

INTERCOS GROUP
Global Cosmetic Manufacturer

INTERIM CONSOLIDATED REPORT
AT MARCH 31, 2018

PREPARED IN ACCORDANCE WITH IFRS
ENDORSED BY THE EUROPEAN UNION

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

Corporate Information

BOARD OF DIRECTORS*

Name	Office
Dario Gianandrea Ferrari	Chairman and CEO
Renato Semerari**	CEO
Ludovica Arabella Ferrari	Director
Gianandrea Ferrari	Director
Nikhil Thukral Kumar	Director
James Michael Chu	Director
Ciro Piero Cornelli	Director
Decio Masu	Director
Ginevra Ott	Director
Maggie Fanari	Director
Junbae Kim***	Director

BOARD OF STATUTORY AUDITORS*

Name	Office
Nicola Pietro Lorenzo Broggi	Chairman
Matteo Tamburini	Standing auditor
Maria Maddalena Gnudi	Standing auditor
Francesco Molinari	Alternate auditor
Simone Alessandro Marchiò	Alternate auditor

INDEPENDENT AUDITORS

EY S.p.A.

* The Board of Directors and the Board of Statutory Auditors currently in office will remain in office until the date of the shareholders' meeting called to approve the financial statements for the year ended December 31, 2019.

** Renato Semerari, a director of the company, was appointed chief executive officer on March 27, 2018. His powers were at the same time expanded and are today equivalent to those conferred to the chairman of the board, Dario Gianandrea Ferrari.

*** Junbae Kim was appointed a member of the board of directors by co-option on November 28, 2017 and his appointment was subsequently confirmed by the shareholders' meeting held on April 27, 2018.

INTERIM REPORT ON OPERATIONS AT MARCH 31, 2018

Introduction

The Interim Consolidated Report at March 31, 2018 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., as amended, and drawn up in accordance with IAS 34 – “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB).

The notes to the interim condensed consolidated financial statements at March 31, 2018, pursuant to IAS 34, are presented in a condensed form and do not include all the information required for annual financial statements, in that they refer solely 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 at that date. Therefore, the interim condensed consolidated financial statements at March 31, 2018 should be read in conjunction with the 2017 consolidated financial statements of Intercos S.p.A.

The accounting policies and basis of preparation of the interim condensed consolidated financial statements have been applied on basis consistent with those applied in the annual consolidated financial statements at December 31, 2017.

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

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

With the intention of providing additional disclosure that reflects the parameters for analysis and control used by management to assess the Group’s performance, the following pages present the reclassified consolidated statement of financial position at March 31, 2018 and the reclassified consolidated income statement for the three months then ended, as well as the comparative statements at March 31, 2017 and December 31, 2017, respectively, supplemented with non-GAAP alternative performance measures.

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

The alternative performance measures identified in the reclassified consolidated income statement and the 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 construed as a substitute for the performance measures established by IFRS.

The alternative performance measures that are not arrived directly in the financial statements are defined as follows:

- **EBITDA:** is calculated as profit before taxes, financial income (expenses) without any adjustment and before depreciation, amortization and impairment reversals (losses). EBITDA also excludes income (expenses) from the result of unconsolidated companies and securities, as well as gains or losses on disposal of consolidated investments, classified under financial income (expenses) or, for the share of the profit (loss) of only investments accounted for using the equity method (non-operating), within the item 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.
- **Operating working capital** includes inventories and trade receivables and payables.
- **Net working capital** is given by operating 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 reporting period.

On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector for more than 20 years and a leader in the manufacture of skin, hair and body products. This acquisition has contributed to the creation of one of the largest B2B groups in the world of beauty. Cosmint Group's manufacturing excellence, profound knowledge of the beauty market and state-of-the-art factories in Italy and Poland will allow Intercos to grow significantly in terms of organizational skills and manufacturing capacity. Not least, Intercos will now be able to satisfy customers' needs in almost every category of the beauty industry thanks to the addition of Cosmint to the Intercos family.

The acquisition of Cosmint Group S.p.A. was partly financed by own funds and partly by new credit lines obtained without modifying the loan contract.

The higher price paid, both fixed and variable, although not yet entirely paid, was allocated to goodwill on a provisional basis for €42,852 thousand until completion of the relative allocation process as set out in IFRS 3.

KEY DATA OF THE GROUP

Main highlights of the Group are presented below.

<i>(in € thousands)</i>	Q1 2018	Q1 2017	Change
Revenues	154,982	119,480	35,503
EBITDA	15,448	14,066	1,382
Adjusted EBITDA	15,642	14,148	1,495
<i>Adjusted EBITDA margin</i>	10.1%	11.8%	-1.7%
Operating profit (EBIT)	8,240	8,480	(240)
<i>EBIT margin</i>	5.3%	7.1%	-1.8%
EBT	4,362	6,353	(1,991)
<i>EBT margin</i>	2.8%	5.3%	-2.5%
Profit for the period	413	2,856	(2,442)
<i>Profit margin</i>	0.3%	2.4%	-2.1%

<i>(in € thousands)</i>	3/31/2018	12/31/2017	Change
Net working capital	91,321	77,987	13,334
<i>Net working capital turnover</i>	6.85	7.57	-0.72
Net invested capital	385,757	373,770	11,987
Non-current assets	313,098	315,866	(2,768)
Net financial position	229,342	217,671	11,671

	3/31/2018	3/31/2017	Change
Headcount (number)	3,501	2,801	1,221
Earnings per share (basic and diluted) – in Euro	0.004	0.03 [^]	-0.03

[^] Figure restated after the entry of the Canadian shareholder “The Innovation Trust”.

RECLASSIFIED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Reclassified Consolidated Statement of Financial Position

<i>(in € thousands)</i>	3/31/2018	12/31/2017
Fixed assets	288,479	290,112
Inventories	119,288	111,870
Trade receivables	118,664	126,578
Trade payables	(104,354)	(123,408)
Operating working capital	133,598	115,039
Other current assets and liabilities, net (*)	(42,276)	(37,052)
Net working capital	91,321	77,987
Other non-current assets and liabilities, net (**)	2,263	915
Investments accounted for using the equity method	3,694	4,757
Invested capital	385,757	373,770
Equity	156,415	156,099
Cash and cash equivalents	(63,345)	(68,777)
Financial payables	292,687	286,448
Net financial position	229,342	217,671
Total sources	385,757	373,771

Notes on the reconciliation between the reclassified consolidated statement of financial position and the consolidated statement of financial position are the following:

(*) Includes Other current assets, Other current liabilities and Derivatives.

(**) Includes Deferred tax assets, Other non-current receivables, Non-current provisions for risks, Deferred tax liabilities, Other non-current liabilities and Employee benefits.

Consolidated net financial position - net debt (cash)

<i>(in € thousands)</i>	3/31/2018	12/31/2017
Current net financial position	1,919	(10,081)
Non-current net financial position	227,423	227,752
Total net financial position – net debt (cash)	229,342	217,671

Reclassified Consolidated Income Statement by Function

(in € thousands)

	Q1 2018	Q1 2017
Revenues	154,982	119,480
Cost of sales	(125,143)	(90,881)
Industrial gross margin	29,840	28,599
<i>Industrial gross margin percentage</i>	<i>19.3%</i>	<i>23.9%</i>
Research & Development and innovation costs	(9,328)	(8,395)
Selling expenses	(5,963)	(5,816)
General and administrative expenses	(6,391)	(5,995)
Other operating income (expenses)	1,221	671
Result from investments accounted for using the equity method (operating)	(944)	(502)
Nonrecurring income (expenses)	(195)	(82)
Operating profit (EBIT)	8,240	8,480
<i>EBIT margin</i>	<i>5.3%</i>	<i>7.1%</i>
Depreciation, amortization and impairment reversals (losses)	(7,208)	(5,586)
EBITDA (*)	15,448	14,066
Nonrecurring income (expenses)	(195)	(82)
Adjusted EBITDA (*)	15,642	14,148
<i>Adjusted EBITDA margin</i>	<i>10.1%</i>	<i>11.8%</i>
Financial income (expenses), net (**)	(3,878)	(2,196)
Result from investments accounted for using the equity method	-	69
Profit before taxes (EBT)	4,362	6,353
Income taxes	(3,948)	(3,497)
Profit for the period	413	2,856
Of which:		
- attributable to owners of the parent	407	2,807
- attributable to non-controlling interests	6	49
Earnings per share:		
Basic and diluted - in Euro	0.004	0.03

(*) For additional details, reference should be made to the notes on pages 3 and 4.

(**) Financial income (expenses) is the sum of financial income (expenses) without any adjustment.

The breakdown of the headcount of the Group at March 31, 2018 is as follows:

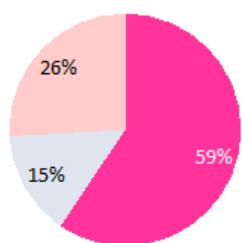
Group headcount (number)	3/31/2018	3/31/2017
Executives and mid-level managers	267	241
White-collars	1,239	965
Blue-collars	1,995	1,595
Total	3,501	2,801
Temporary	2,092	1,976
Total	5,593	4,777

At March 31, 2018, the total headcount of Intercos Group (excluding Cosmint) is 4,951 of whom 3,078 are permanent and 1,873 temporary. The headcount of Cosmint is 642, of whom 423 are permanent and 219 temporary.

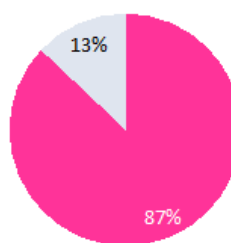
PROFIT AND FINANCIAL REVIEW OF THE INTERCOS GROUP

(in € millions)

Revenue to Q1 2018
155M€

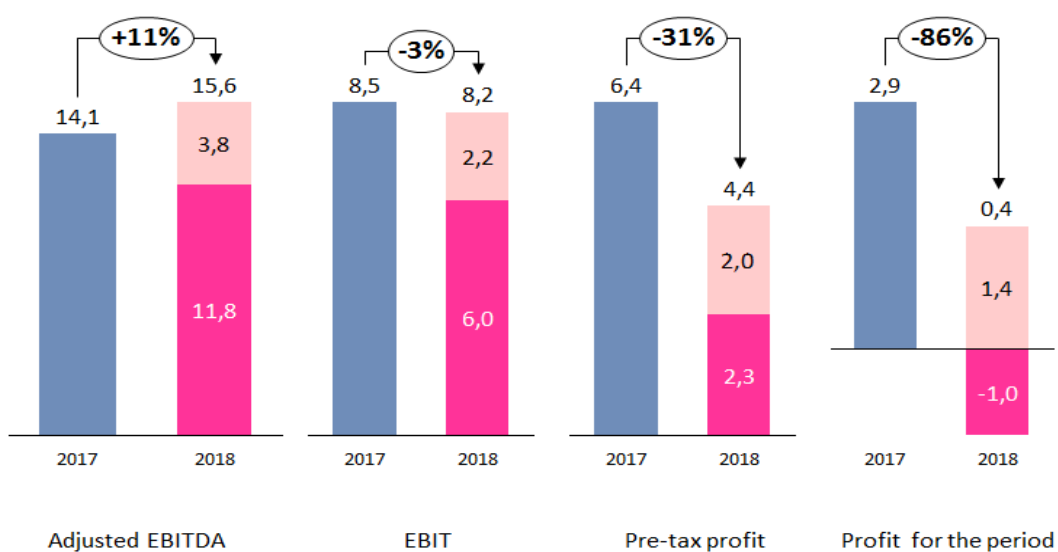


Revenue to Q1 2017
119,5M€

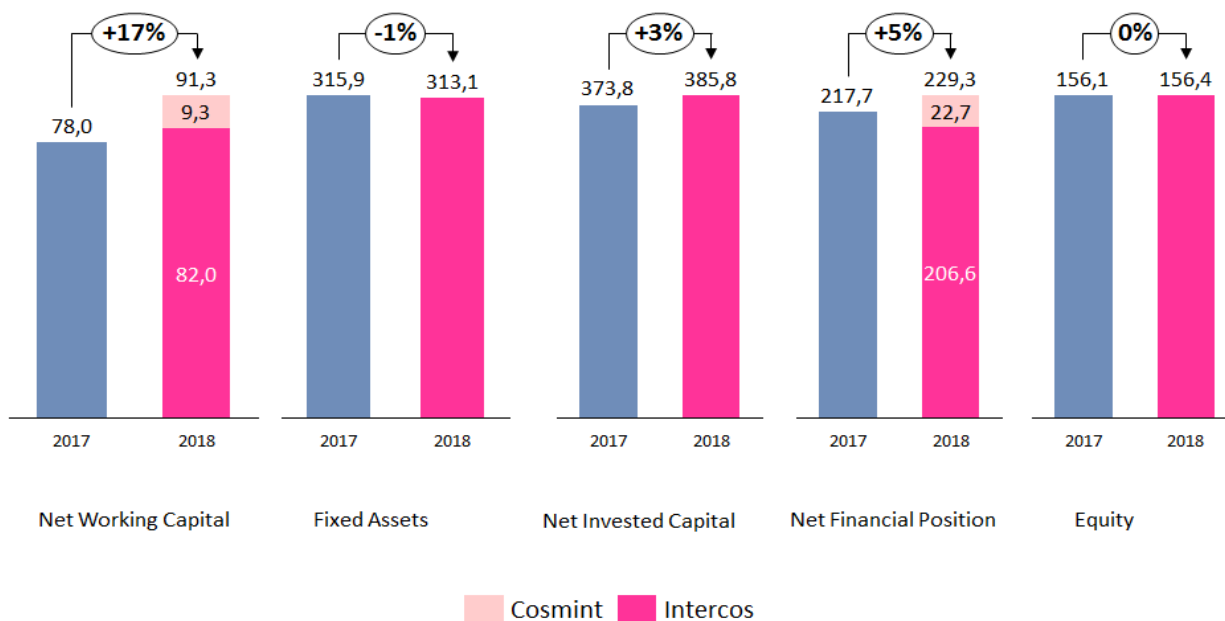


Principal Profit Measures – Q1 2017 and Q1 2018

(in € millions)



Principal Financial Measures 12/31/2017 and 3/31/2018



During the first quarter of 2018, the Group, including Cosmint, reported revenues of €154,982 thousand compared to €119,480 thousand in the first quarter of 2017, an increase of €35,503 thousand, or 29.7%.

Adjusted EBITDA is a positive €15,642 thousand for an Adjusted EBITDA margin of 10.1% against 11.8% in the first quarter of 2017 (€14,148 thousand). The margin decrease is due to lower profitability on the contribution made by Cosmint.

Operating profit (EBIT) is €8,240 thousand, with a 5.3% margin versus €8,480 thousand in the first quarter of 2017 and a 7.1% margin, resulting in a margin decrease of 1.8%.

Capital expenditures in property, plant and equipment and intangible assets during the first three months of 2018 total €4,802 thousand and €1,612 thousand, respectively.

The consolidated net financial debt position is €229,342 thousand compared to €217,671 thousand at December 31, 2017, with an increase of €11,671 thousand.

Total equity of the Group is €156,415 thousand. This is an increase of €316 thousand over €156,099 thousand at December 31, 2017.

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 Diaz 1.

Starting at the end of 2013, the Group's operations were reorganized into two business units identified on the basis of the following operating segments:

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

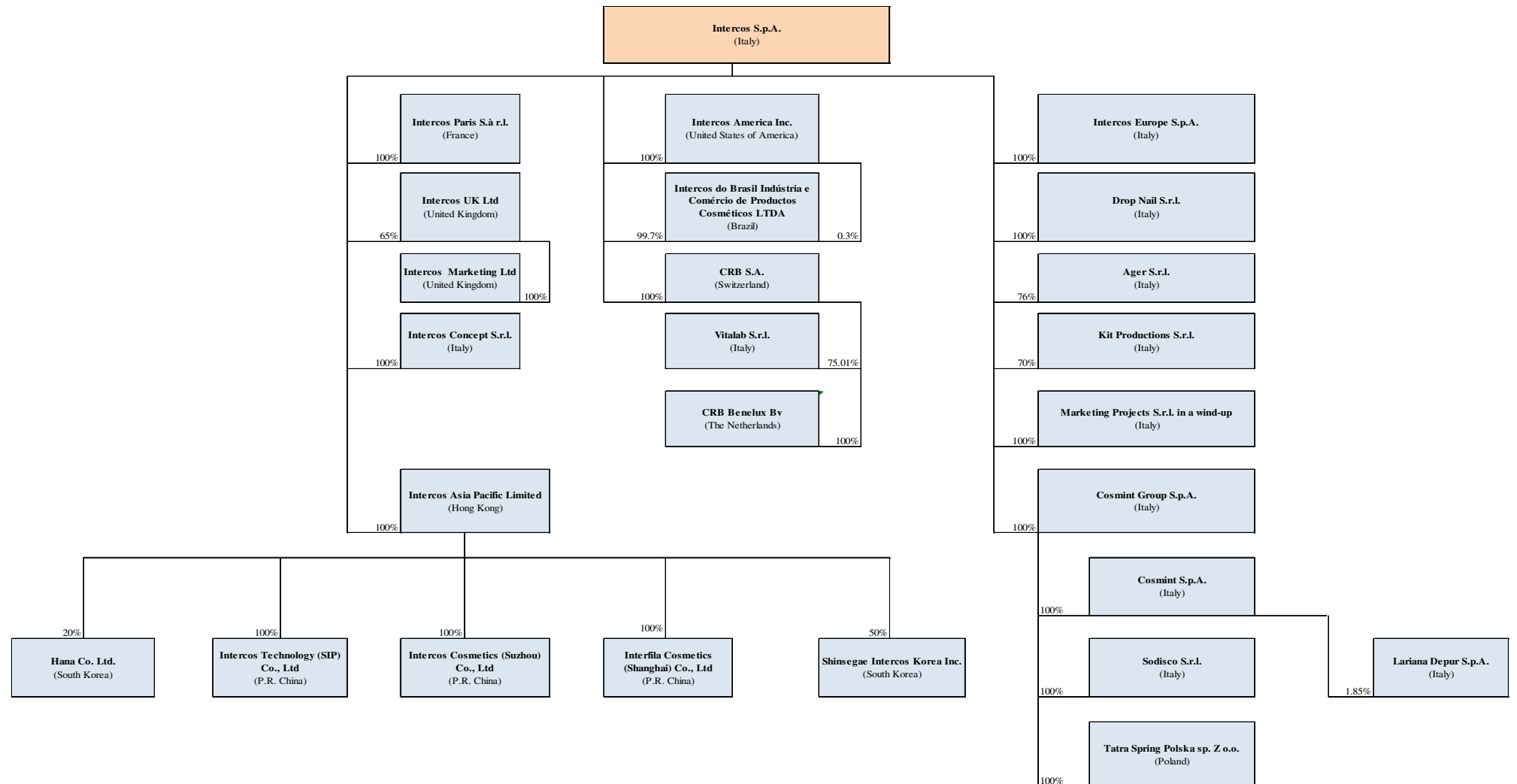
The Group's main manufacturing facilities are in Italy, United States, Switzerland, China, Brazil and South Korea.

On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector for more than 20 years and a leader in the manufacture of skin, hair and body products with manufacturing facilities in Italy and Poland.

The operations of Cosmint are organized into various business units, whose flows will be integrated into Intercos' already-existing business units and, where necessary, the structure of the Group will be updated to add any new ones.

Additional details are provided in the paragraph on business combinations on page 5.

The Group's organization structure is updated to the closing date of the interim consolidated financial statements at March 31, 2018 and shows the operating companies and those in liquidation:



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INTERIM CONSOLIDATED REPORT ON OPERATIONS

COMPOSITION OF THE GROUP AND RELATED TRANSACTIONS AND INVESTMENTS

The condensed consolidated financial statements at March 31, 2018 include the 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, consolidated line-by-line or accounted for using the equity method.

The area of consolidation follows:

SUBSIDIARIES

(consolidated line-by-line)

Name	Head Office	Currency	Capital in thousands of currency indicated	Percentage of ownership	
				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, New Castle, Delaware (USA)	US dollar	10	100.00%	
Intercos do Brasil Indústria e Comércio de Productos Cosméticos Ltda	Atibaia (Brazil)	Brazilian real	30,377	99.7%	0.3%
Intercos Paris Sarl	Paris (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	160		75.01%
CRB Benelux B.V.	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (P.R.C.)	US dollar	3,400		100.00%
Interfila Cosmetics (Shanghai) Co. Ltd	Shanghai (P.R.C.)	US dollar	2,700		100.00%
Intercos Cosmetics Suzhou Co. Ltd.	Suzhou (P.R.C.)	US dollar	12,800		100.00%
Intercos Daily Product (SIP) Co. Ltd **	Suzhou (P.R.C.)	RMB	5,000		100.00%
Intercos Asia Pacific Limited	Hong Kong	US dollar	29,104*	100.00%	
Intercos Concept S.r.l.	Milan	Euro	10	100.00%	
Cosmint Group S.p.A. ***	Como	Euro	50	100.00%	
Cosmint S.p.A. ***	Olgiate Comasco	Euro	1,586		100.00%
Sodisco S.r.l. ***	Olgiate Comasco	Euro	10		100.00%
Tatra Spring Polska Spółka zoo ***	Garwolin (Poland)	PLN	50		100.00%

* The investment in Intercos Asia Pacific is recorded for USD 29,101 thousand and HKD 26 thousand; the latter, converted at the exchange rate at the transaction date, is equal to €3 thousand.

** The SIP Market Inspection Administration Bureau approved the request to cancel the company Intercos Daily Product (SIP) Co. Ltd., effective May 19, 2017.

*** Company that is an integral part of the Intercos Group as from August 3, 2017 following Intercos S.p.A.'s 100% acquisition of Cosmint Group S.p.A., which, in turn, holds 100% of Cosmint S.p.A., Sodisco S.r.l. and Tatra Spring Polska Spółka Zoo. Cosmint S.p.A. also has a minority interest (1.85%) in Lariana Depur S.p.A. with registered offices in Como (Italy) at Via Raimondi 1.

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The area of consolidation has remained unchanged during the first quarter of the year.

SUBSIDIARIES CONSOLIDATED BY EQUITY METHOD

Company	Headquarters	Type of business conducted	Date of financial statements	Accounting principles applied	Share capital €/000	Total assets €/000	Total liabilities €/000	Currency	% Holding	% Voting rights	Ownership > 50% of voting rights but not control	Ownership < 50% of voting rights but control	Ownership > 20% of voting rights but not significant influence	Ownership < 20% of voting rights but significant influence	Amount €/000
Direct control															
Hana Co.Ltd	Hwasung, South Korea	Packaging	3/31/2018	IFRS	1.181	18.977	12.611	KRW	20%	20%	N/A	N/A	ü	N/A	1.674
Shinsegae Intecos Korea	South Korea	Cosmetics Prod.	3/31/2018	IFRS	11.709	29.932	25.893	KRW	50%	50%	N/A	N/A	ü	N/A	2.020

COMPANY ACCOUNTED FOR AT COST

Company	Headquarters	Currency	Capital in €/000	Percentage ownership	
				Direct	Indirect
Lariana Depur S.p.A.	Como	EUR	24	1.85%	

All amounts in the condensed consolidated financial statements and tables are expressed in thousands of Euro, unless otherwise indicated.

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

	Income Statement Q1 2018	Statement of Financial Position 3/31/2018	Income Statement Q1 2017	Statement of Financial Position 12/31/2017
	<i>Q1 Average</i>	<i>At period-end date</i>	<i>Q1 Average</i>	<i>At year-end date</i>
U.S. dollar	1.2294	1.2321	1.0647	1.1993
Pound sterling	0.8834	0.8749	0.8598	0.8872
Swiss franc	1.1650	1.1779	1.0693	1.1702
Chinese renminbi (yuan)	7.8149	7.7468	7.3341	7.8044
Brazilian real	3.9929	4.0938	3.3453	3.9729
South Korean won	1,318.1300	1,310.8900	1,227.1877	1,279.6100
Polish zloty	4,1793	4,2106	n.a.	n.a.

SEGMENT REPORTING

At March 31, 2018, the Group's operations were organized into two Business Units identified on the basis of the following product lines:

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

The Group's main manufacturing facilities are in Italy, United States, Switzerland, China, Brazil and South Korea.

The financial information reported below is periodically reviewed by the board of directors and also used for planning and budgeting purposes.

On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector for more than 20 years and a leader in the manufacture of skin, hair and body products with manufacturing facilities in Italy and Poland. The operations of Cosmint are organized into various business units, whose flows will be integrated into Intercos' already-existing business units and, where necessary, the disclosure of the Group will be updated for the addition of any new BUs.

Additional details are provided in the paragraph on business combinations on page 5.

Detailed information on each identified segment for the first three months ended March 31, 2018 and March 31, 2017, with the Cosmint Group shown separately for the first quarter of 2018, is presented in the following tables:

Q1 2018 - (in € thousands)	Make-up	Skin Care	Cosmint Group	Eliminations	Total
Revenues	95,819	22,582	40,220	(3,639)	154,982
Adjusted EBITDA (*)	10,255	1,560	3,827		15,642
Depreciation, amortization and impairment reversals (losses)	(4,813)	(808)	(1,587)		(7,208)
Nonrecurring income (expenses)					(195)
Financial income (expenses)					(3,878)
Result from investments accounted for using the equity method					-
Income taxes					(3,948)
Profit for the period					413
Net invested capital at 3/31/2018	306,693	53,302	95,365**	(69,601)	385,757

(*) For additional details on adjusted EBITDA, reference should be made to the comments on page 4.

** The figure includes provisional goodwill of €42,852 thousand that will be allocated as set out in IFRS 3.

Q1 2017 - (in € thousands)	Make-up	Skin Care	Cosmint Group	Eliminations	Total
Revenues	103,847	15,633			119,480
Adjusted EBITDA (*)	12,388	1,759			14,148
Depreciation, amortization and impairment reversals (losses)	(4,967)	(619)			(5,586)
Nonrecurring income (expenses)					(82)
Financial income (expenses)					(2,196)
Result from investments accounting for using the equity method					69
Income taxes					(3,497)
Profit for the period					2,856
Net invested capital at 12/31/2017	299,020	50,109	94,242**	(69,601)	373,770

(*) For additional details on adjusted EBITDA, reference should be made to the comments on page 4.

** The figure includes provisional goodwill of €42,852 thousand that will be allocated as set out in IFRS 3.

The **Make-up BU** recorded revenues of €95,819 thousand, down €8,028 thousand, or -7.7%, compared to the same period of the prior year owing to a slowdown in the Americas region and different reporting of monthly revenues.

Adjusted EBITDA comes to €10,255 thousand and is €2,133 thousand lower, or -17.2%, compared to €12,388 thousand in the first quarter of 2017. The Adjusted EBITDA margin is +10.7% for the first three months of 2018 vs. +11.9% in the first three months of 2017.

The decrease in Adjusted EBITDA in the first quarter of 2018 is attributable to the reduction in sales and the different contribution pattern by geographical region.

The **Skin Care B.U** posted sales of €22,582 thousand. The increase over the corresponding three months in 2017 is €6,949 thousand, or +44.5%.

Adjusted EBITDA is €1,560 thousand. The reduction of €200 thousand, or -11.3%, against €1,759 thousand in the first quarter of 2017 is largely the result of higher fixed costs. The adjusted EBITDA margin is +6.9% for the first quarter of 2018 (+11.3% for the first quarter of 2017).

The breakdown of sales by business unit and by geographical region according to the location in which the recipient of the sales invoice has its headquarters is as follows:

(in € thousands)

Sales by Business Unit	Q1 2018	Q1 2017
Make-Up	92,180	103,847
kin Care	22,582	15,633
Cosmint Group	40,220	-
Total	154,982	119,480

(in € thousands)

Sales by Geographic Region	Q1 2018	Q1 2017
Americas	38,394	48,796
EMEA	56,976	59,278
Asia	19,392	11,405
Cosmint Group	40,220	-
Total	154,982	119,480

The different trends in sales by geographic region in the first quarter of 2018 compared to the corresponding quarter of 2017 are described below.

- The Americas region recorded a 20% decrease in sales, particularly in the Mass Market and Private Label market segments with “multinational” and “retailer” customers.
- The EMEA region posts sales of €56,976 thousand vs. €59,278 thousand in the same period last year, recording a decrease in sales of €2,302 thousand, or -4%, attributable to the direct sales segment with “high potential” customers.
- The Asia region has total sales reaching €19,392 thousand, up 70% compared to €11,405 thousand in the first quarter of the prior year. This increase rewards the Group’s strategy to grow sales volumes with local “emerging brands” and “retailers”. In addition, although to a lesser extent, the region recorded a positive growth in sales with “multinational” customers.
- As for the Cosmint Group, almost all sales are concentrated in the EMEA region.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AT MARCH 31, 2018**

1. Property, plant and equipment

The changes in property, plant and equipment during the first three months of 2018 are as follows:

<i>(in € thousands)</i>	<i>January 1, 2018</i>	<i>Increases / Depreciation</i>	<i>Increases / Deprec. Immobiliare Cometa</i>	<i>Translation differences / Reclassifications</i>	<i>Decreases / Utilization</i>	<i>March 31, 2018</i>
Historical cost						
Land and buildings	164,098	173	-	(302)	-	163,968
Plant and machinery	188,831	1,492	-	656	(16)	190,964
Industrial equipment	42,605	470	-	290	(10)	43,356
Office furniture and equipment	16,042	91	-	(63)	(45)	16,024
Motor vehicles and internal transportation equipment	1,686	-	-	(4)	(31)	1,651
Cell phones	2,333	-	-	(1)	-	2,332
Assets under construction and payments on account	6,897	2,576	-	(1,641)	(203)	7,629
Total	422,493	4,802	-	(1,065)	(306)	425,925
Accumulated depreciation						
Land and buildings	83,849	1,589	58	(210)	-	85,286
Plant and machinery	140,424	2,945	-	(533)	(7)	142,829
Industrial equipment	37,908	589	-	4	(10)	38,492
Office furniture and equipment	12,047	242	-	(57)	(45)	12,188
Motor vehicles and internal transportation equipment	1,579	21	-	(3)	(31)	1,565
Cell phones	869	69	-	-	-	939
Total	276,677	5,456	58	(799)	(93)	281,298
Net carrying amount	145,816	(654)	(58)	(265)	(213)	144,627

2. Intangible assets

The changes in intangible assets during the first three months of 2018 are as follows:

<i>(in € thousands)</i>	<i>January 1, 2018</i>	<i>Increases</i>	<i>Decreases/ Adjustments / Translation differences</i>	<i>Reclassifications</i>	<i>Amortization</i>	<i>March 31, 2018</i>
Development costs	12,539	169	(27)	-	(1,161)	11,520
Patent and software rights	3,705	121	(2)	45	(368)	3,501
Concessions and licenses	1,999	-	(6)	8	(107)	1,895
Assets under development	7,014	1,320	(0)	(41)	-	8,293
Other intangible assets	874	-	(1)	(24)	(58)	791
TOTAL	26,130	1,612	(38)	(12)	(1,694)	25,999

3. Borrowings from banks and other lenders

Borrowings from banks and other lenders and relative due dates are provided in the following table:

(in € thousands)

March 31, 2018	Short-term	Medium-term	Long-term	Total
Intercos S.p.A. bonds	32	160	117,317	117,510
Medium/long-term bank borrowings (syndicate)	7,947	95,963	-	103,910
Medium/long-term bank borrowings (CRB)	326	1,043	3,741	5,110
Mortgages	23	-	-	23
Finance leases payable	1,936	9,198	-	11,134
Other financial payables	26,159	-	-	26,159
Derivatives (liabilities)	106	-	-	106
Medium/long-term debt	36,529	106,365	121,058	263,952
Revolving credit facility Intercos China	21,080	-	-	21,080
Bank overdrafts	2,655	-	-	2,655
Advances on invoices	5,000	-	-	5,000
Short-term debt	28,736	-	-	28,736
Borrowings from other lenders	-	-	-	-
Factoring companies payable	-	-	-	-
Total	65,264	106,365	121,058	292,687

Details of the remaining loans outstanding at March 31, 2018 are as follows:

Company	Bank	Amount	Internal rate of return	Description
Intercos S.p.A.	Bank syndicate	53,827	1.5% - 2.19%	Tranche in EUR
Intercos S.p.A.	Bank syndicate	11,165	3.73%	Tranche in USD
Intercos S.p.A.	Institutional investors	110,510	3.72%	BONDS
Cosmint Group S.p.A.	Bank syndicate	23,915	1.89%	Tranche in EUR
Intercos Europe S.p.A.	Bank syndicate	15,003	1.83%	Tranche in EUR
		221,420		
CRB S.A.	BCV Bank	1,146	1.85%	Mortgage (in CHF)
CRB S.A.	BCV Bank	3,964	2.18%	Batiplus (in CHF)
		5,110		
Drop Nail	BPM Bank	23	1.75%	Mortgage (in EUR)

The internal rate of return is the rate used for IAS 39 measurements on the loans shown in the table

Financial data:

Total equity of the Group is €156,415 thousand compared to €156,099 thousand at December 31, 2017, with an increase of €316 thousand.

The net financial position at March 31, 2018 is analyzed as follows:

<i>(in € thousands)</i>	3/31/2018	12/31/2017
Cash and cash equivalents	(63,345)	(68,777)
Borrowings from banks and other lenders	65,264	58,696
Total current financial position	1,919	(10,081)
Borrowings from banks and other lenders	227,423	227,752
Non-current financial position	227,423	227,752
Net financial position - Debt (cash)	229,342	217,671

4. Financial position data summary

The equity and financial structure of the Group at March 31, 2018 compared to December 31, 2017 is represented as follows:

<i>(in € thousands)</i>	3/31/2018	12/31/2017
Inventories	119,288	111,870
Trade receivables and other receivables	134,591	142,170
Income taxes receivable	2,598	2,735
Current non-financial liabilities (*)	(165,155)	(178,788)
Net working capital	91,321	77,987
Property, plant and equipment	144,627	145,816
Other intangible assets (**)	143,827	144,271
Other non-current non-financial assets (*)	24,620	25,754
Investments in other companies	24	24
Non-current assets	313,098	315,866
Employee severance indemnities	(9,572)	(9,841)
Provisions	(1,573)	(2,147)
Other non-current non-financial liabilities (*)	(7,518)	(8,095)
Net invested capital	385,757	373,770
Financed by:		
Current net financial position (*)	1,919	(10,081)
Non-current net financial position (*)	227,423	227,752
Total net financial position	229,342	217,671
Equity	156,415	156,099
Total	385,757	373,770

(*) Details of the composition of these items are provided in the "Reconciliation Schedule" on page 25.

(**) Includes goodwill.

Inventories total €119,288 thousand at March 31, 2018 and increased by €7,418 thousand compared to December 31, 2017.

Trade receivables amount to €118,664 thousand at March 31, 2018 and the change is a decrease of €7,914 thousand compared to the previous year-end.

Trade payables come to €104,354 thousand at March 31, 2018, with a decrease of €19,054 thousand.

Equity increased by €316 thousand owing to the negative change in exchange differences on translating foreign operations of €440 thousand and the positive change in the fair value hedge reserve of €84 thousand, the actuarial gain of €259 thousand and the profit for the period of €413 thousand.

The consolidated net financial position is €229,342 thousand at March 31, 2018 compared to €217,671 thousand at December 31, 2017, with an increase of €11,671 thousand.

5. Reconciliation schedules

The reconciliation between the financial position data summary on page 22, and the items included in the condensed consolidated financial statements at March 31, 2018 are as follows:

<i>(in € thousands)</i>	3/31/2018	31/12/2017
are composed of:		
Trade payables and other payables	(155,069)	(171,266)
Taxes payable	(10,086)	(7,522)
Current non-financial liabilities (reclassified format)	(165,155)	(178,788)

<i>(in € thousands)</i>	3/31/2018	31/12/2017
are composed of:		
Deferred tax assets	14,241	14,214
Non-current security deposits	738	748
Investments	3,694	4,757
Receivables for indirect taxes	5,523	5,523
Other non-current assets	423	513
Other non-current non-financial assets (reclassified format)	24,619	25,754

<i>(in € thousands)</i>	3/31/2018	31/12/2017
are composed of:		
Deferred tax liabilities	(7,500)	(7,426)
Other non-current liabilities	(17)	(669)
Other non-current non-financial liabilities (reclassified format)	(7,518)	(8,095)

<i>(in € thousands)</i>	3/31/2018	31/12/2017
are composed of:		
Cash and cash equivalents	(63,345)	(68,777)
Financial payables (current portion)	65,264	58,696
Current net financial position (reclassified format)	1,919	(10,081)

<i>(in € thousands)</i>	3/31/2018	31/12/2017
are composed of:		
Financial payables (non-current portion)	227,423	227,752
Non-current net financial liabilities (reclassified format)	227,423	227,752

6. Sales analysis

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

(in € thousands)

Company	Q1 2018	Q1 2017
Intercos Europe S.p.A.	66,416	60,106
Intercos America Inc.	13,357	27,534
Intercos Cosmetics Suzhou Co. Ltd	5,511	5,150
Intercos Technology Co. Ltd	17,282	10,054
Interfila Cosmetics (Shanghai) Co. Ltd	8,293	7,687
CRB S.A.	9,294	10,334
Cosmint S.p.A.	34,692	-
Tatra Spring Polska SP ZOO	5,677	-
Other companies	3,564	5,486
Aggregate Total	164,085	126,352
Eliminations	(9,103)	(6,873)
Consolidated Total	154,982	119,480

During the first three months of 2018, the Group, including Cosmint, reported revenues from sales of €154,982 thousand compared to €119,480 thousand in the first three months of 2017, with an increase of €35,503 thousand, or 29.7%.

7. Income and expenses data summary

(in € thousands)

	Q1 2018	Q1 2017
Cost of sales	(125,143)	(90,881)
Net operating costs and nonrecurring expenses, of which:	(21,600)	(20,119)
Research & Development and innovation costs	(9,328)	(8,395)
Selling expenses	(5,963)	(5,816)
General & administrative expenses	(6,391)	(5,995)
Other operating income (expenses)	1,221	671
Result from investments accounted for using the equity method (operating)	(944)	(502)
Nonrecurring income (expenses)	(195)	(82)

Cost of sales totals €125,143 thousand and increased compared to the prior year due to the effect of a different mix and the acquisition of Cosmint.

Management places attention on fixed costs to considerably contain their increase in order to sustain the investments of the Group.

Industrial gross margin

Income statement data (in € thousands)	Q1 2018	Q1 2017
Industrial gross margin	29,840	28,599

The industrial gross margin of the Group, including Cosmint's contribution, is €29,840 thousand and records an increase of €1,241 thousand, or +4.34%.

The change in the gross margin percentage is basically due to the different impact of the contribution by Cosmint.

Gross operating profit (adjusted EBITDA):

Income statement data (in € thousands)	Q1 2018	Q1 2017
Gross operating profit (adjusted EBITDA)	15,642	14,148

Adjusted EBITDA is a positive €15,642 thousand for a 10.1% margin vs. 11.8% in the first quarter of 2017 (€14,148 thousand). This margin reduction is attributable to the different impact of the contribution by Cosmint.

Operating profit (EBIT):

Income statement data (in € thousands)	Q1 2018	Q1 2017
Operating profit (EBIT)	8,240	8,480

Operating profit (EBIT) is €8,240 thousand and a 5.3% margin compared to €8,480 thousand in the first quarter of 2017 and a 7.1% margin, with a 1.8% reduction.

Profit before taxes (EBT):

Income statement data (in € thousands)	Q1 2018	Q1 2017
Profit before taxes (EBT)	4,362	6,353

Profit before taxes (EBT) is €4,362 thousand. The decrease compared to €6,353 thousand in the first quarter of 2017 is due to higher financial expenses incurred in the first quarter for the acquisition of Cosmint.

Profit for the period

Income statement data <i>(in € thousands)</i>	Q1 2018	Q1 2017
Profit for the period	413	2,856

Profit for the period is €413 thousand. The decrease compared to the first quarter of 2017 is basically due to an increase in financial expenses incurred by the Group for the acquisition of Cosmint, as well as the effect of higher taxes owing to a different composition in the geographical distribution of the results of the Group.

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 entered into during the period with related parties, including joint ventures, are as follows:

	Cost for industrial purchases, services and leases and rent	Employee benefit expenses	Other revenues and costs	Financial expenses	Financial income	Trade receivables	Trade payables	Financial payables
<i>(in € thousands)</i>								
Dafe International S.r.l.	(33)	-	-	-	-	-	60	-
Sci Maragia	(12)	-	-	-	-	-	104	-
Je m'en fous	-	-	-	-	-	-	(1)	-
Arterra Bioscience S.r.l.	(114)	-	-	-	-	-	159	340
My Style	-	-	-	-	-	-	-	-
Interior	(1)	-	-	-	-	-	-	-
Catterton	-	-	-	-	-	-	4	-
Vault	-	-	-	-	-	-	141	-
Maragia USA Inc	(6)	-	-	-	-	-	30	-
Cornelli Gabelli e associati	(23)	(6)	-	-	-	-	44	-
Family and relatives of Dario Ferrari	-	(38)	-	-	-	-	-	-
Total	(188)	(44)	-	-	-	-	542	340

	Revenues	Other revenues	Costs for industrial purchases, services and leases and rent	Employee benefit expenses	Other revenues and costs	Financial expenses	Financial income	Trade receivables	Trade payables	Financial payables
<i>(in € thousands)</i>										
Intercos Korea LTD	494	33	(113)	10	-	-	-	873	153	-
Hana Co Ltd	-	-	-	-	-	-	-	-	-	-
Total	494	33	(113)	10	-	-	-	873	153	-

BUSINESS OUTLOOK

Based on the first three months of 2018, a substantially positive trend is expected for the full year 2018, in effect confirming the Group's expectations, as set out in its business plan.

SIGNIFICANT NONRECURRING EVENTS AND TRANSACTIONS

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

SIGNIFICANT EVENTS DURING THE FIRST QUARTER AND TRANSACTIONS SUBSEQUENT TO MARCH 31, 2018

There were no significant events during the first quarter of 2018 or transaction subsequent to March 31, 2018.

INTERCOS GROUP
Global Cosmetic Manufacturer

CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
AT MARCH 31, 2018

Consolidated Statement of Financial Position at March 31, 2018 – unaudited

<i>(in € thousands)</i>	<i>Note</i>	March 31, 2018	December 31, 2017
NON-CURRENT ASSETS			
Property, plant and equipment	1	144,627	145,816
Intangible assets	2	25,999	26,130
Goodwill		117,828	118,140
Investments	5	3,718	4,781
Deferred tax assets	5	14,241	14,214
Other non-current receivables	5	6,685	6,783
Non-current assets		313,098	315,866
CURRENT ASSETS			
Inventories	4	119,288	111,870
Trade receivables	4	118,664	126,578
Other current assets		18,524	18,327
Derivatives		-	-
Cash and cash equivalents	5	63,345	68,777
Current assets		319,822	325,552
TOTAL ASSETS		632,919	641,417
EQUITY			
Share capital		10,818	10,818
Other reserves		66,005	66,005
Retained earnings		77,101	76,813
Equity attributable to owners of the parent		153,925	153,636
Equity attributable to non-controlling interests		2,490	2,463
TOTAL EQUITY	4	156,415	156,099
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	227,423	227,752
Provisions	4	1,573	2,147
Deferred tax liabilities	5	7,500	7,426
Other non-current liabilities	5	17	669
Employee benefit obligations	4	9,572	9,841
Non-current liabilities		246,085	247,835
CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	37,063	30,386
Other financial payables	3	28,201	28,310
Trade payables	5	104,354	123,408
Other current liabilities	5	60,801	55,379
Current liabilities		230,419	237,484
TOTAL EQUITY AND LIABILITIES		632,919	641,417

Consolidated Income Statement for the first quarter ended March 31, 2018 – unaudited

<i>(in € thousands)</i>	Note	Q1 2018	Q1 2017
Revenues	6	154,982	119,480
Cost of sales	7	(125,143)	(90,881)
Industrial gross margin		29,840	28,599
Research & Development and innovation costs		(9,328)	(8,395)
Selling expenses		(5,963)	(5,816)
General and administrative expenses		(6,391)	(5,995)
Other operating income (expenses)		1,221	671
Result from investments accounted for using the equity method (operating)		(944)	(502)
Nonrecurring income (expenses)		(195)	(82)
Operating profit (EBIT)	7	8,240	8,480
Financial income		1,696	561
Financial expenses		(5,573)	(2,757)
Result from investments accounted for using the equity method		0	69
Profit before taxes (EBT)	7	4,362	6,353
Income taxes		(3,948)	(3,497)
Profit for the period	7	413	2,856
Attributable to:			
- owners of the parent		407	2,807
- non-controlling interests		6	49
Earnings per share:			
Basic and diluted		0,004	0,03

Consolidated Statement of Comprehensive Income for the first quarter ended March 31, 2018- unaudited

<i>(in € thousands)</i>		Q1 2018	Q1 2017
Net profit	7	413	2,856
<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 defined benefit plans		252	(193)
- Tax effect		7	26
Actuarial gains (losses), net of tax effect		259	(168)
<i>Other comprehensive income that will be reclassified subsequently to the income statement, net of tax effect</i>			
- Exchange differences on translating foreign operations		(440)	5
Exchange differences on translating foreign operations		(440)	5
- Cash flow hedge		110	-
- Tax effect		(26)	-
Cash flow hedge, net of tax effect		84	-
Comprehensive income for the period		316	2,692
Attributable to:			
- owners of the parent		289	2,692
- non-controlling interests		27	49

Consolidated Statement of Changes in Equity at March 31, 2018 – unaudited

<i>(in € thousands)</i>	Attributable to owners of the parent				Attributable to non-controlling interests		Total
	Description	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit for the period	Share capital	
Balances at January 1, 2018	10,818	66,005	58,219	18,594	2,282	181	156,099
Appropriation of 2017 profit	-	-	18,594	(18,594)	181	(181)	-
Capital increase	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	(458)	-	17	(440)
Other comprehensive income, net of tax effect	-	-	-	340	-	3	343
Consolidation reserve	-	-	-	-	-	-	-
Profit for the quarter ended March 31, 2018	-	-	-	407	-	6	413
Balances at March 31, 2018	10,818	66,005	76,813	289	2,463	27	156,415

Consolidated Statement of Changes in Equity at March 31, 2017 – unaudited

<i>(in € thousands)</i>	Attributable to owners of the parent				Attributable to non-controlling interests		Total
	Description	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit for the period	Share capital	
Balances at January 1, 2017	10,710	66,005	38,366	20,058	2,193	161	137,493
Appropriation of 2016 profit	-	-	20,058	(20,058)	161	(161)	-
Capital increase	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	4	-	1	5
Other comprehensive income, net of tax effect	-	-	-	(167)	-	(1)	(168)
Consolidation reserve	-	-	-	-	(72)	-	(72)
Profit for the quarter ended March 31, 2017	-	-	-	2,807	-	49	2,856
Balance at March 31, 2017	10,710	66,005	58,424	2,644	2,282	49	140,114

Consolidated Statement of Cash Flows for the first quarter ended March 31, 2018 - unaudited

<i>(in € thousands)</i>	Q1 2018	Q1 2017
Profit from continuing operations	413	2,856
Profit for the period	413	2,856
Depreciation, amortization and impairment reversals (losses)	7,208	5,586
Nonrecurring income (expenses)	195	82
Change in provisions	(778)	(19)
Financial income (expenses)	3,878	2,196
Decrease / (Increase) in inventories	(7,771)	(6,702)
Decrease / (Increase) in trade receivables, net	7,633	5,092
Increase / (Decrease) in trade payables	(18,905)	(14,525)
Decrease / (Increase) in other assets	425	(3,496)
Increase / (Decrease) in other payables	4,976	7,632
Cash flows provided by (used in) operating activities (a)	(2,728)	(1,297)
Acquisition of property, plant and equipment, net	(4,802)	(3,185)
Acquisition of intangible assets, net	(1,612)	(1,564)
Disposals of property, plant and equipment and intangible assets	213	69
Acquisitions of investments	1,063	(1,942)
Cash flows provided by (used in) investing activities (b)	(5,138)	(6,621)
Increase / (Decrease) in borrowings from banks and other lenders	6,515	17,170
Interest paid during the year	(4,151)	(6,008)
Cash flows provided by (used in) financing activities (c)	2,364	11,163
Change in equity (d)	(0)	(72)
Net increase (decrease) in cash and cash equivalents (a)+(b)+ (c) + (d)	(5,502)	3,171
Cash and cash equivalents, at beginning of the period	68,777	64,525
Of which, change in exchange differences	(70)	86
Cash and cash equivalents, at end of the period	63,345	67,610
Net increase (decrease) in cash and cash equivalents during the period	(5,502)	3,171