Second-quarter 2019 RESULTS

August 15, 2019

BODY SPA  natura  Aésop

natura &co
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https://natu.infoinvest.com.br/en
Robust growth in adjusted\(^1\) net revenue: +7.7% both in Reais and in constant currency, with all three businesses and brands contributing to growth

More than doubling of net income: R$66.6 million, up 109.4%

Double-digit growth in adjusted\(^1\) EBITDA: +10.6%

Further deleveraging: 2.83x at the end of the quarter, on track to achieve our 2021 target of 1.4x

New advances in sustainability agenda, with group-wide commitment to fight climate change

Transformational acquisition of Avon Products Inc. to create the fourth-largest pure-play global beauty group, announced on May 22 and expected to close in first quarter of 2020

\(^1\) Adjusted: Excluding effects that are not considered recurring nor comparable between the periods under analysis.
Consolidated Financial Performance
Adjusted figures exclude the following non-operational effects

**IFRS 15:** Reclassification of late payment charges in Q2-19 and H1-19 with impacts on net revenue and EBITDA for Natura Brazil and on net revenue in Latam

**Hyperinflation and foreign currency translation** accounting standards (IAS29 and IAS21, respectively) in Argentina in Q2-19 and H1-19 with impact on Latam’s full P&L

**Tax credits, recoveries and provision reversal:** Tax credits related to previous years, tax recoveries related to ICMS taxes applied to the base of PIS and COFINS, and ICMS provision reversal in Q1

**The Body Shop’s transformation costs,** which refer to the amounts allocated to the execution of its transformation plan, as previously announced by the group, with impact on EBITDA

**Avon acquisition costs:** Non-recurring costs associated with Avon acquisition, mainly related to professional fees

**IFRS 16:** Its adoption resulted in the recognition of rights-of-use against lease liability, essentially related to leased stores of Natura, The Body Shop and Aesop
Consolidated adjusted net revenue up 7.7% in Q2 and 7.4% in H1, driven by all three businesses

(Aowered: R5 million)

<table>
<thead>
<tr>
<th>2nd Quarter</th>
<th>1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2-18</td>
<td>Q2-19</td>
</tr>
<tr>
<td>3,100.0</td>
<td>3,338.5</td>
</tr>
<tr>
<td>7.7%</td>
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</tr>
</tbody>
</table>

**Natura**

Adjusted net revenue growth both in Brazil (+6.7%) and in Latam (+5.3%); in constant currency, Latam growth was 17.3%

**The Body Shop**

Net revenue in BRL rose 7.5% in Q2-19 and 2.6% at constant currency

**Aesop**

Solid double-digit growth in BRL of 20.7% in Q2-19 and 9.2% at constant currency

\^ Adjusted: Excludes IFRS 15 (reclassification of late payment charges) both in Brazil and Latam and hyperinflation effects in Latam
Double-digit growth in adjusted EBITDA in Q2

(Adjusted; R$ million)

**EBITDA Q2-19**

- Q2-18 EBITDA (Reported) 334.4
- Transf. Costs 37.5
- Q2-18 EBITDA (Adjusted) 371.9
- Natura EBITDA 22.3
- TBS EBITDA 21.5
- Aesop EBITDA 6.9
- Corporate expenses +1.3
- Q2-19 EBITDA (Adjusted) 411.3
- Tax impacts in Brazil 96.0
- -2.5
- -5.0
- -19.5
- -55.6
- Q2-19 EBITDA Ex-IFRS 16 424.7

**Q2-19 Adjusted EBITDA margin of 12.3%, up 30 bps**

**H1-19 Adjusted EBITDA growth of 9.7%, with EBITDA margin of 12.2%, up 30 bps**

1 Adjusted: Excludes IFRS 15 (reclassification of late payment charges) both in Brazil and Lata, hyperinflation effects in Lata, tax credits, recoveries and provision reversal in Brazil, IFRS 16 in all businesses and The Body Shop’s transformation costs.
Net income more than doubled in Q2

Net Income\(^1\)

\[ \begin{array}{c}
\text{Q2-18 Net Income (Reported)}: 31.8 \\
\text{Q2-18 Other Effects (a)}: 198.7 \\
\text{Q2-18 UOI (Comparable)}: 230.5 \\
\text{Q2-19 Net Income (ex - IFRS16)}: 274.0 \\
\text{Q2-19 Other Effects (a)}: -207.4 \\
\text{Q2-19 UOI (Comparable)}: 66.6
\end{array} \]

+109.4%

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\text{Q2-19 UOI (Comparable)}: 66.6
\end{array} \]

H1-19 Net Income: +92.2% vs. H1-18

Double-digit growth in Q2 Underlying Operating Income - UOI\(^1\)

H1-19 UOI: +4.5% vs. H1-18

\(^1\) Excludes IFRS 16

(a) Other effects: acquisition-related expenses, transformation costs, financial expenses and income tax
Further deleveraging, on track to achieve 2021 target

(Reais million)

<table>
<thead>
<tr>
<th>Q2-19 Free Cash Flow</th>
<th>H1-19 Free Cash Flow</th>
<th>Net debt-to-EBITDA¹ ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>121.3</strong></td>
<td><strong>-229.6</strong></td>
<td><strong>3.30x</strong></td>
</tr>
<tr>
<td>Q2-18</td>
<td>H1-18</td>
<td>Q2-18</td>
</tr>
<tr>
<td><strong>8.5</strong></td>
<td><strong>-330.5</strong></td>
<td><strong>2.83x</strong></td>
</tr>
<tr>
<td>Q2-19</td>
<td>H1-19</td>
<td><strong>1.4x</strong></td>
</tr>
</tbody>
</table>

Lower cash inflow mainly attributable to:
- Higher capex due to project phasing at Natura and digital investments at Natura and The Body Shop
- Avon acquisition expenses

Improvement in net debt-to-EBITDA ratio, on track to reach 2021 target of return to the level preceding the acquisition of The Body Shop

¹ EBITDA excludes the impact of IFRS 16
Natura’s Performance
Net revenue up in Q2 and H1, with growth in Brazil and Latam in challenging markets

(Adjusted\(^1\); R$ million)

<table>
<thead>
<tr>
<th>Natura</th>
<th>Natura Brazil</th>
<th>Natura Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2-18 2,057.8</td>
<td>Q2-18 1,434.7</td>
<td>Q2-18 621.1</td>
</tr>
<tr>
<td>Q2-19 2,186.8</td>
<td>Q2-19 1,530.5</td>
<td>Q2-19 654.0</td>
</tr>
<tr>
<td>H1-18 3,737.1</td>
<td>H1-18 2,603.1</td>
<td>H1-18 1,130.1</td>
</tr>
<tr>
<td>H1-19 3,905.3</td>
<td>H1-19 2,687.1</td>
<td>H1-19 1,213.8</td>
</tr>
</tbody>
</table>

**Brazil**

- Q2 sales growth in a soft CFT market reflects successful Mother’s Day and Valentine’s Day campaigns
- New momentum in online – record June at Rede Natura
- Launch of several product innovations

**Latam**

- 17.3% growth at constant currency in Q2
- 4.9% growth in number of consultants
- 8.0% volume growth
- Strong performance in Argentina, Colombia and Mexico

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\(^1\)Adjusted: Excludes IFRS 15 (reclassification of late payment charges), hyperinflation effects in Latam and IFRS 16 in all businesses
**EBITDA growth thanks to favorable category mix and cost control**

*(Adjusted; R$ million)*

<table>
<thead>
<tr>
<th></th>
<th>Natura</th>
<th>Natura Brazil</th>
<th>Natura Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Q2-18</strong></td>
<td><strong>Q2-19</strong></td>
</tr>
<tr>
<td>Gross</td>
<td></td>
<td>343.5</td>
<td>365.8</td>
</tr>
<tr>
<td><strong>%</strong></td>
<td></td>
<td>6.5%</td>
<td>10.9%</td>
</tr>
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</table>

**Brazil:**

Adjusted EBITDA margin rose 70 bps to 18.5% in Q2 and 10 bps to 17.1% in H1

Favorable category mix helped boost gross margin

G&A expenses reduced by 90 bps in Q2

**Latam:**

EBITDA margin down 150 bps in Q2 to 14.0%, impacted by FX and phasing of marketing expenses in Argentina. H1-19 EBITDA margin of 13.8%, down 80 bps

Continued efforts to improve operational efficiency

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1 Adjusted: Excludes IFRS 15 (reclassification of late payment charges) both in Brazil and Latam; hyperinflation effects in Latam; tax credits, recoveries and provision reversal in Brazil and IFRS 16 in all businesses.
The Body Shop’s Performance
### Good revenue momentum in Q2

<table>
<thead>
<tr>
<th></th>
<th>Q2-18</th>
<th>Q2-19</th>
<th>H1-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>806.7</td>
<td>867.5</td>
<td>1,613.9</td>
<td>1,756.8</td>
</tr>
<tr>
<td>Growth</td>
<td>7.5%</td>
<td></td>
<td>8.8%</td>
<td></td>
</tr>
</tbody>
</table>

(Adjusted; R$ million)

**The Body Shop - Net revenue**

**Sales up 2.6% at constant FX, supported by growth in UK, APAC and Latam**

Growth despite the net closure of 37 underperforming own stores (past 12 months) and lower sales in Hong Kong

**Solid own-store LFL growth in UK: +6.7% in Q2 and +4.6% in H1**

**Strong At Home (direct sales channel) growth**

1 Adjusted: Excludes IFRS 16 impacts
Adjusted EBITDA: Strong growth driven by solid execution of transformation plan

(Adjusted\(^1\); R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Q2-18</th>
<th>Q2-19</th>
<th>H1-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Body Shop - EBITDA</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>24.7</td>
<td>46.2</td>
<td>82.0</td>
<td>134.1</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td>87.1%</td>
<td></td>
<td>63.4%</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted EBITDA +87.1% in BRL, with 230bps growth in margin in Q2-19 to 5.3%

EBITDA growth driven by reduced discounts, store footprint optimization and organization redesign

**Transformation costs** in Q2 of R$19.5 million (£4.2 million) and R$26.4 million (£5.7 million) in H1

\(^1\) Adjusted: Excludes transformation costs and IFRS 16 impacts
Aesop’s Performance
Strong double-digit growth in revenue and EBITDA in Q2 and H1

(Ajusted\(^1\) R$ million)

### Aesop – Net Revenue

<table>
<thead>
<tr>
<th></th>
<th>Q2-18</th>
<th>Q2-19</th>
<th>H1-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>235.5</td>
<td>284.3</td>
<td>436.6</td>
<td>554.1</td>
</tr>
</tbody>
</table>

- **20.7%**
- **26.9%**

### Aesop – EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Q2-18</th>
<th>Q2-19</th>
<th>H1-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>25.3</td>
<td>32.2</td>
<td>52.3</td>
<td>67.2</td>
</tr>
</tbody>
</table>

- **27.4%**
- **28.5%**

**Solid Q2 revenue growth (+9.2% in constant currency)**

LFL signature store sales increased **5%** in Q2 and **8%** in H1

**236** signature stores with **23** net openings in past 12 months (6 in Q2)

**Continued double-digit growth in adjusted EBITDA**

Q2 EBITDA margin up 60 bps to 11.3%
H1 EBITDA margin up 20 bps to 12.1%

\(^1\) Adjusted: Excludes IFRS 16 impacts
Closing remarks
Key takeaways

Revenue growth across the three brands and solid growth in profitability demonstrate the strong momentum of our global, multi-brand and multi-channel beauty group.

Pledge to fight climate change underscores the group’s commitment to making a positive social and environmental impact.

Acquisition of Avon Products Inc. on track to close in first quarter of 2020.
Thank you