

INTERCOS GROUP
Global Cosmetic Manufacturer

INTERIM REPORT
AT MARCH 31, 2016

PREPARED IN ACCORDANCE WITH IFRS
ENDORSED BY THE EUROPEAN UNION

Intercos S.p.A.
Headquarters in Milan
Piazza Generale Armando Diaz 1

Corporate Information

BOARD OF DIRECTORS

Name	Position
Dario Gianandrea Ferrari	Chairman and Chief Executive Officer
Ludovica Arabella Ferrari	Director
Gianandrea Ferrari	Director
Thukral Nikhil Kumar	Director
Chu James Michael	Director

BOARD OF STATUTORY AUDITORS

Name	Position
Nicola Pietro Lorenzo Broggi	Chairman
Matteo Tamburini	Standing Auditor
Maria Maddalena Gnudi	Standing Auditor
Francesco Molinari	Alternative Auditor
Simone Alessandro Marchiò	Alternative Auditor

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

INTERIM REPORT ON OPERATIONS FOR THE FIRST QUARTER ENDED MARCH 31, 2016

Introduction

The Interim Report at March 31, 2016 of the Intercos Group is prepared in accordance with the provisions of art. 154 ter, paragraph 5 of Legislative Decree 58/98 – T.U.F., and subsequent modifications and additions, and drawn up in accordance with IAS 34 – “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB).

The format of the income statement, as permitted by IAS 1, presents a format by function showing revenues and cost of sales which is considered to be a better representation of the economic and financial performance of the Group. Since the first year of application of this format was the year ended December 31, 2015, the income statement for the quarter ended March 31, 2015 has been duly reclassified for purposes of comparison.

The notes to the interim consolidated financial statements at March 31, 2016, in accordance with IAS 34, are presented in a condensed form and do not include all the information required for annual financial statements, in that they solely refer to those components which, by amount, composition or variation, are necessary for an understanding of the results of operations, cash flows and financial position of the Group as of that date. Therefore, the Interim Report on the consolidated financial statements should be read in conjunction with the 2015 consolidated financial statements of Intercos S.p.A.

The accounting policies and basis of preparation of the Interim Report have been applied on basis consistent with those of the annual consolidated financial statements at December 31, 2015.

All amounts are expressed in thousands of Euro or millions of Euro, unless otherwise indicated.

The preparation of the Interim Report required the use of estimates by management.

With the intention of providing information that reflects the analysis and control parameters used by management of the Group, the interim consolidated statement of financial position at March 31, 2016 and the interim consolidated income statement for the first quarter then ended, as well as the comparative statements at December 31, 2015 and March 31, 2015, respectively, have been reclassified and supplemented with non-IFRS alternative performance measures.

The reclassifications had no effect on the net profit or the equity reported in the interim consolidated financial statements.

The non-IFRS alternative performance measures expressed in the Interim Reclassified Consolidated Income Statement and the Interim Reclassified Consolidated Statement of Financial Position are used by management to provide information for a better assessment of the results of operations and financial position of the Group. Such performance measures should not be considered as a substitute for the performance measures established by IFRS.

The alternative performance measures and the items reclassified or regrouped that are not arrived directly in the financial statements are defined as follows:

- **EBITDA:** is calculated as profit before taxes, before financial income (expenses) without any adjustment and before depreciation, amortization and impairment reversals (losses). EBITDA also excludes income (expenses) from the management of unconsolidated companies and securities, in addition to any gains or losses on the sale of consolidated investments, classified under “Financial income (expenses)” or, the results of only investments accounted for using the equity method (non-operating) under “Result from investments accounted for using the equity method”.
- **Adjusted EBITDA:** is calculated by the deducting the following, if applicable, from EBITDA, as defined above:
 - impairment of goodwill, if any;
 - amortization of the portion of the purchase price allocated to intangible assets in a business combination, as established in IFRS 3;
 - restructuring costs, under specific and significant restructuring plans;
 - nonrecurring other income (expenses) referring to particularly significant events unrelated to ordinary business operations.
- **Trade Working Capital** includes inventories and trade receivables and payables.
- **Net Working Capital:** is given by trade working capital net of other current assets and liabilities.
- **Net invested capital:** is the sum of non-current assets, non-current liabilities and Net Working Capital.
- **Net debt (cash) or net financial position:** is given by the sum of current and non-current financial liabilities net of short- and long-term financial receivables, including cash and cash equivalents.
- **Headcount:** is given by the number of employees registered in the payroll book on the last day of the period under consideration.

The key data of the Group can be summarized as follows:

(in € thousand)	Q1 2016	Q1 2015 reclassified	Change
Revenues	98.761	81.141	17.620
EBITDA	10.318	6.042	4.275
Adjusted EBITDA	10.031	6.100	3.932
<i>% of revenues</i>	10,2%	7,5%	2,6%
Operating profit (EBIT)	5.236	544	4.691
<i>% of revenues</i>	5,3%	0,7%	4,6%
EBT	1.345	(4.385)	5.731
Loss for the period	(849)	(5.420)	4.570

(in € thousands)	3/31/2016	12/31/2015	Change
Net working capital	78.265	66.141	12.124
<i>Working capital turnover</i>	1,26	6,07	-4,81
Net invested capital	279.635	266.986	12.649
Non-current assets	222.332	221.245	1.087
Net financial position	165.948	148.596	17.351

	3/31/2016	12/31/2015	Change
Headcount (number)	2.463	2.822	(359)
Earnings per share (basic and diluted) - in Euro	-0,01	-0,06	0,05

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Interim Consolidated Statement of Financial Position

(in € thousand)

Statement of Financial Position	3/31/2016	12/31/2015
Non-current assets	222,332	221,245
Current assets	197,673	208,695
Total Assets	420,006	429,941
Non-current liabilities	188,802	189,359
Current liabilities	117,515	122,192
Equity	113,688	118,391
Total Equity and Liabilities	420,006	429,941

Consolidated Net Financial Position

(in € thousand)

Net Financial Position	3/31/2016	12/31/2015
Current net financial position	(1,893)	(20,363)
Non-current financial position	167,841	168,859
Total Net Financial Position	165,948	148,596

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Interim Consolidated Income Statement

(in € thousand)	Q1 2016	Q1 2015 reclassified
Revenues	98.761	81.141
Cost of sales	(77.359)	(65.316)
Gross industrial margin	21.402	15.825
<i>% of revenues</i>	<i>21,7%</i>	<i>19,5%</i>
Net operating costs and Nonrecurring expenses	(16.167)	(15.282)
Research & Development and innovation costs	(7.015)	(6.791)
Selling expenses	(4.648)	(4.251)
General and administrative expenses	(5.625)	(4.710)
Other operating income	1.336	786
Other operating expenses	(303)	(257)
Other operating income (expenses), net	1.033	529
Result from investments accounted for using the equity method (operating)	(198)	-
Nonrecurring expenses	286	(58)
Operating profit (EBIT)	5.236	544
<i>% of revenues</i>	<i>5,3%</i>	<i>0,7%</i>
Depreciation, amortization and impairment reversals (losses)	(5.082)	(5.498)
EBITDA	10.318	6.042
Nonrecurring expenses	286	(58)
Adjusted EBITDA	10.031	6.100
Financial income	83	12.986
Financial expenses	(3.973)	(17.915)
<i>% of revenues</i>	<i>10,2%</i>	<i>7,5%</i>
Financial income (expenses), net	(3.890)	(4.929)
Result from investments accounted for using the equity method	-	-
Profit (loss) before taxes (EBT)	1.346	(4.385)
Income taxes	(2.195)	(1.034)
Loss for the period	(849)	(5.420)

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<i>(in € thousand)</i>	Q1 ended	
	3/31/2016	3/31/2015
Sales by Business Unit		
Make-Up	85,910	71,558
Skin Care	12,851	9,583
Total	98,761	81,141

<i>(in € thousand)</i>	Q1 ended	
	3/31/2016	3/31/2015
Sales by Geographical Area		
Americas	31,293	32,076
EMEA	56,361	38,572
Asia	11,106	10,493
Total	98,761	81,141

The differing trends in sales by geographical area in the first quarter of 2016 compared to the same period of 2015 are as follows:

- The Americas area recorded a decrease in sales of 2.4%.
- The EMEA area with sales of €56,361 thousand compared to €38,572 thousand in the first quarter of 2015 displays a strong increase of €17,789 thousand (+46.1%) owing to the Multinational and Retailers markets.
- The Asia area reports an increase of 5.8% with total sales of €11,106 thousand against €10,493 thousand in the corresponding period of the prior year.

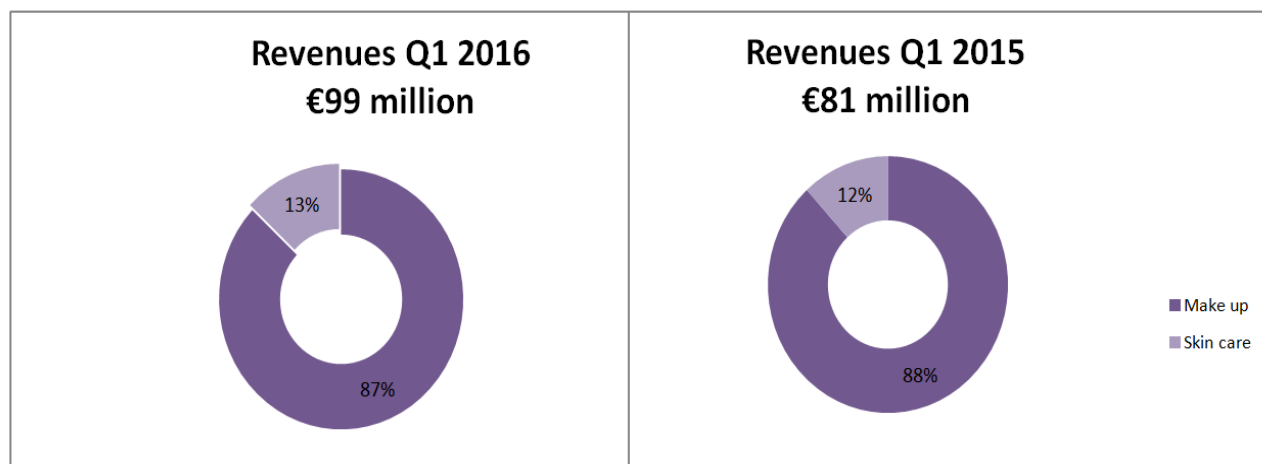
Headcount of the Group by category at March 31, 2016

Group Headcount	March 31, 2016	March 31, 2015
Executives and mid-level managers	225	206
White-collars	843	807
Blue-collars	1.395	1.809
Total	2.463	2.822
Temporary	1.451	855
Total	3.914	3.677

Operating Performance

Revenues

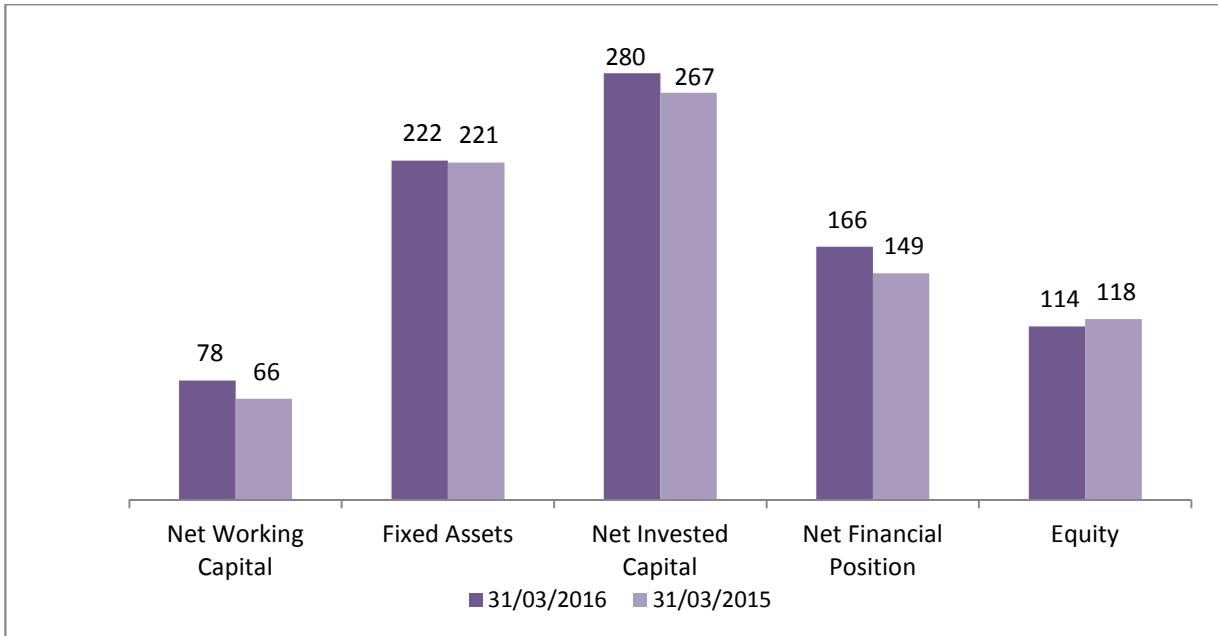
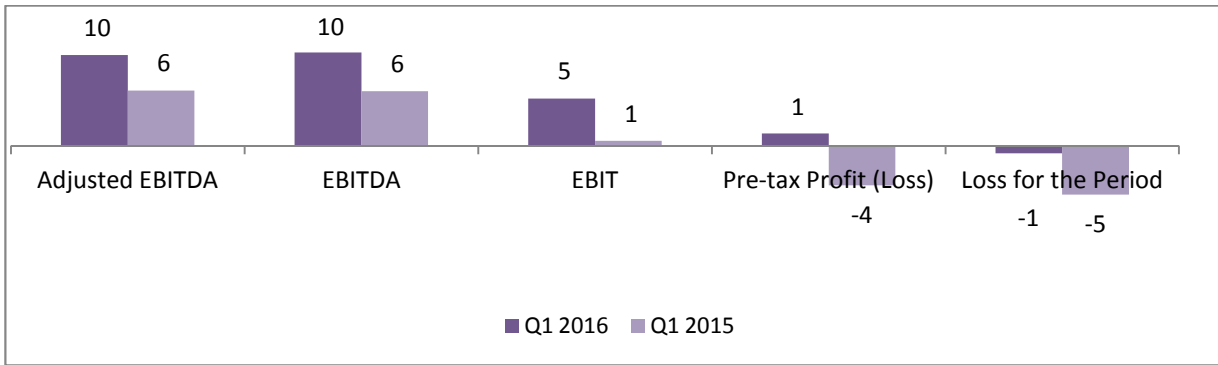
(in € millions)



Principal consolidated economic and financial measures

(in € millions)

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Profit and Financial Review

In the first three months of 2016 the Group reported revenues from sales of €98,761 thousand compared to €81,141 thousand in the first three months of 2015, with an increase of €17,620 thousand, or 22%.

EBITDA in the first quarter of 2016 is a positive €10,318 thousand.

The Operating Profit to March 31, 2016 is €5,236 thousand, or an operating margin of 5%.

Capital expenditures in property, plant and equipment and intangible assets for the first quarter of 2016 total €4,854 thousand and €1,507 thousand respectively.

The consolidated net financial position is a debt position of €165,948 thousand and higher by €17,352 thousand compared to the debt position of €148,596 thousand at December 31, 2015.

Total equity is €113,688 thousand compared to €118,391 thousand at December 31, 2015, with a decrease of €4,703 thousand.

Structure of the Group

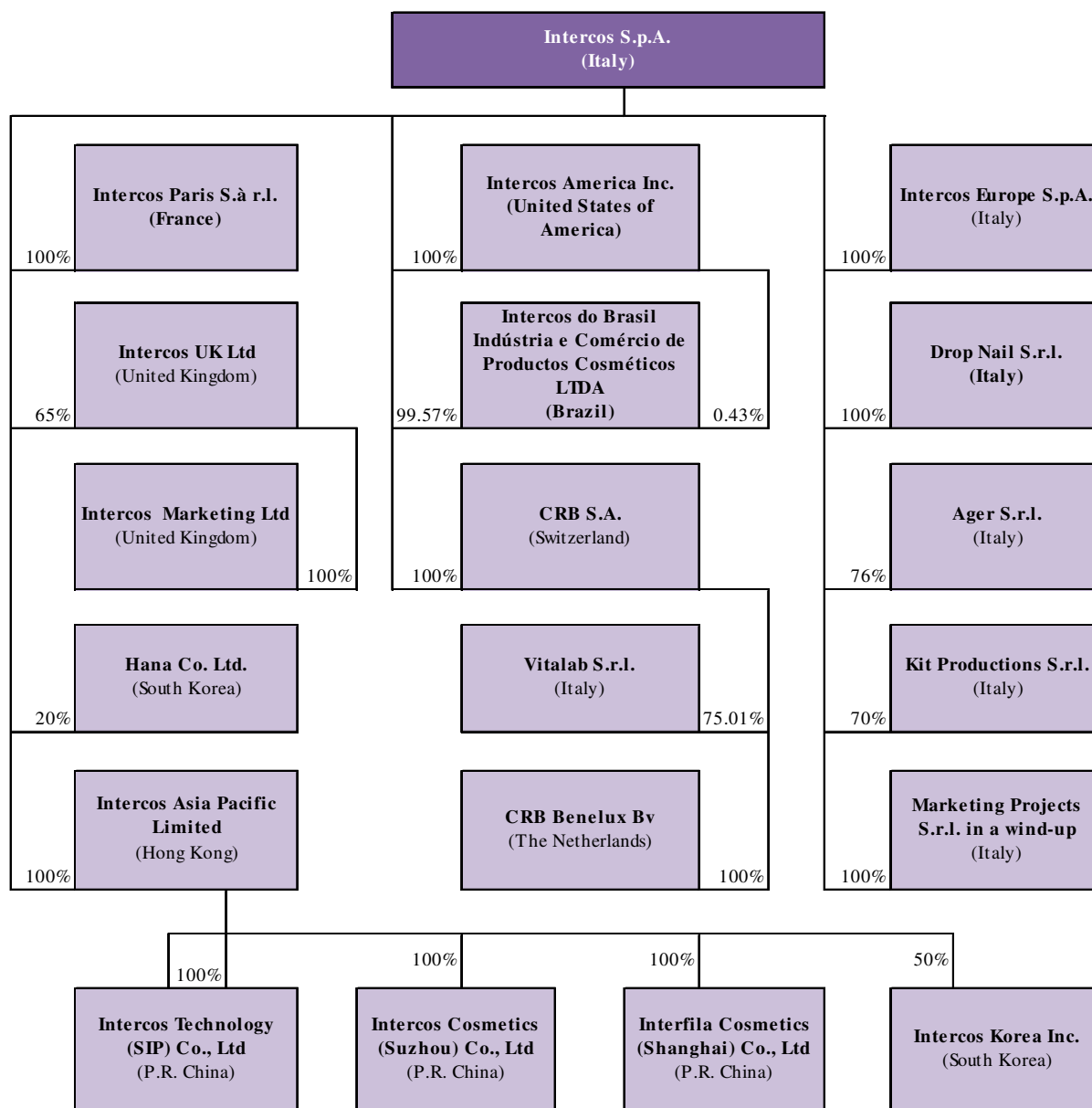
Group organization. Intercos S.p.A. is a corporation organized under the laws of the Republic of Italy, with its registered office in Milan, Piazza Generale Armando Diaz 1.

Starting from the end of 2013 the Group's business was reorganized and is now aggregated into two areas identified on the basis of the following operating segments:

- ***Make-Up B.U.***: specialized in the creation, development, manufacture and marketing of powders, emulsions, lipsticks and types of cosmetics using delivery systems in the form of pens/pencils for the face, eyes and lips.
- ***Skin Care B.U.***: specialized in the manufacture and marketing of cosmetic and skin care creams.

The Group's main manufacturing facilities are at the plant sites in Italy, America, Switzerland, China and Brazil.

The Group's organization structure is updated to the reporting date of the interim consolidated financial statements at March 31, 2016 and shows the operating companies and those in liquidation



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COMPOSITION OF THE GROUP
AND RELATED TRANSACTIONS AND INVESTMENTS

The interim consolidated financial statements at March 30, 2016 include the interim financial statements and/or accounting data of Intercos S.p.A. (group holding company) and the subsidiaries and other companies (Italian and foreign) that carry out manufacturing and marketing activities and that are consolidated line-by-line or accounted for using the equity method.

Scope of consolidation:

SUBSIDIARIES

(consolidated line-by-line)

Name	Registered office	Currency	Share capital in thousands of currency indicated	Percentage of control	
				Direct	Indirect
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Drop Nail S.r.l.	Milan	Euro	50	100.00%	
Intercos America Inc.	Wilmington (USA)	U.S. dollar	10	100.00%	
Intercos do Brasil	Atibaia (Brazil)	Brazilian real	22,377	99.57%	
Intercos Paris Sarl	Neuilly-sur-Seine (France)	Euro	14	100.00%	
Intercos UK Ltd	Barnstaple (UK)	British pound	0,1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	British pound	0.001		100%
CRB S.A.	Puidoux (Switzerland)	Swiss franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	100		75.01%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (P.R.C.)	U.S. dollar	3,400		100.00%
Interfila Shanghai	Shanghai (P.R.C.)	U.S. dollar	2,700		100.00%
Intercos Cosmetics Suzhou Co. Ltd.	Suzhou (P.R.C.)	U.S. dollar	12,800		100.00%
Intercos Asia Pacific Limited	Hong Kong (South Korea)	U.S. dollar	25,504*	100.00%	

* The investment in Intercos Asia Pacific is recorded for USD 25,501 thousand and HKD 26 thousand which, converted at the exchange rate at the transaction date is €3 thousand.

SUBSIDIARIES CONSOLIDATED BY EQUITY METHOD

Company	Headquarters	Business	Financial Statements Date	Accounting Principles Adopted	Share capital €/000	Total Assets €/000	Total Liabilities €/000	Currency	% Ownership	% voting rights	Ownership > 50% voting rights held but not control	Ownership < 50% voting rights held but control	Ownership > 20% voting rights held but not significant influence	Ownership < 20% voting rights held but significant influence	Amount €/000
Controllo: Direct															
Hana Co.Ltd	Hwasung, South Korea	Packaging	3/31/2016	IFRS	922	12,794	11,841	KRW	20,00%	20,00%	N/A	N/A	√	N/A	1,392
Shinsegae Intercos Korea	South Korea	Cosmetics Prod.	3/31/2016	IFRS	8,160	7,674	8,071	KRW	50,00%	50,00%	N/A	N/A	√	N/A	3,773

All amounts in the following interim accounting statements and tables are expressed in thousands of Euro, unless otherwise indicated.

The exchange rates used for the translation of expressed in the currencies other than the Euro are the following:

	Income Statement 3/31/2016	Income Statement 3/31/2015	Statement of Financial Position 12/31/2015	Statement of Financial Position 3/31/2016
U.S. dollar	1.1017	1.1269	1.0887	1.1385
Pound sterling	0.7701	0.7436	0.7339	0.7915
Swiss franc	1.0960	1.0722	1.0835	1.0931
Chinese renminbi (yuan)	7.2090	7.0284	7.0608	7.3514
Brazilian real	4.3056	3.2204	4.3117	4.1174
South Korean won	1,324.07	1,240.87	1,280.78	1,294.88

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**COMMENTS ON OPERATIONS OF THE GROUP
FOR THE QUARTER ENDED MARCH 31, 2016**

Equity and Financial Structure

The equity and financial structure at March 31, 2016 of the Group is presented below with a comparison at the date of December 31, 2015: (*)

(in € thousand)	31/03/2016	31/12/2015
Inventories	73.656	69.884
Trade receivables and other receivables	81.567	85.221
Income taxes receivable	2.680	2.907
Current non-financial liabilities (*)	(79.638)	(91.871)
A. Net working capital	78.265	66.141
Property, plant and equipment	97.187	98.254
Other intangible assets	98.523	98.752
Other non-current assets (*)	26.623	24.240
B. Fixed assets	222.332	221.245
C. Employee severance indemnities	(9.237)	(8.379)
D. Provisions	(2.764)	(2.777)
E. Other non-current liabilities (*)	(8.960)	(9.244)
F. Net capital invested	279.635	266.986
Financed by:		
Current financial position (*)	(1.894)	(20.362)
Non-current financial position (*)	167.841	168.959
G. Total net financial position	165.948	148.596
H. Equity	113.688	118.390
I. Total (G+H)	279.635	266.986

(*) Details of the composition of this item are provided in the "Reconciliation Schedules" on page 21.

(**) Includes goodwill.

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Inventories amount to €73,656 thousand at March 31, 2016, up €3,772 thousand compared to December 31, 2015. The change is principally due to the Europe area and is connected with higher volumes produced during the quarter in addition to the seasonal nature of the Group's business which causes a part of its production to be concentrated in the first half of the year to meet sales requirements that are higher in the subsequent quarters.

Trade receivables are €70,366 thousand at March 31, 2016, with a reduction of €3,260 thousand from December 31, 2015 (-4.4%) owing to the effects of greater efficiency in the management of receivables, especially in Asia.

Equity decreased by €4,702 thousand as a result of the change in exchange differences on translating foreign operations of €2,153 thousand, the loss for the quarter of €849 thousand, the actuarial loss of €527 thousand and the negative consolidation reserve of €1,174 thousand which includes the effect of the acquisition of 100% of the subsidiary Drop Nail (for €535 thousand) and the payment of dividends to non-controlling interests (for €493 thousand).

The net financial position increased by €17,351 thousand compared to December 31, 2015.

Movements in Property, plant and equipment

Movements in Property, plant and equipment during the first quarter of 2016 are the following:

<i>(in € thousand)</i>	<i>December 31, 2015</i>	<i>Increases / Depreciation</i>	<i>Translation differences / Reclassifications</i>	<i>Change in the consolidation area</i>	<i>Decreases / Utilization</i>	<i>March 31, 2016</i>
Historical cost						
Land and buildings	133,005	26	(1,698)	(325)	(554)	130,454
Plant and machinery	118,521	576	(1,476)	0	(15)	117,607
Industrial equipment	34,570	151	(59)	(0)	0	34,662
Office furniture and equipment	13,866	164	(157)	(110)	(2)	13,763
Motor vehicles and internal transportation equipment	2,301	(0)	(7)	0	(39)	2,255
Cell phones	21	0	0	0	0	21
Assets under construction and payments on account	3,811	3,937	(282)	(0)	209	7,675
Total	306,095	4,854	(3,678)	(435)	(400)	306,437
Accumulated depreciation						
Land and buildings	68,633	1,354	(758)	0	0	69,229
Plant and machinery	95,787	1,628	(1,203)	0	(12)	96,200
Industrial equipment	31,588	330	(29)	0	0	31,889
Office furniture and equipment	9,907	259	(140)	(43)	(1)	9,983
Motor vehicles and internal transportation equipment	1,905	56	(6)	0	(25)	1,930
Cell phones	20	0	0	0	0	20
Assets under construction and payments on account	0	0	0	0	0	0
Total	207,840	3,626	(2,136)	(43)	(38)	209,250
Net carrying amount	98,254	1,228	(1,543)	(392)	(362)	97,187

Movements in Intangible assets during the first quarter of 2016 are the following:

<i>(in € thousand)</i>	<i>December 31, 2015</i>	<i>Increases</i>	<i>Decreases/ Adjustments/ Translation differences</i>	<i>Reclassifications</i>	<i>Amortization</i>	<i>March 31, 2016</i>
Development costs	10,468	147	(50)	0	(1,057)	9,508
Patent rights and software	3,356	44	(19)	4	(352)	3,033
Concessions and licenses	1,220	138	(31)	0	(47)	1,280
Assets under development	6,131	1,161	30	0	0	7,323
Other intangible assets	901	16	0	0	(2)	915
TOTAL	22,075	1,507	(70)	4	(1,458)	22,058

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Borrowings from banks and other lenders

Details of Borrowings from banks and other lenders, with an indication of the relative due dates, are provided in the following table:

(in € thousand)

March 31, 2016	Short-term	Medium-term	Long-term	Total
Intecos S.p.A. bond	38	191	117,432	117,662
Medium/long-term bank borrowings (pool)	5,985	41,322	-	47,307
Medium/long-term bank borrowings (America)	-	-	-	-
Medium/long-term bank borrowings (CRB)	453	2,264	5,338	8,055
Medium/long-term bank borrowings (Technology)	739	493	-	1,232
Drop Nai mortgage	99	-	-	99
Payables under Law 46/Mediocredito	118	122	-	240
Finance leases payable	221	679	-	900
Fair value of derivatives	38	191	117,432	117,662
Medium/long-term debt	7,653	45,071	122,771	175,495
Revolving credit facility Intecos S.p.A.	-	-	-	-
Revolving credit facility Intecos America	-	-	-	-
Revolving credit facility Intecos China	13,509	-	-	13,509
Bank overdrafts	2,094	-	-	2,094
Advances on invoices	14,500	-	-	14,500
Short-term debt	30,104	-	-	30,104
Borrowings from other lenders	120	-	-	120
Factoring companies payable	-	-	-	-
Total	37,877	45,071	122,771	205,718

Details of medium/long-term debt outstanding at March 31, 2016 are as follows:

Company	Bank	Amount	Internal rate of return	Description
Intecos S.p.A.	Bank pool	12,127	2.251%	Tranche in EUR
Intecos S.p.A.	Bank pool	15,735	3.179%	Tranche in USD
Intecos S.p.A.	Institutional investors	117,662	4.256%	Bond
Intecos Europe S.p.A.	Bank pool	19,445	2.312%	Tranche in EUR
		164,969		
Intecos S.p.A.	Other lenders	240	3.36%	Low-rate loan Law 46 grant 11337 (EUR)
		240		
CRB Sa	SH Bank	92	0.00%	Loan guarantee
CRB Sa	BCV Bank	1,418	1.95%	Mortgage loan (in CHF)
CRB Sa	UBS Bank	1,756	0.99%	Filling Plant loan (in CHF)
CRB Sa	BCV Bank	4,789	2.18%	Batiplus (in CHF)
		8,055		
Intecos Technology	HSBC Bank	1,232	7.180%	HSBC LT loan (in RMB)
Drop Nail	BPM Bank	99	1.505%	Mortgage (in EUR)

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Financial data:

The net financial position went from €148,596 thousand at December 31, 2015 to €165,948 thousand at March 31, 2016. The change of €17,352 thousand is attributable to a decrease in cash and cash equivalents owing to the change in trade working capital, which shows cash absorption caused by the seasonal nature of the Group's business due to concentration of production in the first part of the year.

Details of the Group's debt exposure and cash flows relating to operating activities are presented below:

The net financial position at March 31, 2016 is analyzed as follows:

(in € thousand)

(in € thousand)	31/03/2016	31/12/2015
Current items:		
Cash and cash equivalents	(39.771)	(50.683)
Borrowings from banks and other lenders and other financial payables	37.877	30.321
Liabilities for derivative financial instruments	-	-
Total current financial position	(1.894)	(20.362)
Non-current items:		
Borrowings from banks and other lenders and other financial payables	167.841	168.959
Non-current financial position	167.841	168.959
Total net financial position:		
(Cash) debt	165.948	148.596

RECONCILIATION SCHEDULES

The reconciliation between the “Equity and Financial Structure”, as presented before under “Comments on Operations of the Group” and the items included in the Interim Consolidated Statement of Financial Position at March 31, 2016, are as follows:

(in € thousand)

	3/31/2016	12/31/2015
Current non-financial liabilities (reclassified format)		
are composed of: (*)		
Trade payables and other payables	79,079	91,793
Taxes payable	559	78
<i>Current non-financial liabilities (reclassified format)</i>	79,638	91,871
Other non-current assets (reclassified format)		
are composed of: (*)		
Deferred tax assets	15,230	16,603
Non-current security deposits	703	704
Investments	5,166	1,408
Receivables for indirect taxes	5,525	5,525
<i>Other non-current non-financial assets (reclassified format)</i>	26,623	24,240
Other non-current liabilities (reclassified format)		
are composed of: (*)		
Deferred tax liabilities	8,787	9,079
Other non-current liabilities	173	165
<i>Other non-current non-financial liabilities (reclassified format)</i>	8,960	9,244
Current net financial position (reclassified format)		
is composed of: (*)		
Cash and cash equivalents	(39,771)	(50,683)
Financial payables (current portion)	37,877	30,321
<i>Current financial liabilities (reclassified format)</i>	(1,894)	(20,362)
Non-current net financial position (reclassified format)		
is composed of: (*)		
Financial payables (non-current portion)	167,841	168,959
<i>Non-current financial liabilities (reclassified format)</i>	167,841	168,959

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Related party transactions:

In general related party transactions are carried out on an arm's length basis.

There were no atypical and/or unusual transactions during the period.

Details of the most important transactions that were entered into with related parties and joint ventures during the period are as follows:

(in € thousand)	Revenues	Other revenues	Cost for services and leases and rent	Personnel costs	Other revenues and costs	Financial expenses	Financial expenses	Trade receivables	Trade payables	Financial payables
Dafe International S.r.l.	-	-	(33)	-	-	-	-	-	33	-
Arterra Bioscience S.r.l	-	-	(87)	-	-	-	-	-	177	120
My Style	-	-	(7)	-	-	-	-	-	-	-
Interior	-	-	(1)	-	(2)	-	-	-	1	-
Catterton	-	-	(154)	-	-	(0)	0	-	4	-
Vault	-	-	-	-	-	(1)	1	-	-	-
Maragia USA Inc	-	-	(7)	-	-	(0)	0	-	7	-
Total	-	-	(289)	-	(2)	(2)	1	-	221	120

(in € thousands)	Revenues	Other revenues	Cost for services and leases and rent	Personnel costs	Other revenues and costs	Financial expenses	Financial expenses	Trade receivables	Trade payables	Financial payables
Intercos Korea LTD	-	-	(50)	-	-	(5)	2	110	91	-
Hana Co Ltd	-	-	(3)	-	-	-	0	-	3	-
Total	-	-	(53)	-	-	(5)	2	110	94	-

Comments on the interim income statement:

Sales analysis:

The Group companies contributed to sales (revenues from sales and services) as summarized below:

(in € thousand)

Q1 2016	Q1 2015 <i>reclassified</i>	Company
204	170	Kit Productions S.r.l.
55,495	44,142	Intercos Europe S.p.A.
9,676	8,666	Intercos S.p.A.
351	169	Drop Nail S.r.l.
44	-	Intercos Korea LTD
2,096	1,246	Intercos Do Brasil
1,404	774	Intercos UK Ltd.
20,321	19,256	Intercos America Inc.
3,547	1,745	Intercos Cosmetics Suzhou Co. Ltd
8,873	8,395	Intercos Technology Co. Ltd
3,539	3,281	Interfila Cosmetics (Shanghai) Co. Ltd
9,494	8,597	CRB S.A.
148	115	Vitalab S.r.l.
115,193	96,558	Aggregate Total
(16,432)	(15,416)	Eliminations
98,761	81,141	Consolidated Total

Revenues of the company for the three months to March 31, 2016 recorded an increase of 22%, or €17,619 thousand, compared to the prior year.

The partial results recorded by the principal companies of the Group are as follows:

Intercos Europe S.p.A.: in terms of volumes, Intercos Europe is the most important company in the Group with revenues of €55,495 for the first quarter of 2016 and an increase of 26% over the corresponding period of 2015.

Intercos America Inc.: revenues to March 31, 2016 total €20,321 thousand. In percentage terms the company recorded an increase of 6% compared to the same period of 2015 mainly due to the Multinational and Retailers channels.

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CRB S.A.: sales are up €897 thousand to €9,494 thousand in the first quarter of 2016 from €8,597 thousand in the first quarter of 2015.

Intercos Cosmetics Suzhou Ltd.: sales stand at €3,547 thousand against €1,745 thousand in the first quarter of 2015, recording the largest percentage increase of all the major companies in the Group compared to the same period of 2015.

Intercos Technology Ltd.: this manufacturing facility of the Intercos Group sells on Chinese territory. Revenues for the first three months of 2016 register a positive increase of €478 thousand, or 6% compared to the first quarter of 2015, remaining more or less in line with the same prior period.

Interfila Cosmetics (Shanghai) Ltd.: revenues record an increase in the first quarter of 2016 of 8%, or €3,539 thousand over €3,281 thousand in the first quarter of 2015.

Income Statement highlights

(in € thousand)

Income Statement details	Q1 2016	Q1 2015 <i>reclassified</i>
Cost of sales	(77,359)	(65,316)
Net Operating costs and Nonrecurring expenses, of which:	(16,167)	(15,282)
Innovation	(7,015)	(6,791)
Sales & marketing	(4,648)	(4,251)
General & administrative expenses	(5,625)	(4,710)
Other operating income and expenses	1,033	529
Result from investments accounted for using the equity method (operating)	(198)	-
Nonrecurring income (expenses)	286	(58)

Cost of sales is €77,359 thousand, with an increase of €12,043 thousand largely due to higher direct manufacturing costs sustained as a result of higher volumes manufactured during the first quarter.

Management's careful attention to the progression of fixed costs has made it possible to contain their increase considerably notwithstanding the continual investments of the Group.

Gross operating profit (EBITDA):

(in € thousand)

Income statement item	Q1 2016	Q1 2015 <i>reclassified</i>
Gross operating profit (EBITDA)	10,318	6,042

The increase in sales and the containment of fixed costs produced a positive impact on EBITDA which amounts to €10,318 thousand in the first quarter of 2016, up from €4,264 thousand in the first quarter of 2015.

Operating profit (EBIT):

(in € thousand)

Income statement item	Q1 2016	Q1 2015
Operating profit (EBIT)	5,236	544

Operating profit is €5,236 thousand, up from the first three months of 2015 for the same reasons indicated for EBITDA and also due depreciation / amortization and nonrecurring expenses basically in line with the first quarter of 2015.

Profit before taxes (EBT):

Income statement item	Q1 2016	Q1 2015
Profit (loss) before taxes (EBT)	1,346	(4,385)

Profit (loss) before taxes (EBT) is €1,346 thousand, with an improvement of €4,385 thousand compared to the corresponding period of 2015 owing also to lower net financial expenses.

Loss for the period:

(in € thousand)

Income statement item	Q1 2016	Q1 2015
Loss for the period	(849)	(5,420)

The loss for the period is €849 thousand, or 0.9% of revenues, and shows an improvement compared to the loss of €5,420 thousand in the first quarter of 2015.

OUTLOOK

A substantially positive outlook is expected for the second quarter of year 2016, in effect confirming the Group's expectations as illustrated in its Business Plan.

NONRECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

There were no nonrecurring significant events or transactions during the first quarter.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER AND SUBSEQUENT TO MARCH 31, 2016

- **On January 19, 2016** Intercos S.p.A. (parent) signed an amicable settlement agreement with Woojung Tech. Co., Ltd. and Mr Dong-Pil Choi to definitively close the dispute begun in September 2014 between the company and the latter, in relation to which a summons was filed by Intercos S.p.A. for trade secret misappropriation before the Courts in Los Angeles, California.
- **On February 9, 2016** the board of directors of Intercos S.p.A. approved the transfer of the company's registered office from Milan, Piazza Eleonora Duse 2, to Milan, Piazza Generale Armando Diaz 1.
- **On February 10, 2016** following the intent manifested by Drop Nail S.r.l.'s shareholder Paragon Cosmetics S.r.l. to: 1) divest of its interest in the capital of Drop Nail S.r.l. through the sale of its 40% investment, equal to a nominal amount of €20 thousand and 2) sell its remaining receivable due from Drop Nail S.r.l., for the shareholder loans extended in the past, for a total amount of €1 thousand – Intercos S.p.A, under its business plan aimed at strengthening its product range represented by nail polishes and nail care products, purchased Paragon's investment and receivable thus bringing its investment to €1,187,488, representing 100% of the capital of the company Drop Nail S.r.l.
- **On May 2, 2016** a share capital increase was approved by Intercos Do Brasil Indústria e Comércio de Produtos Cosméticos LTDA (IDOBRASIL) for R\$8,000,000 which was entirely subscribed to and paid in by Intercos S.p.A. as the shareholder of IDOBRASIL.

Following the capital increase, the share capital of IDOBRASIL amounts to a total of R\$30,377,143, divided into 30,377,143 shares of R\$ 1 each, held by the shareholders as follows: (a) Intercos S.p.A. with 30,280,543 shares for a total of R\$30,280,543; and (b) Intercos America Inc. with 96,600 shares for a total of R\$96,600.

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INTERCOS GROUP
Global Cosmetic Manufacturer

INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AT MARCH 31, 2016

Interim Consolidated Statement of Financial Position at March 31, 2016 – unaudited

<i>(in € thousand)</i>	March 31, 2016	December 31, 2015
NON-CURRENT ASSETS		
Property, plant and equipment	97,187	98,254
Intangible assets	22,058	22,075
Goodwill	76,465	76,677
Investments	5,166	1,408
Deferred tax assets	15,230	16,603
Other non-current receivables	6,228	6,229
Non-current assets	222,332	221,245
CURRENT ASSETS		
Inventories	73,656	69,884
Trade receivables	70,366	73,626
Other current receivables	13,881	14,503
Cash and cash equivalents	39,771	50,683
Current assets	197,673	208,695
TOTAL ASSETS	420,006	429,941
EQUITY		
Share capital	10,710	10,710
Other reserves	66,005	66,005
Retained earnings	34,735	38,857
Equity attributable to owners of the parent	111,450	115,572
Equity attributable to non-controlling interests	2,238	2,819
TOTAL EQUITY	113,688	118,391
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings from banks and other lenders	167,841	168,959
Provisions	2,764	2,777
Deferred tax liabilities	8,787	9,079
Other non-current liabilities	173	165
Employee benefit obligations	9,237	8,379
Non-current liabilities	188,802	189,359
CURRENT LIABILITIES		
Borrowings from banks and other lenders	37,418	29,761
Other financial payables	459	560
Trade payables	56,509	69,456
Other current liabilities	23,129	22,415
Current liabilities	117,515	122,192
TOTAL EQUITY AND LIABILITIES	420,006	429,941

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Interim Consolidated Income Statement for the First Quarter ended March 31, 2016 – unaudited

<i>(in € thousand)</i>	Q1 2016	Q1 2015 <i>reclassified</i>
Revenues	98,761	81,141
Cost of sales	(77,359)	(65,316)
Gross industrial margin	21,402	15,825
Research & Development and innovation costs	(7,015)	(6,791)
Selling expenses	(4,648)	(4,251)
General and administrative expenses	(5,625)	(4,710)
Other operating income (expenses)	1,033	529
Result from investments accounted for using the equity method (operating)	(198)	0
Nonrecurring expenses	286	(58)
Operating profit (EBIT)	5,236	544
Financial income	83	12,986
Financial expenses	(3,973)	(17,915)
Result from investments accounted for using the equity method	0	0
Profit before tax (EBT)	1,346	(4,385)
Income taxes	(2,195)	(1,034)
Loss for the period	(849)	(5,420)
Attributable to		
- owners of the parent	(950)	(5,407)
- non-controlling interests	101	(13)
Earnings per share:		
Basic and diluted	-0.01	-0.06

^ Earnings per share (restated)

Interim Statement of Comprehensive Income for the First Quarter ended March 31, 2016 – unaudited

<i>(in € thousand)</i>	Q1 2016	Q1 2015 <i>reclassified</i>
Loss	(849)	(5,420)
<i>Other comprehensive income that will not be reclassified subsequently to the income statement, net of tax effect</i>		
- Actuarial gains (losses) on remeasurement of employee defined benefit plans	(838)	(671)
- Tax effect	311	155
Total	(527)	(516)
<i>Other comprehensive income that will be reclassified subsequently to the income statement, net of tax effect</i>		
- Exchange differences on translating foreign operations	(2,153)	9,467
Total	(2,153)	9,467
Comprehensive income for the year	(3,529)	3,532
Attributable to:		
- owners of the parent	(3,563)	3,472
- non-controlling interests	34	59

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Interim Consolidated Statement of Changes in Equity at March 31, 2016 - unaudited

<i>(in € thousand)</i>		Retained earnings			Attributable to non-controlling interests		Total
Description	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit (Loss) for the period	Share capital	Profit (Loss) for the period	
Balances at 21/31/2015	10,710	66,005	18,065	20,792	2,599	220	118,391
Appropriation of 2015 profit			20,792	(20,792)	220	(220)	-
Exchange differences on translating foreign operations				(2,087)		(66)	(2,153)
Remeasurement of defined benefit plans (OCI)				(526)		(1)	(527)
Consolidation reserve			(559)		(615)		(1,174)
Loss for the quarter to March 31, 2016				(950)		101	(849)
Balances at 3/31/2016	10,710	66,005	38,298	(3,563)	2,204	34	113,688

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Interim Consolidated Statement of Cash Flows for the first quarter ended March 31, 2016 - unaudited

<i>(in € thousand)</i>	Q1 2016	Q1 2015 <i>reclassified</i>
Loss from continuing operations	(849)	(5,420)
Profit (loss) from discontinued operations	-	-
Loss for the period attributable to owners of the parent	(849)	(5,420)
Depreciation, amortization and impairment reversals (losses)	5,082	5,296
Nonrecurring income (expenses)	(321)	-
Change in provisions	318	294
Financial income (expenses)	3,890	4,929
Decrease / (Increase) in inventories	(5,006)	(4,543)
Decrease / (Increase) in trade receivables, net	2,138	8,459
Increase / (Decrease) in trade payables	(12,106)	(11,632)
Decrease / (Increase) in other assets	3,476	1,482
Increase / (Decrease) in other payables	930	6,634
Cash flows provided by (used in) operating activities (a)	(2,448)	5,499
Acquisition of property, plant and equipment, net	(4,854)	(2,454)
Acquisition of intangible assets, net	(1,507)	(1,462)
Acquisitions of investments	(3,758)	-
Changes in assets/liabilities held for sale	-	-
Cash flows (used in) investing activities (b)	(10,119)	(3,915)
Share capital increase	-	-
Increase / (Decrease) in borrowings from banks and other lenders	8,271	27,728
Interest paid during the year	(5,104)	4,420
Cash flows provided by financing activities (c)	3,167	32,148
Change in equity (d)	(1,174)	83
Net increase (decrease) in cash and cash equivalents (a)+(b)+ (c) + (d)	(10,576)	33,815
Cash and cash equivalents at beginning of the year	50,683	32,727
Translation exchange differences	656	1,986
Cash and cash equivalents at end of the year	39,451	64,556
Net increase (decrease) in cash and cash equivalents during the year	(10,576)	33,815

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