

INTERCOS GROUP
Global Cosmetic Manufacturer

Half-Year Financial Report
at June 30, 2015

PREPARED IN ACCORDANCE WITH IFRS
ADOPTED BY THE EUROPEAN UNION

Intercos S.p.A.
Headquarters in Milan
Piazza Eleonora Duse 2

Company 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.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position at June 30, 2015 and December 31, 2014

<i>(in € thousands)</i>	June 30, 2015	December 31, 2014
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	97,952	95,490
Intangible assets	19,844	20,043
Goodwill	77,378	74,931
Investments	929	-
Deferred tax assets	21,229	20,623
Other non-current receivables	6,261	6,406
<i>Non-current assets</i>	223,620	217,493
CURRENT ASSETS		
Inventories	74,310	64,104
Trade receivables	59,990	72,893
Other current receivables	20,185	20,848
Cash and cash equivalents	29,012	32,727
<i>Current assets</i>	183,497	190,573
TOTAL ASSETS	407,090	408,066
EQUITY		
Share capital	10,710	10,710
Other reserves	66,005	66,005
Retained earnings	23,045	18,074
Equity attributable to owners of the parent	99,759	94,789
Equity attributable to non-controlling interests	2,197	2,065
TOTAL EQUITY	101,956	96,853
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings from banks and other lenders	173,967	157,971
Provisions	3,649	4,313
Deferred tax liabilities	10,484	9,706
Other non-current liabilities	133	150
Employee benefit obligations	9,747	9,245
<i>Non-current liabilities</i>	197,980	181,385
CURRENT LIABILITIES		
Borrowings from banks and other lenders	23,803	48,532
Other financial payables	1,238	1,566
Trade payables	54,794	59,856
Other payables	27,319	19,876
<i>Current liabilities</i>	107,155	129,828
TOTAL EQUITY AND LIABILITIES	407,090	408,066

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Consolidated Statement of Comprehensive Income for the First Half ended June 30, 2015 and June 30, 2014

<i>(in € thousands)</i>	Half 1 2015	Half 1 2015	Change
Revenues	174,602	166,887	7,715
Other income	2,205	2,297	(92)
Purchases of raw materials, semifinished products and consumables	(66,442)	(63,354)	(3,087)
Change in inventories of raw materials, semifinished and finished	7,483	5,383	2,099
Costs for services and leases and rents	(39,955)	(35,209)	(4,746)
Employee benefit expenses	(56,403)	(48,932)	(7,471)
Accruals	-	(185)	185
Other operating expenses	(2,078)	(2,214)	136
Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring income (expenses)	19,412	24,673	(5,261)
Depreciation and amortization	(10,874)	(9,556)	(1,317)
Nonrecurring income (expenses)	(106)	1,526	(1,632)
Operating profit	8,433	16,643	(8,210)
Finance income	6,650	114	6,536
Finance expenses	(14,414)	(4,117)	(10,297)
Share of profit (loss) of investments accounted for using the equity	15	-	15
Income taxes	(3,724)	(5,417)	1,693
Profit (loss) for the period from continuing operations	(2,469)	7,223	(10,263)
Profit (loss) for the period	(2,469)	7,223	(10,263)
Other components of comprehensive income			
<i>Other comprehensive income that subsequently will be reclassified to the income statement:</i>			
Exchange gains (losses) on translating foreign operations	8,007	36	
<i>Other comprehensive income that subsequently will not be reclassified to the income statement</i>			
Remeasurement of defined benefit plans – actuarial gains	(133)	(552)	
Total comprehensive income for the period	5,405	6,707	
Attributable to:			
Owners of the parent	5,355	6,737	
Non-controlling interests	50	(30)	

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Consolidated Statement of Changes in Equity at June 30, 2015

<i>(in € thousands)</i>			Retained earnings		Attributable to Non-controlling interests		
Description	Share capital	Other reserves (share premium reserve)	Retained earnings	Profit (loss) for the period	Share capital	Profit (loss) for the period	Total
Balances at December 31, 2014	10,710	66,005	4,191	13,882	2,143	(78)	96,853
Appropriation of profit 2014			13,882	(13,882)	(78)	78	-
Exchange gains (losses) on translating foreign operations			7,899			108	8,007
Increase in capital of non-controlling interests					83		83
Other comprehensive income – (OCI) remeasurement of defined benefit plans			(128)			(5)	(133)
Consolidation reserve			(385)				(385)
Loss for the first half to June 30, 2015				(2,416)		(53)	(2,469)
Balances at June 30, 2015	10,710	66,005	25,460	(2,416)	2,148	50	101,956

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Consolidated Statement of Cash Flows for the First Half ended June 30, 2015 and June 30, 2014

<i>(in € thousands)</i>	Half I 2015	Half I 2014
Profit (loss) from continuing operations	(2,469)	7,223
Profit (loss) attributable to owners of the parent	(2,469)	7,223
Depreciation, amortization and impairment reversals (losses)	10,672	9,556
Nonrecurring income (expenses)	-	(1,659)
Change in provisions	(296)	2
Finance income (expenses)	7,764	4,003
Decrease / (Increase) in inventories	(10,206)	(5,720)
Decrease / (Increase) in trade receivables, net	12,904	9,447
Increase / (Decrease) in trade payables	(5,062)	4,720
Decrease / (Increase) in other assets	618	(2,551)
Increase / (Decrease) in other payables	8,206	1,992
Cash flows provided by operating activities (a)	22,132	27,013
Acquisition of property, plant and equipment, net	(4,764)	(5,330)
Acquisition of intangible assets, net	(2,981)	(3,396)
Investments	(929)	-
Cash flows (used in) investing activities (b)	(8,674)	(8,726)
Increase / (Decrease) in borrowings from banks and other lenders	(11,821)	(23,032)
Interest paid during the year	(5,049)	(2,770)
Cash flows (used in) financing activities (c)	(16,870)	(25,802)
Change in equity (d)	(302)	161
Net decrease in cash flows during the period (a)+(b)+ (c) + (d)	(3,715)	(7,354)
Cash and cash equivalents at beginning of the year	32,727	33,741
Cash and cash equivalents at end of the year	29,012	26,387
Net change in cash and cash equivalents during the period	(3,715)	(7,354)

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

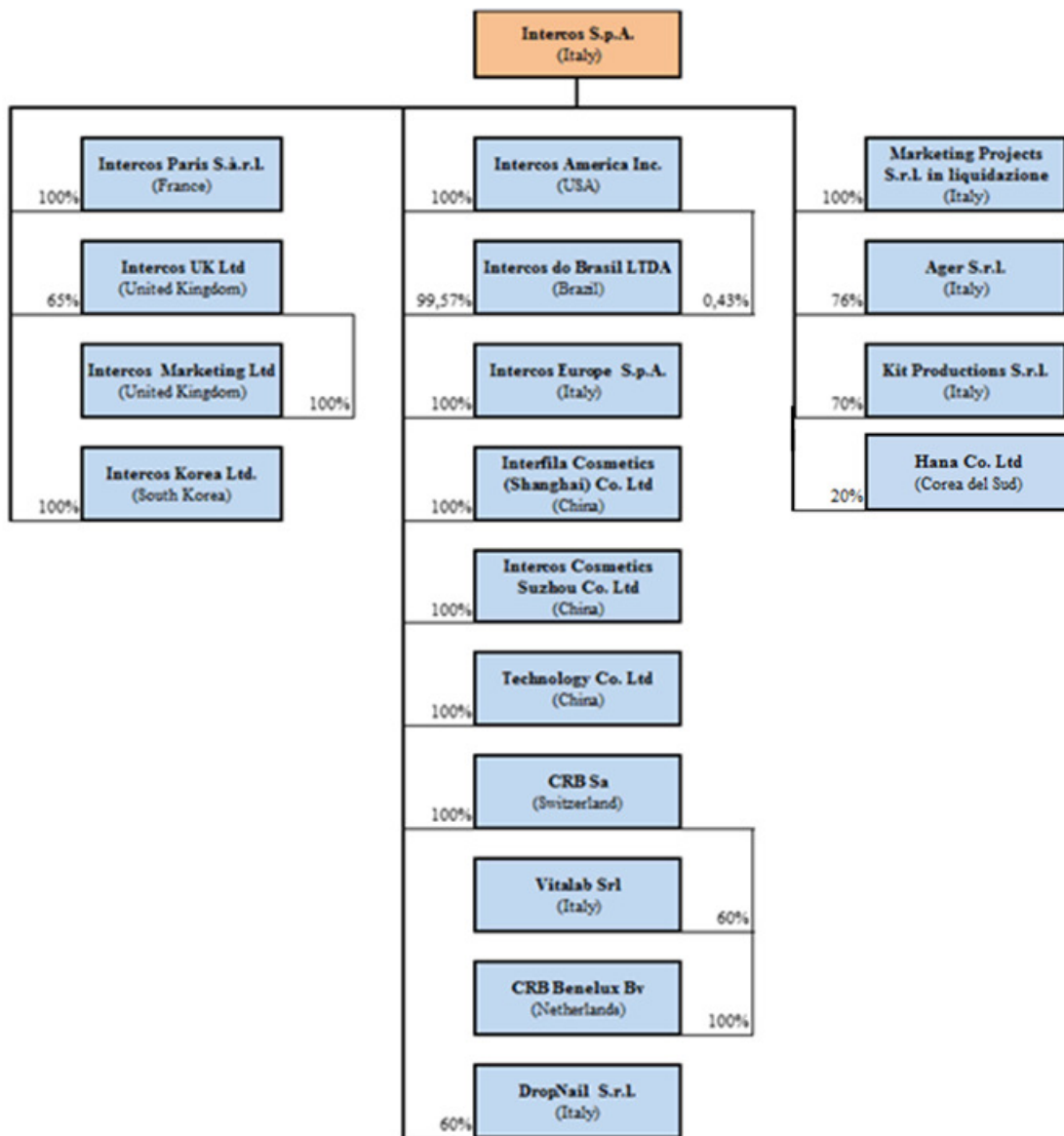
Group structure. Intercos S.p.A. is a corporation organized under the laws of the Republic of Italy and its registered office is in Milan, Piazza Eleonora Duse 2.

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 operating segments below:

- ***Make-up Business Unit:*** 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 Business Unit:*** *specialized in the manufacture and marketing of cosmetic and skin care creams.*

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

The following is an organization chart of the Group showing the operating companies and those in a wind-up, updated to the closing date of the half-year condensed consolidated financial statements at June 30, 2015.



This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

2. Form and content and accounting policies

The Half-Year Financial Report at June 30, 2015 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.

The Half-Year Financial Report at June 30, 2015 was approved by the Board of Directors on July 29, 2015.

The notes to the half-year condensed consolidated financial statements, in accordance with IAS 34, are presented in a condensed form and do not include all the information that would be 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. Therefore, the Half-Year Financial Report should be read in conjunction with the 2014 consolidated financial statements of Intercos.

The same accounting policies and basis of preparation are applied in the Half-Year Financial Report as are applied in the annual consolidated financial statements at December 31, 2014.

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

The preparation of the Half-year Financial Report required the use of estimates by management.

3. Scope of consolidation

The half-year condensed consolidated financial statements at June 30, 2015 include the interim financial statements and/or accounting data of Intercos S.p.A. (group holding company) and the subsidiaries (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					
<i>(consolidated line-by-line)</i>					
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 a wind-up	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Drop Nail S.r.l.	Milan	Euro	50	60.00%	
Intercos Korea Ltd	Seongnam-Gyeonggi (South Korea)	Euro	1,212	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	1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	British pound	1	65.00%	
CRB S.a.	Puidoux (Switzerland)	Swiss franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	100		60.00%
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%	

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Registered office	Currency	Share capital in thousands of currency indicated	Percentage of control	
				Direct	Indirect
Hana Co.Ltd	Hwasung, Korea	U.S. dollar	1,500	20.00%	

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

4. Exchange rates

The exchange rates used for the translation of amounts expressed in currencies other than the Euro at June 30, 2015 and 2014 are as follows:

	Average Half I to 6/30/2015	Average Half I to 6/30/2014	Actual at 6/30/2015	Actual at 12/31/2014
U.S. dollar	1.11584	1.37045	1.11890	1.21410
Pound sterling	0.73237	0.82138	0.71140	0.77890
Swiss franc	1.05654	1.22134	1.04130	1.20240
Chinese renminbi (yuan)	6.94110	8.45341	6.93660	7.53580
South Korean won	1,226.99	1,438.38	1,251.27	1,324.80
Brazilian real	3.30764	3.14951	3.46990	3.22070

SEGMENT REPORTING

At June 30, 2015 the Group's business is aggregated into two reporting segments identified on the basis of the following product lines:

- **“Make-up” Business Unit:** 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” Business Unit:** specialized in the manufacture and marketing of cosmetic and skin care creams

Financial information reported according to these business units is periodically reviewed by the board of directors and also used for planning and budgeting purposes.

Detailed information on each identified segment for the six months ended June 30, 2015 and June 30, 2014 is presented in the following tables.

First half ended June 30, 2015 <i>(in € thousands)</i>	Make-up Line	Skin Care Line	Total
Revenues	150,575	24,027	174,602
Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring income (expenses)	15,511	3,901	19,412
Depreciation, amortization and impairment reversals (losses)	(9,729)	(1,145)	(10,874)
Nonrecurring income (expenses)			(106)
Finance income (expenses)			(7,764)
Share of profit (loss) of investments accounted for using the equity method			15
Income taxes			(3,153)
Loss for the period			(2,469)
Net invested capital	229,115	42,837	271,952

First half ended June 30, 2014 <i>(in € thousands)</i>	Make-up Line	Skin Care Line	Total
Revenues	145,537	21,350	166,887
Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring income (expenses)	19,937	4,736	24,673
Depreciation, amortization and impairment reversals (losses)	(8,664)	(892)	(9,556)
Nonrecurring income (expenses)			1,526
Finance income (expenses)			(4,003)
Income taxes			(5,417)
Profit for the period			7,223
Net invested capital	226,904	35,652	262,556

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

The **Make-Up Business Unit** reported revenues of €150,575 thousand, with an increase of €5,038 thousand (+3.5%) over the same period of the prior year due to the strong change in the exchange rates.

EBITDA¹, represented by Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring income (expenses), is €15,511 thousand and decreased by €4,426 thousand -22% (€19,937 thousand in the first six months of 2014).

The reduction in EBITDA is for the most part due to seasonal variations in revenues, with significant revenues recorded generally in the second six months of the year resulting in a lower capacity in the first six months to absorb fixed costs (which nevertheless increased compared to the prior year), in order to meet the continuing challenges of market innovation and development.

The **Skin Care Business Unit** recorded revenues of €24,027 thousand, up €2,677 thousand, or +12.5%, compared to the corresponding period of 2014, in this case, too, predominately attributable to the strong variation in the exchange rates.

EBITDA came to €3,901 thousand compared to €4,736 thousand in the first half of 2014, with a reduction of €835 thousand, or -17.6%.

The negative change in EBITDA during 2015 can be associated with a general increase in the costs that became necessary to meet the significant budgeted increase in volumes, as well as a different mix of products and type of business.

Detailed information on sales of the Group by geographical area and by reference to the location in which the recipient of the sales invoice has headquarters is as follows:

<i>(in € thousands)</i>	First half	
	2015	2014
Revenues		
Americas	71,829	60,528
EMEA	81,386	85,656
Asia	21,386	20,703
Total	174,602	166,887

The analysis of sales shows the following differing revenue trends by geographical area:

- The Americas area shows an increase in sales of €11,301 thousand, or +18.7%, compared to the corresponding period of the prior year. It comprises a favorable foreign exchange effect of approximately €7,900 thousand. This trend can essentially be attributed to the recovery of the Mass Market, which for the Americas area accounts for about 60% of the market in 2015, and the growth in sales of the Prestige market (+2.4%).
- The EMEA area reports sales of €81,386 thousand versus €85,656 thousand in the same period of last year, representing a decrease of €4,270 thousand, or -5.0%. Such contraction in revenues is largely the consequence of a different seasonal trend of the Private Label segment, which, on the basis of the orders received, is expected to recover significantly and grow in the second half. The Prestige segment increased by 1.4% compared to the first half of 2014.
- The Asia area sales records sales of €21,386 thousand for the first half of 2015 compared to €20,703 thousand in the first half of 2014, with an increase of €683 thousand, or +3.3%. The increase is principally due to the Mass Market segment which grew by 5.5% over the first six months of the previous year.

EBITDA thus defined represents a performance measure used by management to monitor and evaluate its operating performance. EBITDA is an alternative performance measure and, as such, should not be construed as a substitute for the conventional performance measures required by IFRS. Since the composition of EBITDA is not regulated by IFRS, the criteria used in its determination by the Group may not be the same as that adopted by other companies and therefore is not a comparable performance measure.

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

<i>(in € thousands)</i>		
	June 30, 2015	December 31, 2014
Assets		
Americas	74,257	74. 259
EMEA	267,939	276,841
Asia	64,895	56,966
Total	407,090	408,066

Assets of the Group by geographical area are as follows:

Capital expenditures for property, plant and equipment of the Group by geographical area:

<i>(in € thousands)</i>		
	June 30, 2015	December 31, 2014
Capital expenditures for property, plant and equipment		
Americas	569	2,937
EMEA	2,395	10,233
Asia	1,800	4,867
Total	4,764	18,037

Capital expenditures in the Americas area for the six months to June 30, 2015 for Intercos America Inc total €347 thousand. Of this amount, €114 thousand refers to purchases of machinery and equipment and €220 thousand to the increase in productive capacity and the development of the back injection project. For Intercos do Brasil, capital expenditures amount to €215 thousand and refer to projects to increase productivity and the capacity of the filling and pencils departments.

CRB S.a. made capital expenditures amounting to €254 thousand, of which €109 thousand was earmarked for the completion of the building purchased in 2014 and €85 thousand for the new laboratory.

The Asia area, through the subsidiary Intercos Technology Ltd, spent a total of €1,523 thousand for new capital expenditures, intended mostly for the new manufacturing facilities in China, including €589 thousand for the building and €521 thousand for machinery.

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Introduction

The Half-Year Financial Report at June 30, 2015 has been prepared and drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union and pursuant to IAS 34 – Interim Financial Reporting.

Key data of the Group, in thousands of Euro, are as follows:

	<i>in € thousands</i>	
Statement of Financial Position	6/30/2015	12/31/2014
Non-current assets	223,594	217,493
Current assets	183,497	190,573
Total Assets	407,090	408,066
Non-current liabilities	197,980	181,385
Current liabilities	107,155	129,828
Equity	101,956	96,853
Total Equity and Liabilities	407,090	408,066

	<i>in € thousands</i>	
Income Statement	6/30/2015	6/30/2014
Revenues from sales and services (Sales)	174,602	166,887
Other revenues and income	2,205	2,297
Operating expenses	(157,395)	(144,511)
Gross operating profit (EBITDA)	19,412	24,673
Operating profit (EBIT)	8,433	16,643
Profit (loss) before taxes (EBT)	686	12,640
Profit (loss) for the period	(2,496)	7,223

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

in € thousands

Net financial position	6/30/2015	12/31/2014
Current net financial position	(3,971)	17,370
Non-current net financial position	173,967	157,971
Total Net financial position	169,996	175,341

Headcount	6/30/2015	12/31/2014
Executives and mid-level managers	216	205
White-collars	824	801
Blue-collars	2,268	1,502
Total headcount	3,308	2,508

2. Profit and Financial Performance

During the first six months of 2015 the Group reported revenues from sales of €174,602 thousand compared to €166,887 thousand in the first six months of 2014, with an increase of €7,715 thousand, or 4.6%.

EBITDA in the first half of 2015 is a positive €19,412 thousand.

Operating profit for the first half comes to €8,433 thousand.

Capital expenditures in property, plant and equipment and intangible assets for the first six months total €4,764 thousand and €2,981 thousand, respectively.

The consolidated net financial position is €169,996 thousand and shows an improvement of €5,345 thousand compared to €175,341 thousand at December 31, 2014.

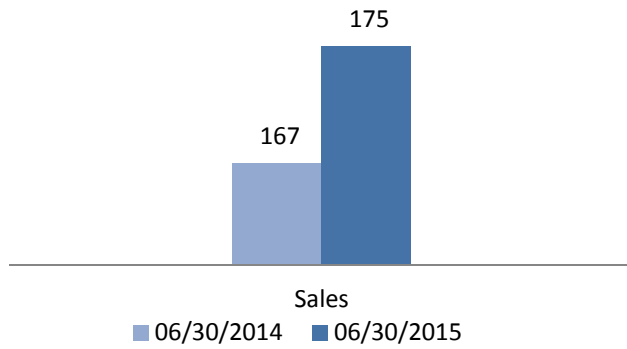
Total equity stands at €101,956 thousand from €96,853 thousand at December 31, 2014, with an increase of €5,103 thousand.

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

3. Operating Performance

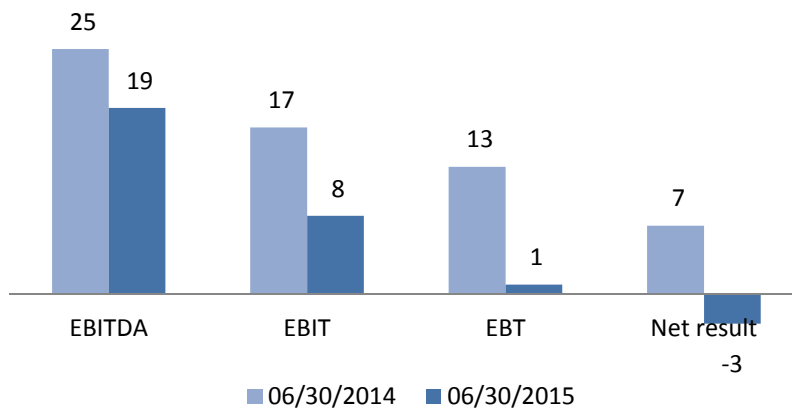
Sales

(in € millions)

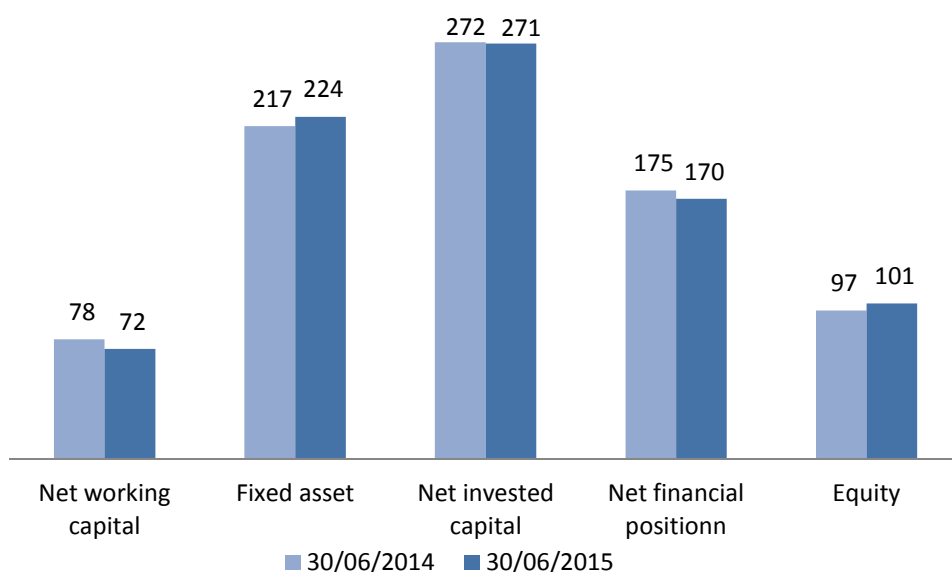


Principal consolidated profit and financial position indicators

(in € millions)



This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.



4. Half-year Condensed Consolidated Income Statement

The reclassified half-year condensed consolidated income statement of the Group is as follows:

6/30/2015	6/30/2014	12/31/2014	
174,602	166,887	349,965	Revenues from sales and services
7,483	5,383	(2,991)	Change in inventories of raw materials, semifinished and finished products
2,205	2,297	4,428	Other revenues and income
184,290	174,567	351,401	Production value and other income
(66,442)	(63,354)	(123,395)	Purchases of raw materials, semifinished products, consumables and merchandise
(39,955)	(35,209)	(74,762)	Costs for services and leases and rents
(56,403)	(48,932)	(98,688)	Employee benefit expenses
-	(185)	(378)	Accruals
(2,078)	(2,214)	(2,990)	Other operating expenses
19,412	24,673	51,188	Gross operating profit (EBITDA)
(10,874)	(9,556)	(20,240)	Depreciation, amortization and impairment reversals (losses)
(106)	1,526	(4,298)	Nonrecurring income (expenses)
8,433	16,643	26,650	Operating profit (EBIT)
686	12,640	17,747	Profit before taxes (EBT)
(3,153)	(5,417)	(8,196)	Income taxes
(2,469)	7,223	9,551	Profit (loss) for the period

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

4.1 Information on the Half-year Condensed Consolidated Income Statement

Revenues

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

First Half 2015	First Half 2014	Year 2014	Company
387	559	871	Kit Productions S.r.l.
89,236	94,173	191,608	Intercos Europe S.p.A.
606	303	500	Drop Nail S.r.l.
3,108	1	2,120	Intercos do Brasil
1,582	2,228	5,097	Intercos UK Ltd.
45,474	37,532	81,523	Intercos America Inc.
5,528	3,895	12,478	Intercos Cosmetics Suzhou Co. Ltd
18,263	14,150	29,955	Intercos Technology Co. Ltd
8,063	6,749	14,003	Interfila Cosmetics (Shanghai) Co. Ltd
18,440	17,377	35,345	CRB S.a.
(1)	705	(1)	Ager S.r.l.
211	225	425	Vitalab S.r.l.
190,897	177,898	373,924	Aggregate Total
(16,295)	(11,011)	(23,959)	Eliminations
174,602	166,887	349,965	Consolidated Total

Sales of the Group in the first half of 2015 record an increase of 5%, or €7,715 thousand, compared to the same period of 2014. Comments on the revenues of the main Group companies follow.

Intercos Europe S.p.A.: in the first half of the year Intercos Europe represents the most important company in the Group in terms of volume, with revenues of €89,236 thousand, down 5.2% compared to the first six months of 2014 due to seasonal factors affecting sales in the Private Label segment.

Intercos America Inc.: revenues total €45,474 thousand and show an increase of 21.2% over the first half of 2014 due to better Mass Market sales and a favorable EUR/USD exchange effect.

CRB SA: revenues increased by €1,063 thousand, or 6%, to €18,440 thousand in the first half of 2015 from €17,377 thousand in the first half of 2014 owing to the combined impact of continual expansion on Asian markets and the significant variation in the CHF/EUR exchange rate.

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Intercos Cosmetics Suzhou Ltd.: recorded revenues for €5,528 thousand compared to €3,895 thousand (+41.9%) in the first half of 2014.

Intercos Technology Ltd.: manages the manufacturing facility of the Intercos Group that sells on Chinese territory. A sharp increase in sales was recorded in the first six months of 2015 of €4,113 thousand, or 29%, compared to the same period of 2014, due to the growth of the Asian market.

Interfila Cosmetics (Shanghai) Ltd.: shows a 19.4% increase in sales to €8,063 thousand in the first half of 2015 compared to €6,749 thousand in the corresponding period of the prior year.

Expenses:

Operating expenses:

First Half 2015	First Half 2014	Year 2014	Income statement items
(66,442)	(63,354)	(123,616)	Purchases of raw materials, semifinished products, consumables and merchandise
(39,955)	(35,209)	(74,762)	Costs for services and leases and rents
(56,403)	(48,932)	(98,688)	Employee benefit expenses
-	(185)	(378)	Accruals
(2,078)	(2,214)	(2,990)	Other operating expenses
(10,874)	(9,556)	(20,240)	Depreciation, amortization and impairment reversals (losses)
(175,751)	(159,450)	(320,674)	Total

Operating expenses in the first half of 2015 increased overall by €16,301 thousand. The increase in costs for services and employee benefit expenses are largely due to a sharp appreciation of the currencies in which the Group operates (USD, RMB and CHF) against the Euro, in addition to further investments in the Asia area and a strengthening of the operating and strategic structures of the Group.

Finance income and expenses:

First Half 2015	First Half 2014	Year 2014	Income statement items
(14,414)	(4,117)	(16,583)	Finance expenses
6,650	114	7,680	Finance income

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Share of the profit (loss) of investments accounted for using the equity method:

First Half 2015	First Half 2014	Year 2014	Income statement item
15	-	-	Share of profit (loss) of investments accounted for using the equity method

The share of profit (loss) of investments accounted for using the equity method is a profit of €15 thousand and refers to the investment in the South Korean company Hana Co. Ltd.

Income taxes:

First Half 2015	First Half 2014	Year 2014	Income statement item
(3,153)	(5,417)	(8,196)	Income taxes

Gross operating profit (EBITDA):

First Half 2015	First Half 2014	Year 2014	Income statement item
19,412	24,673	51,188	Gross operating profit (EBITDA)

EBITDA is a positive €19,412 thousand, with a decrease of €5,261 thousand compared to the first half of 2014. The reduction is due to a different product and geographical mix, as well as higher fixed costs and structural investments made by the Group.

Operating profit (EBIT):

First Half 2015	First Half 2014	Year 2014	Income statement item
8,433	16,643	26,650	Operating profit (EBIT)

Operating profit is €8,433 thousand. The reduction compared to the same period of 2014 is due not only to what has already been described but also to a significant increase in depreciation and amortization charges relating to the enormous capital expenditures invested in property, plant and equipment and intangible assets during 2014. In addition, in 2014 Intercos had benefited from nonrecurring income of €1,804 thousand originating from the conclusion of the dispute with Tata.

Profit before taxes (EBT):

First Half 2015	First Half 2014	Year 2014	Income statement item
711	12,640	17,747	Profit before taxes (EBT)

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

The profit before taxes (EBT) of €686 thousand is in part due to the release of capitalized expenses to the income statement in accordance with IAS 39 relating to the Group's senior loan contract of €181 million, partially replaced by a €120 million bond and a new loan contract of €80 million. Additional details are provided in the paragraph "Borrowings from banks and other lenders".

The expenses released to the income statement in the first quarter of 2015 amount to €3,708 thousand for Intercos S.p.A. and €363 thousand for Intercos Europe S.p.A.

Profit (loss) for the period:

First Half 2015	First Half 2014	Year 2014	Income statement item
(3,013)	7,223	9,551	Profit (loss) for the period

The loss in the first half of 2015 is €3,469 thousand compared to a profit of €7,223 thousand reported in the first half of 2014.

The companies of the Group contributed to the result for the period with the following results:

First Half 2015	First Half 2014	Year 2014	Company
15	51	7	Kit Productions S.r.l.
(40)	(15)	12	Marketing Projects S.r.l.
3,749	5,157	10,602	Intercos Europe S.p.A.
8,077	7,925	2,216	Intercos S.p.A.
(112)	(171)	(235)	Drop Nail S.r.l.
(350)	0	(158)	Intercos Korea LTD
(648)	(798)	(1,236)	Intercos do Brasil
(25)	53	95	Intercos UK Ltd.
124	208	549	Intercos Paris S.à.r.l.
100	29	177	Intercos Marketing Ltd
(2,886)	(947)	(1,220)	Intercos America Inc.
(1,131)	(659)	(1,125)	Intercos Cosmetics Suzhou Co. Ltd
939	991	2,045	Intercos Technology Co. Ltd
561	1,418	2,314	Interfila Cosmetics (Shanghai) Co. Ltd
2,005	3,275	5,123	CRB Sa.
(121)	(115)	(109)	Ager S.r.l.
(25)	56	22	Vitalab S.r.l.
36	23	20	CRB Benelux Bv
9,696	16,480	19,100	Aggregate Total
(12,735)	(9,257)	(9,549)	Eliminations
(2,467)	7,223	9,551	Consolidated Total

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

4.2 Effect of related party transactions on the consolidated income statement

Related party transactions are carried out on an arm's length basis. The effects of such transactions on the consolidated income statement are as follows:

(in € thousands)

Related party	Costs for services and leases and rents	Directors' compensation	Other expenses	Employee benefit expenses
DAFE International	65	-	-	-
SCI Maragia	15	-	-	-
Family and relatives of Dario Gianandrea Ferrari	-	-	-	99
My Style	-	-	4	-
Interior	-	-	1	-
Arterra	105	25	-	-
Total	185	25	5	99
Percentage to total of corresponding item in financial statements	0.35%	1.91%	0.25%	0.18%

5. Half-year Condensed Consolidated Statement of Financial Position

5.1 Information on the equity and financial position

The reclassified equity and financial position of the Group at June 30, 2015 compared to December 31, 2014 is succinctly represented as follows:

6/30/2015		12/31/2014
74,310	Inventories	64,104
76,485	Trade receivables and other receivables	90,282
3,689	Income taxes receivable	3,459
(82,113)	Current non-financial liabilities (*)	(79,731)
72,731	A. Net working capital	78,114
97,952	Property, plant and equipment	95,490
97,222	Other intangible assets (**)	94,975
28,419	Other non-current assets (*)	27,029
223,594	B. Fixed assets	217,493
(9,747)	C. Employee severance indemnities	(9,245)
(3,649)	D. Provisions	(4,313)
(10,618)	E. Other non-current liabilities (*)	(9,855)
271,952	F. Net invested capital	272,194
	Financed by:	
(3,971)	Current financial position (*)	17,370
173,967	Non-current net financial position (*)	157,971
169,996	G. Total net financial position	175,341
101,956	H. Equity	96,853
271,952	I. Total (G+H)	272,194

Inventories amount to €74,310 thousand at June 30, 2015 and show an increase of €10,206 thousand over December 31, 2014. This change is principally due 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 strong in the last months of the year, and the considerable appreciation of the Group's currencies (USD, RMB and CHF) against the Euro.

(*) Details of the composition of this item are provided in the "Reconciliation Schedules" on page 29.

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

(**) *Includes goodwill.*

Trade receivables total €59,990 thousand at June 30, 2015, with a decrease of €12,903 thousand, or 18%, compared to December 31, 2014, due to the effect of better monitoring activities and collection reminders.

Current non-financial liabilities increased by €2,382 thousand principally on account of an increase in trade payables and other payables which grew by €1,666 thousand.

Equity increased by €5,103 thousand. This can be explained by the loss in the first half of €2,469 thousand and the increase of €7,572 thousand due to capital contribution payments by the non-controlling shareholders of the company Drop Nail of €83 thousand, positive translation adjustments of €8,007 thousand, actuarial losses of €133 thousand and the negative impact of the consolidation reserve of €385 thousand.

Financial data:

The net financial position recorded a significant improvement compared to December 31, 2014, decreasing from €175,341 thousand to €169,996 thousand at June 30, 2015. The change of €5,345 thousand is attributable to the reduction in current financial liabilities only partially offset by the increase in non-current financial liabilities.

The net financial position at June 30, 2015 is composed of the following:

6/30/2015		12/31/2014
	Current items:	
(29,012)	Cash and cash equivalents	(32,727)
25,041	Borrowings from banks and other lenders and other financial payables	50,097
(3,971)	Total current financial position	17,370
	Non-current items:	
173,967	Borrowings from banks and other lenders and other financial payables	157,971
173,967	Non-current financial position	157,971
	Total net financial position:	
169,996	Cash (indebtedness)	175,341

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

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:

6/30/2015	Short-term	Medium-term	Long-term	Total
Intercos S.p.A. bonds	1,197,534	117,347,189	-	118,544,723
Medium/long-term bank borrowings (pool)	2,203,787	46,020,887	-	48,224,674
Medium/long-term bank borrowings (America)	3,344,296	-	-	3,344,296
Medium/long-term bank borrowings (CRB S.A.)	369,730	1,901,469	6,423,661	8,694,860
Medium/long-term bank borrowings (Technology)	540,611	1,081,221	467,608	2,089,441
Drop Nail loan	186,245	23,483	-	209,729
Law 46 /Mediocredito	426,710	-	-	426,710
Finance leases payable	228,913	701,225	-	930,137
Fair value of derivatives	-	-	-	-
Medium/long-term debt	8,497,825	167,075,475	6,891,269	182,464,569
Revolving credit facility Intercos S.p.A.	-	-	-	-
Revolving credit facility Intercos America	-	-	-	-
Revolving credit facility Intercos China	4,710,354	-	-	4,710,354
Bank overdrafts	1,199,698	-	-	1,199,698
Advances on invoices	10,051,131	-	-	10,051,131
Short-term debt	15,961,183	-	-	15,961,183
Borrowings from other lenders	-	-	-	-
Factoring companies payable	582,312	-	-	582,312
Total	25,041,320	167,075,475	6,891,269	199,008,065

Details of medium/long-term debt outstanding at June 30, 2015 are as follows:

<i>Company</i>	<i>Bank</i>	<i>Amount</i>	<i>Internal rate of return</i>	<i>Description</i>
Intercos S.p.A.	Banking pool	12,260	2.49%	Tranche EURO
Intercos S.p.A.	Banking pool	16,244	2.81%	Tranche \$
Intercos S.p.A.	Institutional Investors	118,545	4.25%	Bond
Intercos Europe S.p.A.	Banking pool	19,720	2.47%	Tranche EURO
		166,672		
Intercos S.p.A.	Other lenders	354	3.36%	Low-rate loan Law 46 grant 11337 (Euro)
Intercos S.p.A.	Other lenders	73	3.93%	Low-rate loan Law 46 grant 11155 (Euro)
		427		
Intercos America Inc	HSBC Bank	3,344	0.20%	IDA bond (in USD)
CRB Sa	SH Bank	96	0.00%	Loan guarantee
CRB Sa	BCV Bank	1,536	1.95%	Mortgage (in CHF)
CRB Sa	UBS Bank	1,901	0.99%	Filling Plant loan (in CHF)
CRB Sa	BCV Bank	5,161	2.18%	Batiplus (in CHF)
		8,694		

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Intercos Technology	HSBC Bank	2,089	6.32%	LT HSBC loan(in RMB)
Drop Nail	BPM Bank	186	1.75%	Mortgage (in EUR)
Drop Nail	Sparkasse Bank	23	8.36%	Mortgage (in EUR)
		209		

The outstanding debt at June 30, 2015 is the result of negotiations to refinance the debt in order to obtain more favorable conditions as compared with the previous debt renegotiation process in July 2014. Therefore, the outstanding debt at December 31, 2014 consisting of a senior loan contract of €181 million that was last amended on July 28, 2014 was replaced with: (1) a €120 million bond maturing seven years from issue at a fixed rate of 3.875%; and (2) a new loan agreement of €80 million due at the end of 2020 at a lower variable rate than under the old loan agreement (variable rate linked to the 1M, 3M and 6M Euribor/Libor plus a spread between 1.5% and 2.65%). The debt restructuring was finalized on March 27, 2015.

The bond is listed on the Irish stock exchange and was subscribed to initially by institutional investors and the new loan agreement is with “Banca IMI S.p.A.” and “Unicredit”.

Movements in Property, plant and equipment

Movements in Property, plant and equipment in the first half of 2015 are the following:

<i>(in € thousands)</i>	<i>12/31/2014</i>	<i>Increases/ Depreciation</i>	<i>Translation differences Reclassifications</i>	<i>Decreases / Uses</i>	<i>6/30/2015</i>
Historical cost					
Land and buildings	124,946	778	3,681	(2)	129,402
Plant and machinery	110,840	1,786	6,038	(1,721)	116,942
Industrial equipment	32,805	604	240	(17)	33,632
Office furniture and equipment	13,079	480	(747)	(176)	12,636
Motor vehicles and internal transportation equipment	2,360	209	33	(125)	2,478
Cell phones	21	0	0	0	21
Assets under construction and payments on account	1,080	907	615	(155)	2,447
Total	285,130	4,764	9,860	(2,196)	297,559
Accumulated depreciation					
Land and buildings	59,535	2,822	1,275	(2)	63,630
Plant and machinery	89,007	3,322	2,326	(1,519)	93,136
Industrial equipment	30,186	742	72	(16)	30,984
Office furniture and equipment	8,953	516	533	(164)	9,838
Motor vehicles and internal transportation equipment	1,940	127	21	(89)	1,999
Cell phones	20	0	0	0	20
Total	189,640	7,530	4,226	(1,790)	199,607
Net carrying amount	95,490	(2,766)	5,634	(406)	97,952

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Movements in Intangible assets

Movements in Intangible assets are as follows:

<i>(in € thousands)</i>	<i>12/31/2014</i>	<i>Increases</i>	<i>Decreases/ Adjustments/ Translation differences</i>	<i>Reclassifications</i>	<i>Amortization</i>	<i>6/30/2015</i>
Development costs	11,053	602	(12)	26	(1,863)	9,807
Patents	3,735	418	65	241	(661)	3,800
Concessions and licenses	1,045	139	65	-	(70)	1,180
Assets under development	3,277	1,821	0	(26)	-	5,072
Other intangible assets	932	-	13	(897)	(61)	(13)
Total	20,043	2,981	130	(655)	(2,655)	19,844

Inventories

Inventories in the first half of 2015 are as follows:

6/30/2015		12/31/2014
43,232	Raw materials, packaging and consumables	36,729
(9,458)	Provision for writedowns of raw materials, packaging and consumables	(7,754)
33,773	<i>Raw materials, packaging and consumables</i>	28,975
39,771	Semifinished products	32,824
(11,603)	Provision for writedowns of semifinished products	(8,847)
28,168	Semifinished products	23,976
16,796	Finished products and merchandise	15,436
(4,427)	Provision for writedowns of finished products and merchandise	(4,283)
12,368	Finished products and merchandise	11,153
74,310	Total	64,104

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

5.2 Reconciliation schedules

Reconciliations between the “Equity and financial position”, as presented under “Information on the equity and financial position”, and the items included in the half-year condensed consolidated statement of financial position at June 30, 2015, are as follows:

	6/30/2015	12/31/2014
Current non-financial liabilities (reclassified)		
are composed of:		
Trade payables and other payables	80,555	78,889
Taxes payable	1,558	842
<i>Current non-financial liabilities (reclassified)</i>	82,113	79,731
Other non-current assets (reclassified)		
are composed of:		
Deferred tax assets	21,229	20,537
Non-current security deposits	671	595
Investments	929	-
Receivables for indirect taxes	5,589	5,811
<i>Other non-current non-financial assets (reclassified)</i>	28,419	26,944
Other non-current liabilities (reclassified)		
are composed of:		
Deferred tax liabilities	10,484	9,706
Other non-current payables	133	150
<i>Other non-current non-financial liabilities (reclassified)</i>	10,618	9,855
Current net financial position (reclassified)		
is composed of:		
Cash and cash equivalents	(29,012)	(32,727)
Financial payables (current portion)	25,041	48,532
<i>Current financial liabilities (reclassified)</i>	(3,971)	15,804
Non-current net financial position (reclassified format)		
is composed of:		
Financial payables (non-current portion)	173,967	158,121
<i>Non-current financial liabilities (reclassified)</i>	173,967	158,121

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

5.3 Other information

Human resources

The headcount of the Group by company is the following:

6/30/2015	Company	12/31/2014	6/30/2014
5	Kit Productions S.r.l.	5	5
-	Marketing Projects S.r.l.	1	-
916	Intercos Europe S.p.A.	838	910
217	Intercos S.p.A.	210	210
8	Drop Nail S.r.l.	8	8
-	Intercos Asia Pacific Sdn Bhd	1	-
5	Intercos Korea LTD	5	-
73	Intercos do Brasil	50	24
6	Intercos UK Ltd.	6	6
9	Intercos Paris S.à.r.l.	9	8
5	Intercos Marketing Ltd	5	5
752	Intercos America Inc.	830	627
899	Intercos Cosmetics Suzhou Co. Ltd	545	854
806	Intercos Technology Co. Ltd	412	460
286	Interfila Cosmetics (Shanghai) Co. Ltd	317	358
173	CRB S.a.	147	178
19	Ager S.r.l.	19	20
2	Vitalab S.r.l.	1	1
13	CRB Benelux Bv	13	11
4,194	Group Total	3,422	3,685

5.4 Effect of related party transactions on the consolidated statement of financial position

Related party transactions are carried out on an arm's length basis. The effects of such transactions on the consolidated statement of financial position are as follows:

(in € thousands)

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

Related party	Trade payables
DAFE International	65
SCI Maragia	15
Arterra	200
Total	280
Percentage to total of corresponding item in financial statements	0.62%

5.5 Earnings per share

Earnings (loss) per share is as follows:

(in € thousands)

	First Half	
	2015	2014
Profit / loss for the period	(3,013)	7,223
Weighted number of shares	91,319,870	91,319,870
Earnings (loss) per share (in euro)	(0.03)	0.80

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

6. BUSINESS OUTLOOK

The second half of 2015 is largely expected to show a positive trend, confirming the Group's expectations.

7. NONRECURRING EVENTS OR SIGNIFICANT TRANSACTIONS

Significant nonrecurring events or transactions were not recorded during the first half.

8. SIGNIFICANT EVENTS DURING THE PERIOD AND SUBSEQUENT TO JUNE 30, 2015

- At the meeting of the board of directors' held on January 27, 2015, considering the favorable financial market situation, the board illustrated the intention to refinance its principal debt in order to obtain conditions that were more favorable than those obtained in the July 2014 debt negotiation process. Specifically, the current senior loan contract of €181 million that was last amended on July 28, 2014 was replaced with: (1) a €120 million bond maturing seven years from issue at a fixed rate of 3.875%; and (2) a new loan agreement of €80 million due at the end of 2020 at a lower variable rate than under the old loan agreement (variable rate linked to the 1M, 3M and 6M Euribor/Libor plus a spread of between 1.50% and 2.65% depending on the extent of indebtedness). The debt restructuring was finalized on March 27, 2015. The bond is listed on the Irish stock exchange and was subscribed to initially by institutional investors and the new loan contract is with "Banca IMI S.p.A." and "Unicredit".
- As a result of the above described operation, a pledge and a lien on Intercos S.p.A. and Intercos Europe S.p.A. shares for €9,064 thousand have been provided to the pool of banks as collateral for the loan which is due on December 31, 2020.
- On March 6, 2015, the Company signed a non-binding term sheet with the shareholders of the company "Hana Co. Ltd.", with registered office in Hwasung, Korea at 22-15 Juseok-ro 184beon-gil (Bukyang-dong), in which the basic terms and conditions were outlined under which the Company would be prepared to undertake a negotiation for the purchase of 20% of the share capital of Hana (through the subscription of a new issue of shares) and the creation of a joint venture with the shareholders of Hana. Subsequently, on April 17, 2015, after approval by the board of directors on April 10, 2015, the Company signed the following binding contracts with Hana shareholders: (i) "Share Subscription and Share Purchase Agreement", which governs the manner in which the Company would become shareholders of Hana, and the "Shareholders Agreement", which regulates, *inter alia*, the future corporate governance of Hana.
- On June 12, 2015 Intercos officially acquired a 20% investment in the share capital of Hana Co. Ltd. The investment is accounted for using the equity method in accordance with IFRS 11.

Milan, July 29, 2015

This Consolidated Half Year Financial Report has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.