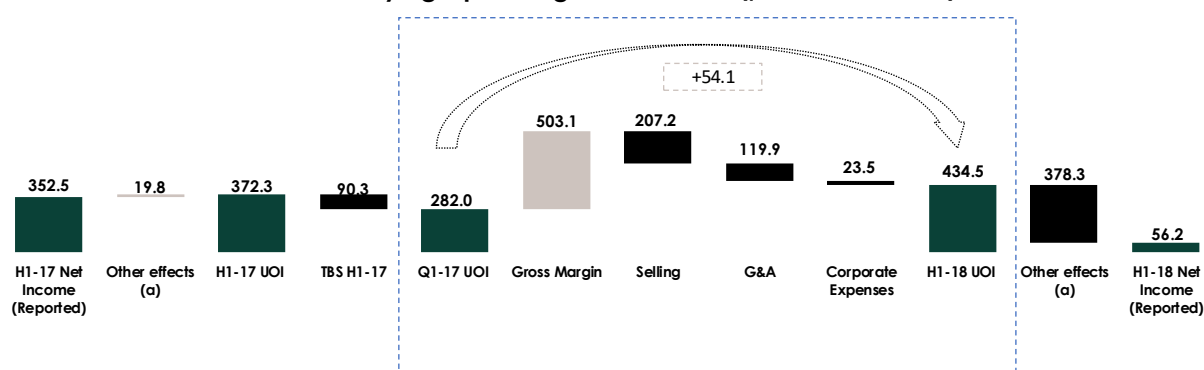
Reported consolidated net income of R\$31.8 million in the quarter vs. R\$163.5 million in Q2-17, impacted notably by transformation costs of R\$37.5 million at The Body Shop and financial expenses related to its acquisition of R\$57.8 million (net of tax). Underlying Operating Income (UOI), which excludes these effects, grew on a pro forma basis by 9.4% in Q2, to R\$230.5 million, and by 54.1% in H1-18, to R\$434.5 million, as shown below:

Q2 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.

H1 Underlying Operating Income - UOI (pro forma; R\$ million)



(b) 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.

Underlying Operating Income is calculated as follows:

R\$ million	Q2-18	Q2-17	Ch. %	H1-18	H1-17	Ch. %
Gross Profit	2,205.2	1,420.5	55.2	4,156.8	2,629.2	58.1
Selling, Marketing and Logistics Expenses	(1,449.6)	(879.5)	64.8	(2,732.6)	(1,679.1)	62.7
Administratives, R&D, IT and Projects Expenses	(503.5)	(279.3)	80.3	(952.3)	(564.0)	68.9
Corporate Expenses ^a	(21.6)	(6.7)	222.4	(37.4)	(13.9)	168.9
Underlying Operating Income	230.5	255.1	(9.7)	434.5	372.3	16.7

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

Positive free cash flow generation of R\$ 121.5 million in Q2

R\$ million	Q2-18	Q2-17	Ch. R\$	H1-18	H1-17	Ch. R\$
Net Income	31.8	163.5	(131.7)	56.2	352.5	(296.3)
Depreciation and Amortization	144.7	66.6	78.0	272.9	134.0	139.0
Non-Cash/Others ^a	64.6	(59.9)	124.4	(2.2)	(24.6)	22.4
Internal Cash Generation	241.0	170.3	70.8	326.9	461.8	(134.9)
Working Capital (Increase)/Decrease	(28.4)	116.7	(145.1)	(406.0)	(124.4)	(281.6)
Cash Generation Before Capex	212.7	287.0	(74.3)	(79.1)	337.4	(416.5)
CAPEX	(91.2)	(61.5)	(29.7)	(150.4)	(95.4)	(55.1)
Free Cash Flow^b	121.5	225.5	(104.0)	(229.6)	242.0	(471.5)

^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 equipment)

Cash inflow in Q2-18 of R\$ 121.5 million, against R\$225.5 million in Q2-17, mainly attributable to lower reported net income in the period, impacted by acquisition effects, and higher working capital, in line with our expectations and seasonality of our business.

The higher working capital was due to seasonal inventory at The Body Shop and higher receivables from sales growth at Natura.

Net-debt-to-EBITDA ratio

Natura &Co's net-debt-to-EBITDA ratio stood at 3.3 times as at June 30, 2018, compared to 1.2 times in the previous year, resulting from The Body Shop acquisition debt, in line with our expectations.

R\$ million	Q2-18	Q2-17	H1-18	H1-17
Total Debt^a	7.653,2	3.362,0	7.653,2	3.362,0
(-) Cash, Cash Equivalents and Short-Term Investment	1.943,1	1.624,0	1.943,1	1.624,0
(=) Net Debt	5.710,1	1.738,0	5.710,1	1.738,0
Net Debt/EBITDA	3,30	1,20	3,30	1,20

^a Excludes finance leases and finance derivatives accrual

2. Performance by business

Natura – Brazil: Strong revenue growth and higher productivity despite calendar disruptions

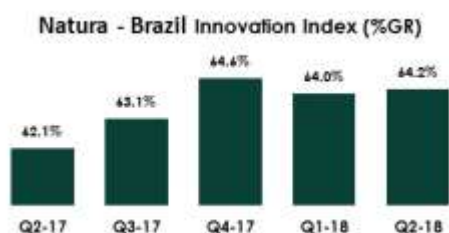
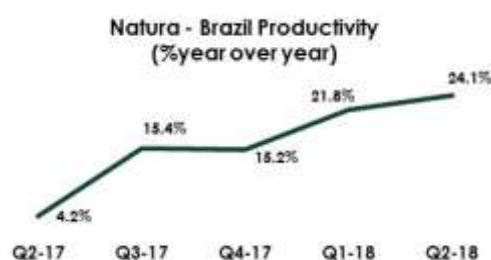
In Q2, despite disruptions from the truckers' strike and the World Cup, Natura in Brazil posted strong topline growth, supported by the Mother's Day campaign calendar shift to Q2. Reported net revenue was up by 6.7% vs. Q2-17.

In H1-18, net revenue growth was 4.0% vs. H1-17.

The quarter saw our Mother's Day and Valentine's Day campaigns outperform the 2017 figures, on the back of stronger sales of key categories and gifts.

Our Relationship Selling model is showing consistent signs of improvement, with productivity per consultant climbing 24.1% in Q2-18 vs. Q2-17. We recorded higher activity by consultants, a better loyalty index, a bigger share of wallet and a slightly higher number of consultants than in Q1-18.

We continued the rapid digitization of our business: Over 50% of our consultants now use our mobile platform, with nearly 100% utilization by our Sales Leaders and Sales Managers.



In the quarter, we won two important awards from the Brazilian Association of Direct Marketing (ABEMD), for the most intelligent use of communication in digital channels and the most modern beauty direct selling model in Brazil. We were ranked the 2nd most innovative company in consumer goods in Brazil, and 4th most innovative company overall, according to Brazilian media outlet Valor Econômico. Natura also ranked third among the "Top 50 Open Corps", published by 100 Open Startups, that measures the engagement of Brazilian companies in the country's innovation ecosystem.

Our online sales grew in high double digits again in the quarter, supported by significant increase in traffic, higher average ticket and strong conversion rate. The channel now accounts for about 3% of sales in the year, and is already reporting double-digit EBITDA margin.

Our retail channel, which includes owned-stores and Entrepreneur-Consultant franchised stores, continued growing significantly. We are preparing for a new wave of launches of our owned-stores starting in August, which will add to the existing portfolio of 19 stores in Brazil.

R\$ million	Profit and Loss					
	Natura - Brazil					
	Q2-18 ^a	Q2-17 ^a	Ch. %	H1-18	H1-17 ^b	Ch. %
Total Consultants - end of period ('000)	1.056,4	1.206,8	(12,5) pp	1.056,4	1.206,8	(12,5) pp
Total Consultants - average of period ('000)	1.047,1	1.234,6	(15,2) pp	1.044,2	1.255,5	(16,8) pp
Units Sold - items for resale (in million)	84,1	73,4	14,7 pp	157,0	147,1	6,7 pp
Gross Revenue	2.045,3	1.943,7	5,2	3.709,0	3.626,5	2,3
Net Revenue	1.434,7	1.344,8	6,7	2.603,1	2.503,7	4,0
COGS	(474,4)	(415,9)	14,0	(828,8)	(774,2)	7,1
Gross Profit	960,3	928,8	3,4	1.774,2	1.729,5	2,6
Selling, Marketing and Logistics Expenses	(569,9)	(566,5)	0,6	(1.064,6)	(1.088,4)	(2,2)
Administrative, R&D, IT and Projects Expenses	(212,8)	(170,0) ^c	25,2	(397,2)	(351,1)	13,1
Other Operating Income/ (Expenses), Net	9,2	12,5	(25,9)	1,4	191,9	(99,3)
Depreciation	67,8	50,8	33,3	128,3	99,9	28,5
EBITDA	254,7	255,7	(0,4)	442,1	581,8	(24,0)
Gross Margin	66,9%	69,1%	(2,1) pp	68,2%	69,1%	(0,9) pp
Selling, Marketing and Logistics Expenses/Net Revenue	39,7%	42,1%	(2,4) pp	40,9%	43,5%	(2,6) pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	14,8%	12,6%	2,2 pp	15,3%	14,0%	1,2 pp
EBITDA Margin	17,8%	19,0%	(1,3) pp	17,0%	23,2%	(6,3) pp

^a TBS acquisition related expenses and corporate expenses were excluded from Natura Profit & Loss

^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

EBITDA was R\$254.7 million in Q2-18, vs. R\$255.7 million in Q2-17, impacted mainly by lower gross margin (explained above), and higher G&A expenses in the period. Excluding depreciation and amortization increase of R\$17.0 million, this G&A increase in the quarter is explained by higher investments in technology projects, as the company advances its digitization, and investments in research and development, as part of the company's strategy to strengthen its product portfolio.

Selling, Marketing and Logistics Expenses declined by 240 bps in relation to net revenues since Q2-17, influenced by the higher productivity of our Relationship Selling model and higher efficiency of our operations, which offset higher investments in marketing, in line with our plan.

In H1-18, EBITDA stood at R\$442.0 million. Adjusting H1-17 EBITDA to exclude non-recurring effects of R\$ 154.8 million (tax reversals), comparable EBITDA grew by 3.5% in H1-18.

Natura – Latam: Strong momentum, with high growth in revenue and EBITDA

At constant currency, net revenue grew by 20.6% in Q2-18 vs. Q2-17, while EBITDA grew by 19.5%, resulting in a 70 bps increase in EBITDA margin. All geographies grew top line and EBITDA in the period, with strong performance in Argentina, Chile and Mexico.

In H1-18, constant currency revenue growth was 21.8% and EBITDA grew by 42.4% (+250 basis points in EBITDA margin), supported by solid sales profitability in every country.

The number of consultants increased 10.5% since Q2-17, reaching 628,100, with higher productivity. We are implementing the Relationship Selling model in Chile, leading to stronger results, and are accelerating our online strategy in Chile and Argentina.

R\$ million	Profit and Loss					
	Natura - Latam					
	Q2-18	Q2-17	Ch. %	H1-18	H1-17	Ch. %
Total Consultants - end of period ('000)	628.1	568.2	10.5	628.1	568.2	10.5
Total Consultants - average of period ('000)	619.1	559.3	10.7	605.9	550.1	10.1
Units Sold - items for resale (million)	35.6	32.3	10.2	65.3	58.6	11.4
Gross Revenue	802.8	688.3	16.6	1,464.6	1,240.1	18.1
Net Revenue	621.1	527.6	17.7	1,130.1	951.1	18.8
COGS	(207.7)	(172.6)	20.3	(372.3)	(318.2)	17.0
Gross Profit	413.4	355.0	16.5	757.8	632.9	19.7
Selling, Marketing and Logistics Expenses	(257.1)	(221.0)	16.4	(473.4)	(412.5)	14.8
Administrative, R&D, IT and Projects Expenses	(68.3)	(61.8)	10.5	(132.0)	(118.4)	11.5
Other Operating Income/(Expenses), Net	1.2	0.7	83.2	(0.6)	1.3	n/a
Depreciation	7.3	5.5	33.6	14.1	12.9	9.7
EBITDA	96.5	78.4	23.1	165.9	116.2	42.7
Gross Margin	66.6%	67.3%	(0.7) pp	67.1%	66.5%	0.5 pp
Selling, Marketing and Logistics Expenses/Net Revenue	41.4%	41.9%	(0.5) pp	41.9%	43.4%	(1.5) pp
Administrative, R&D, IT and Projects Expenses/Net Revenue	11.0%	11.7%	(0.7) pp	11.7%	12.4%	(0.8) pp
EBITDA Margin	15.5%	14.9%	0.7 pp	14.7%	12.2%	2.5 pp

The Body Shop: Stronger underlying business; transformation advancing

In the second quarter, The Body Shop posted net revenue of R\$806.7 million, a -1.1% change vs. Q2-17 at constant currency. As anticipated, this quarter was impacted by the timing of Easter and phasing of purchasing by franchisees, which inflated Q1-18 figures as anticipated. Adjusted EBITDA in the quarter (excluding transformation costs) stood at R\$24.7 million, up by R\$16.7 million vs. Q2-17, with a 200 bps margin improvement, to 3.1%.

H1 sales were R\$ 1,613.9 million, up 3.6%⁷ vs. H1-17, and adjusted EBITDA (excluding transformation costs) was R\$82.0 million, up compared to -R\$0.5 million in H1-17, representing a strong margin improvement to 5.1%. Despite 52 fewer owned stores and a lower level of discounting, owned store sales were stable in H1 and EBITDA improved. E-Commerce was a driver of both sales and EBITDA performance, even with a lower level of online discounting.

Sales were strong in APAC⁸ and EMEA⁸. In APAC⁸, both owned stores and franchised stores performed well. In EMEA⁸, growth was driven by e-commerce and franchise stores.

The Body Shop's transformation program began this quarter. Total transformation costs to be incurred in 2018 and 2019 are estimated to be around £30million. All the transformation costs are related to initiatives such as organization redesign and store footprint optimization, that will contribute to the business achieving its 2019 and 2022 sales and EBITDA targets. These costs are already factored in these targets, as shown on the chart on the right-hand side:



The Body Shop ended the quarter with 1,050 owned stores (down 52) and 1,928 franchised stores (down 6), totaling 58 fewer stores in the last twelve months, as it continues to optimize its retail network. Most of the store closures were concentrated in the UK and US.

During this quarter, The Body Shop won several awards, including The World Retail Congress 'Responsible Retailer Initiative of the Year' award for its global sustainability program, Enrich Not Exploit™.

Aesop: Another quarter of strong top and bottom line growth

Aesop again reported strong growth in all channels and geographies. Key highlights include like-for-like growth of 21.6% in signature stores sales and accelerating growth in online sales, resulting in net revenue

increase of 36.0%⁷ (at constant exchange rate) vs. Q2-17, to R\$235.5 million. In the last twelve months, 25 net new signature store were opened, bringing the total to 213. EBITDA in the quarter increased by 32.5%⁷ vs. Q2-17, gaining 130 bps in EBITDA margin, to 10.7%.

In H1-18, Aesop's sales grew by 33.4%⁷, while EBITDA increased 66.6%⁷, resulting in an EBITDA margin of 12.0% (+300bps from H1-18).

3. Social and environmental performance

Natura recorded important accomplishments during the period:

We are the first Brazilian brand and one of only two worldwide to win the international UEBT (Union for Ethical Biotrader) certification. This certificate 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. He was nominated by the UN Secretary General, António Guterres. Launched in 2000, the Global Compact is the largest corporate sustainability initiative in the world, with more than 9,500 company and 3,000 non-corporate signatories, from over 160 countries, with more than 70 local networks.

We exceeded our refill usage targets in Brazil in main categories, and our Tododia line had a strong performance, making a positive environmental impact since it uses renewable materials in its packaging, or post-consumer recycled material, reducing waste and lowering relative carbon emissions.

Our global sales of Crer Para Ver products reached R\$20.4 million in H1-18, up 17.9% vs. H1-17. Their profits are reverted to education projects that promote human development.

Scope	Indicator	Unit	2020 ambition	Results		
				H1-18	H1-17	Highlights
Natura: Brazil + Latam	Relative Carbon Emissions (Scopes 1, 2 and 3)	% CO2/kg products Billed	2.15	3.37	3.20	Increase due to higher fuel consumption in Brazil, higher exports to Latam and catalogue printing in Latam
Natura: Brazil	Eco-Efficient Packaging^b	% (eco-efficient packaging units billed/total units billed)	40	22	20	Greater use of renewable origin packaging in Tododia and Plant brands, and also in refill packaging in other categories
Natura: Brazil + Latam	Consumption of Amazon-Sourced Inputs In Relation to Natura's Overall Inputs	% (R\$ Amazon inputs/R\$ total inputs)	30.0	16.9	18.8	Lower soap production due to truckers' strike
Natura: Brazil + Latam	Total Investments In The Pan-Amazon Region^c	R\$ billion	1.00	1.34	1.08	Higher Amazon palm oil purchases and investments in our Benevides - Pará plant
Natura: Brazil + Latam	Collection From "Crer para Ver" (Education) Line - Global^d	R\$ million	41.0	20.4	17.3	Good sales performance in all countries due to a better gifting strategy in Latam and successful Valentine's campaign in Brazil
Natura: Brazil + Latam	Women In Leadership Positions Index (Director Level and Above)	%	50.0	36.5	31.3	16.6% of growth
Natura: Brazil	Employees With Disabilities	%	8.0	6.2	5.9	Successful recruitment campaigns

^a The indicator considers the % of packaging materials sourced from post-consumer recycling in relation to total mass of packaging billed

^b Eco-efficient packaging is 50% lighter in relation to regular/similar packaging or which has at least 50% in potentially recyclable materials and/or renewable materials, as long as there is no mass increase

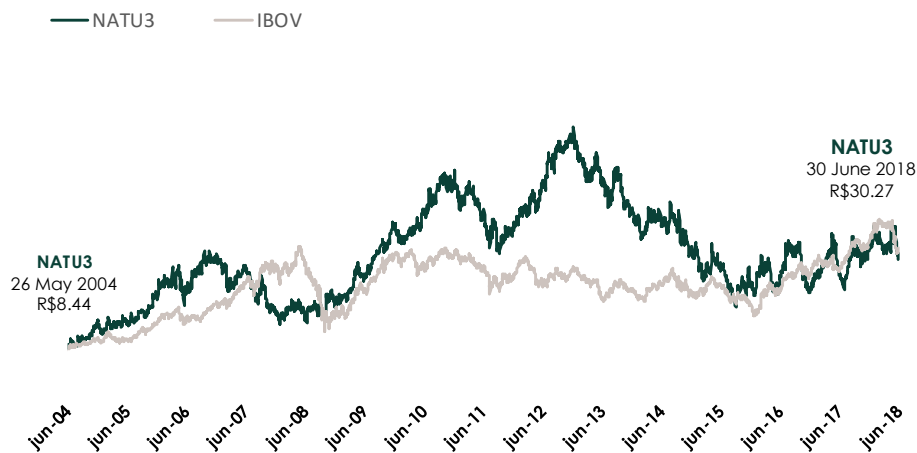
^c Refers to the year to date earnings before income tax

⁷ At constant exchange rates.

4. Appendices

NATU3 Performance

The following chart shows the performance of Natura stock since its IPO:



Balance Sheet

ASSETS	Q2-18	4Q-17	LIABILITIES AND SHAREHOLDER'S EQUITY	Q2-18	4Q-17
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	643.6	1,693.1	Borrowing, financing and debentures	1,028.3	4,076.7
Securities	1,299.5	1,977.3	Trade and other payables	1,384.9	1,553.8
Trade receivables	1,353.3	1,507.9	Payroll, profit sharing and social changes	336.3	366.0
Inventories	1,522.8	1,243.9	Tax liabilities	218.8	269.9
Recoverable taxes	203.7	210.6	Income tax and social contribution	100.5	147.9
Income tax and social contribution	232.2	197.5	Dividends and interest on shareholders' equity payable	0.0	201.7
Derivative financial instruments	369.4	14.8	Provision for tax, civil and labor risks	19.9	17.4
Other current assets	228.0	211.2	Other current liabilities	324.1	278.7
Total current assets	5,852.6	7,056.3	Total current liabilities	3,412.9	6,912.0
NON CURRENT ASSETS			NON CURRENT LIABILITIES		
Recoverable taxes	436.2	439.1	Borrowings, financing and debentures	7,512.9	5,255.2
Deferred income tax and social contribution	408.8	344.2	Tax liabilities	143.5	195.1
Judicial deposits	323.0	319.4	Deferred income tax and social contribution	450.0	422.4
Other non-current assets	53.4	46.1	Provision for tax, civil and labor risks	306.1	264.7
Total long term assets	1,221.4	1,148.9	Other non-current liabilities	245.6	273.3
			Total non-current liabilities	8,658.1	6,410.7
Property, plant and equipment	2,260.4	2,276.7	SHAREHOLDERS' EQUITY		
Intangible assets	4,989.7	4,475.6	Capital stock	427.1	427.1
Total non-current assets	8,471.5	7,901.2	Treasury shares	(24.2)	(32.5)
			Capital reserves	147.8	155.7
			Profit reserves	1,140.6	1,123.2
			Retained earnings	56.2	0.0
			Losses on capital transactions	(92.1)	(92.1)
			Equity valuation adjustment	597.6	53.3
			Total equity attributable to owners of the Company	2,253.1	1,634.7
TOTAL ASSETS	14,324.1	14,957.5	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,324.1	14,957.5

Income Statement

R\$ million	Q2-18	Q2-17	Ch. %	H1-18	H1-17	Ch. %
GROSS SALES						
Internal Market	2,049.2	1,942.1	5.5	3,718.1	3,623.6	2.6
External Market	2,241.3	859.0	160.9	4,271.5	1,573.1	171.5
Other sales	10.6	0.5	1,869.5	20.0	0.9	2,202.2
GROSS REVENUE	4,301.1	2,801.6	53.5	8,009.6	5,197.6	54.1
Taxes, returns and rebates	(1,201.1)	(775.8)	54.8	(2,221.9)	(1,443.1)	54.0
NET REVENUE	3,100.0	2,025.8	53.0	5,787.7	3,754.4	54.2
Cost of products sold	(894.9)	(605.3)	47.8	(1,630.8)	(1,125.2)	44.9
GROSS PROFIT	2,205.2	1,420.5	55.2	4,156.8	2,629.2	58.1
OPERATING (EXPENSES) INCOME						
Selling, Marketing and Logistics expenses	(1,449.6)	(879.5)	64.8	(2,732.6)	(1,679.1)	62.7
Administrative, R&D, IT and Project Expenses	(521.0)	(286.4)	81.9	(988.3)	(578.3)	70.9
Other operating income (expenses), net	(44.8)	(22.6)	97.7	(55.5)	157.4	(135.3)
INCOME FROM OPERATIONS BEFORE FINANCIAL RESULT	189.8	232.0	(18.2)	380.4	529.2	(28.1)
Financial income	574.4	126.8	353.1	837.5	400.0	109.3
Financial expenses	(719.4)	(112.6)	538.6	(1,138.7)	(398.5)	185.7
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	44.8	246.1	(81.8)	79.1	530.7	(85.1)
Income tax and social contribution	(13.0)	(82.6)	(84.3)	(23.0)	(178.3)	(87.1)
NET INCOME FOR THE PERIOD	31.8	163.5	(80.6)	56.2	352.5	(84.1)

Statements of Cash Flow

R\$ million	H1-18	H1-17
CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	320.2	661.5
OTHER CASH FLOWS FROM OPERATING ACTIVITIES		
Payments of income tax and social contribution	(145.7)	(48.7)
Accrual (payments) of judicial deposits	3.4	(3.0)
Payments related to tax, civil and labor lawsuits	(8.7)	(6.5)
Payments of funds due to settlement of derivative transactions	(4.5)	(180.8)
Payment of interest on financial leases	(13.5)	0.0
Payment of interest on borrowings, financing and debentures	(317.2)	(148.8)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(166.0)	273.8
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(150.4)	(104.1)
Proceeds from sale of property, plant and equipment and intangible assets	4.0	5.4
Investment in securities	(5,088.3)	(2,325.0)
Redemption of securities	5,733.3	2,402.2
Redemption of interest on securities	108.6	238.8
NET CASH PROVIDED BY (USED IN) BY INVESTING ACTIVITIES	607.3	217.3
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of financial leases- principal amount	(33.9)	0.0
Payment of borrowings, financing and debentures - principal amount	(5,282.9)	(881.7)
New borrowings, financing and debentures	3,954.2	57.2
Use of treasury shares to settle excised stock options	(0.8)	0.0
Payment of dividends and interest on capital for the previous year	(201.7)	(109.4)
Receipts (payments) to settle derivative operations	30.5	(3.0)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,534.5)	(936.9)
Effect of exchange variation on cash and cash equivalents	43.7	4.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,049.6)	(441.7)
Opening balance of cash and cash equivalents	1,693.1	1,091.5
Closing balance of cash and cash equivalents	643.6	649.8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,049.6)	(441.7)

Additional information to the statements of cash flows:

Some comparison amounts were reclassified for better presentation

*The notes are an integral part of financial statements

Conference Call and Webcast

natura & co

2Q18 Earnings Release

August 09th, 2018 - After B3 closing.

CONFERENCE CALL

Date: August 10, 2018

Time: 11h00 (Brasília)
10h00 (NY)
15h00 (UK)

Phone: Participants in Brazil: +55 11 3193-1001 or +55 11 2820-4001
Participants in the USA: +1 646 828-8246 or Toll Free: 1 800-492-3904
Participants in the United Kingdom: +44 20 7442-5660 or Toll Free: 0808-111-0152

Please call 15 minutes prior to the start of the call.

Password: Natura

Live webcast: www.natura.net/investor

The call will be held in English with simultaneous translation to Portuguese

5. Glossary

Adjusted EBITDA: Excludes effects that are not considered usual, recurring or not-comparable between the periods under analysis

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.

CDI: The overnight rate for interbank deposits.

CFT: Cosmetics, Fragrances and Toiletries Market.

COGS: Costs of Goods Sold

EBITDA: Earnings Before Interests, Tax, Depreciation and Amortization.

EP&L: Environmental Profit & Loss.

GHG: Greenhouse gases.

Innovation Index: Share in the last 12 months of the sale of products launched in the last 24 months.

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: Acronym for Post-Consumer Recycled Content.

P&L: Profit and loss

Profit Sharing: The share of profit allocated to employees under the profit-sharing program.

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.

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.

Disclaimer

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.

Investor Relations Team
Tel.: +55 (11) 4389-7786

Viviane Behar, vivianebehar@natura.net
Luiz Palhares, luizpalhares@natura.net
Ana Carolina Bastos, anabastos@natura.net
Camila Soares Cabrera, camilacabrera@natura.net

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