



HALF-YEAR  
REPORT  
**2022**

**WE MAKE BEAUTY.  
BETTER.**

**intercos**  
GROUP



HALF-YEAR  
REPORT  
2022

WE MAKE BEAUTY.  
BETTER.



# CHIEF EXECUTIVE OFFICER'S LETTER



Dear Shareholders,

Our Group delivered significant growth in the first half of 2022. Revenues were up 17% on the previous year and 13% at constant exchange rates. Adjusted EBITDA also saw double-digit growth, up more than 10%.

The Group's financial structure also strengthened, with a net financial position on Adjusted EBITDA ratio decreasing to 1.18x.

In a period of significant geopolitical and economic difficulties, amid spiraling inflation, severe anti-COVID restrictions in China and a global Supply Chain crisis which has not shown signs of improvement, Intercos reports excellent results for both Q1 and Q2 of the year. Particularly, Q2 saw record revenues and Adjusted EBITDA.

Our capacity for innovation, the commitment of our team and the actions taken to deal with inflationary impacts, have allowed the Group to continue on its growth trajectory and to maintain a substantially stable margin.

This has allowed us to carry out the scheduled investments in order to strengthen the structure in view of the numerous projects planned and a second half in which further growth is expected.

The Make-up and Skincare business units report revenue growth respectively at 24% and 9%, with EBITDA growing at the same rate, thanks to profitability in line with the previous year.

The Skincare business unit returned excellent results, despite the impact of the prolonged lock-down in China, the market most exposed to this category.

Finally, the Hair & Body segment, still mainly operating on a contract manufacturing model - although reporting positive results - did not return Adjusted EBITDA growth due to a less favorable product mix than the previous year, high energy costs and a decrease in production efficiency as a result of the Supply Chain crisis.

The first half results once again confirm the strength of our business model, which despite a number of external variables, continues to deliver significantly

improving results. The resilience of the beauty market, our capacity to develop increasingly innovative products, together with a diversification of Group sales in terms of geographical areas, customer types, market segments and products sold, allows us to look to the future with confidence despite the unstable global economic environment”.

**RENATO SEMERARI**

*Chief executive*



# VISION

To be at the heart of  
beauty's favorite brands.

# MISSION

To establish lasting partnerships with the most relevant and iconic cosmetic brands, offering complete ranges of makeup, skincare and hair & body care with a global approach.

## **01** FINANCIAL STATEMENTS

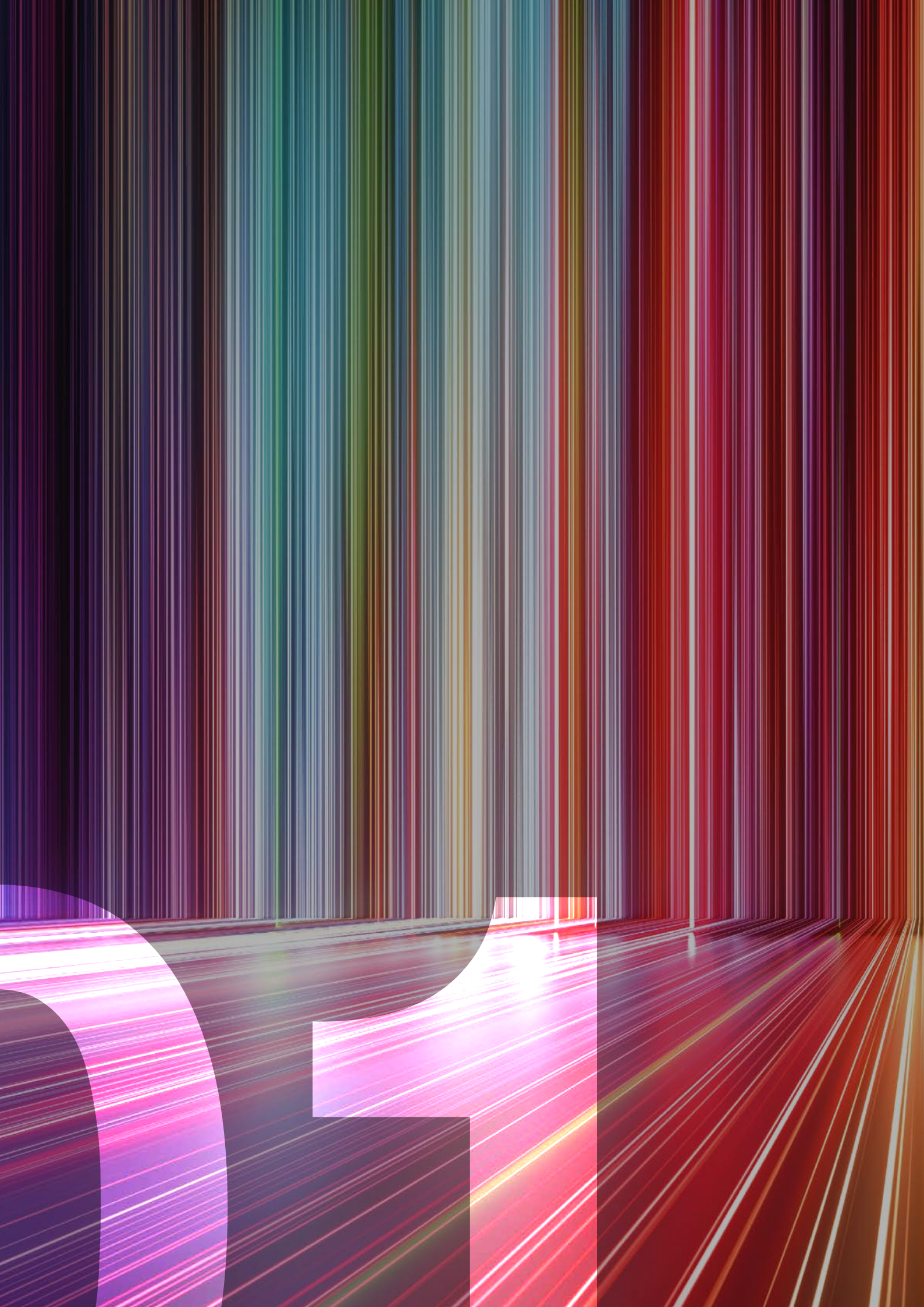
Market overview	<b>12</b>
Operating and financial performance	<b>13</b>
Intercos Group Key Financial Highlights	<b>15</b>
Significant transactions during the first half of the year	<b>26</b>
Research & Development	<b>29</b>
Personnel and Organization	<b>29</b>
Risk management and uncertainties	<b>31</b>
Corporate governance and ownership structure report of the company as per Article 123-bis of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments and supplements (CFA)	<b>46</b>
Intercos' share performance	<b>51</b>
Outlook	<b>52</b>



## 02 NOTES TO THE FINANCIAL STATEMENTS

General information	56	Bank borrowings and other lenders	88
Financial statements	60	Provisions for risks and charges (non-current)	94
<b>NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2022</b>	<b>66</b>	Revenues from sales and services	95
General information	67	Operating highlights	96
The structure of the Group	68	Income taxes	99
Basis of presentation of the Condensed Consolidated Half-Year Financial Statements	70	Related party transactions	100
Area di consolidamento	75	Earnings per share (EPS)	101
Consolidation scope	76	Board of Directors' and Board of Statutory Auditors' fees	101
Testing for the impairment of goodwill and of intangible assets with indefinite useful life	79	Commitments and guarantees	102
<b>REVIEW OF THE MAIN CONSOLIDATED FINANCIAL STATEMENT ACCOUNTS</b>	<b>80</b>	Share-based payment plans	103
Property, plant & equipment	80	Significant and subsequent transactions	103
Intangible assets	82	Other information	103
Goodwill	83	Declaration of the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements	104
Net deferred taxes	83		
Other non-current assets and liabilities	83		
Other current assets and liabilities	84		
Working capital	84		
Equity	87		

## 03 INDEPENDENT AUDITORS' REPORT





# FINANCIAL STATEMENTS

# Market overview

The economic environment and, more generally, the external factors which the Group manages on a daily basis continue to pose challenges that are difficult to foresee.

The three main cross-sector uncertainties which Intercos must consistently consider are: (i) continued crises in the global supply chain; (ii) inflation, which shows no signs of abating and which is also being driven - particularly in Europe - by the energy crises resulting from the Russia-Ukraine conflict and (iii) the zero-COVID policy in China, which inevitably affects raw material supplies and thus the efficiency of the global supply chain on the one hand, and end consumption on the other.

Finally, fears of possible recessions - mainly in the U.S. and Europe - may create short-term uncertainties in the market, though historically the beauty sector has not been significantly affected by such events.

Intercos is well equipped to deal with these crises. Specifically:

- (i) the Group's global presence has allowed it to diversify its sources of procurement and this, together with the increase in raw material stock, allows it to tackle the second half of the year with improved order execution feasibility rates on the first half of the year;
- (ii) the Group generates approx. 80% of sales through products whose formulations are developed and maintained in-house. These are therefore innovative and not-easily-replicated products. This means our significant pricing power is guaranteed, a crucial element in the context of high inflation;
- (iii) the slowdown on the Chinese market, which is considered to be temporary, shall continue to have limited impacts in view of

the reduced exposure to the Chinese customer base compared to the large beauty groups, which is also mitigated by growth in the other Asian countries, such as Korea. Furthermore, emerging brands in the west - which currently account for around 30% of the Group's turnover - are only now beginning to expand into the Chinese market, and this will benefit Intercos in the future thanks to their geographic expansion.

Finally, as regards potential recessions, historically the cosmetics market has always been resilient.

Cosmetics are accessible even during difficult moments, and are in high demand among customers who, now more than ever, are keen to go out to socialize once again.

A recession could cause a market shift away from the prestige segment and towards the mass/mastige category. Even in this event, Intercos' diversification means that total sales are divided equally between the two segments. New globalization therefore calls for a fundamental principle: diversification. The old standards of pure productive efficiency are no longer enough, while an outlook based on resilience, security, reduced interdependence and greater proximity to end markets continues to be crucial. The Group has never sought internationalization based on mere productive efficiency alone. Over time, Intercos has increased its presence across global markets in order to understand them, anticipate trends, and make products that are highly innovative, All the while remaining close to the end consumers of our long-term clients and partners, minimizing time-to-market. With sixteen production plants, twelve research centers and sixteen sales offices across the world, the Group is unique in the industry for its geographic, product and customer diversification.





## Operating and financial performance

The Intercos Group continues to pursue its strategy focused on innovation and greater diversification by customer, product category and geographic area. The operating-financial indicators during the first half of the year have thus further improved, in spite of the significant levels of uncertainty both domestically and internationally.

Group sales **revenues** in the first half of 2022 totaled Euro 367,948 thousand, increasing Euro 53,342 thousand (+17%). Despite the continued general economic uncertainty, revenues during the first half of the year grew across all regions and business units.

All business areas reported higher sales, with Make-up (+24%) particularly reporting its best revenues since the outbreak of the pandemic, followed by the Skincare business unit (+8.8%), which saw growth despite the lockdown in China, resulting in a slight decline in Q2 against the same period of the previous year, while finally the Hair & Body business unit was up 3.5%. Excluding the exceptional hand sanitizer sales as a result of the pandemic, the Hair & Body business unit grew 9.4%. For further details, reference should be made to paragraph “*Intercos Group Key Financial Highlights*” of the Directors' Report.

The **industrial gross profit** in the first half of the year was Euro 76,360 thousand (20.8% margin), compared to Euro 66,716 thousand in the comparative period (21.2% margin), increasing Euro 9,643 thousand (+14.5%) and with the margin decreasing 0.5 percentage points. This reduction is mainly due to the contraction in the Hair & Body business unit margin.

**EBITDA** totaled Euro 45,149 thousand, up 19% on the comparative period (12.3% margin).

Management uses adjusted EBITDA in this half-year financial report as an alternative performance measure. This supports a better assessment of the Group's operating and financial performance.

**Adjusted EBITDA** totaled Euro 48,650 thousand (13.2% margin), increasing Euro 4,566 thousand or 10.4% on Euro 44,084 thousand in the previous year (14% margin), with the margin contracting 0.8 percentage points against the comparative period.

The decrease in the margin reflects the industrial gross profit and mainly relates to the reduced profitability of the Hair & Body business unit, which has temporarily suffered lower productivity due to the difficulty in sourcing production materials and on the basis of the product mix and rising energy costs.

**EBIT** was Euro 24,441 thousand (6.6% margin), compared to Euro 18,251 thousand in the first half of 2021 (5.8% margin), with the margin increasing 0.8 percentage points and overall by Euro 6,190 thousand (+33.9%). In addition to that indicated for adjusted EBITDA, operating income of Euro 5,898 thousand is reported during the first half of the year, reflecting an increase of Euro 3,053 thousand on Euro 2,845 thousand for the same period of the previous year. In addition, lower non-recurring charges of Euro 3,501 thousand were incurred in the first half of the year, compared to Euro 6,250 thousand in the first half of 2021, with a decrease of Euro 2,749 thousand.

In this regard, in 2021 the Board of Directors of the parent company Intercos S.p.A. approved a new performance shares plan, applicable from the Listing date (November 2, 2021), in order to incentivize and retain key Group personnel. In application of this plan, during the first half of 2022 and subject to the setting and communication of the new targets and duration of the new plan, non-recurring charges of Euro 1,580 thousand were provisioned. In addition, the Group in the first half of the year reported non-recurring charges of Euro 1,959 thousand, mainly relating to the internal reorganization of personnel for Euro 1,020 thousand, the grant for the people of Ukraine for Euro 200 thousand, while finally costs were incurred to the income statement of Euro 634 thousand for the stock market listing and specifically with regards to the CONSOB supervisory contribution for 2022.

The **Net Profit** amounted to Euro 18,221 thousand (Euro 17,443 thousand in the comparative period), up Euro 778 thousand (+4.5%). The increase in the net profit is due to the improved net income outlined above, which increased Euro 5,802 thousand on the first half of 2021 and the improvement in net financial income, supported by exchange gains, of Euro 4,673 thousand compared to the previous period, which more than offset the low cost of debt.

These impacts were partially offset by increased income taxes, amounting to a charge of Euro 8,379 thousand, rising Euro 10,083 thousand compared to the first half of 2021, which benefitted from the realignment of the tax values to the increased value of assets recognized to the financial statements. This operation led to the recognition of deferred taxes of Euro 13,511 thousand.

Excluding non-recurring charges from the two periods, net of their tax effect, the profit for the first half of the 2022 would amount to Euro 20,753 thousand (Euro 13,438 thousand in the first half of 2021), increasing Euro 7,315 thousand (+54.4%). The revenue margin would amount to 5.6%, compared to 4.3% in the comparative period (increasing 1.3 percentage points).

**Capital expenditure** on tangible and intangible assets for the period amounted to Euro 21,031 thousand (Euro 15,279 thousand and Euro 5,752 thousand respectively), of which Euro 3,182 thousand related to the application of IFRS 16.

The **net financial (debt) position** of Euro 125,102 thousand compares to Euro 126,648 thousand in 2021 (decreasing 1.2%), with a leverage ratio of 1.18 against adjusted EBITDA (1.25 at December 31, 2021). Excluding financial payables from the application of IFRS 16 for operating leases (Euro 26,759 thousand), the net financial debt would amount to Euro 98,341 thousand, with a leverage ratio of 0.93

During the first half of 2022 i) the parent company repaid the capital portions of credit lines for Euro 8,000 thousand, relating to the Line A loan; ii) the subsidiary Intercos Korea Inc. repaid capital portions of Euro 9,498 thousand. The subsidiaries repaid short-term bilateral credit lines totaling Euro 23,021 thousand. For further details, reference should be made to paragraph *“Bank borrowings and other lenders”* in the Explanatory Notes.

The credit lines in place at the date of these financial statements, accessed by the Parent Company in order to deal with the economic





and health emergency and relaunch the Group's strategic action, are summarized below:

### Credit line

(in Euro thousands)	Nominal value	Nominal rate	Euribor/Libor rate
BNL loan	30,000	0.90%	0.00%
<b>Total</b>	<b>30,000</b>		

The Group's **equity** at June 30, 2022 amounts to Euro 391,013 thousand, compared to Euro 357,820 thousand at December 31, 2021, increasing by Euro 33,193 thousand (+9.3%). This movement is mainly due to the net profit

for the period (Euro 18,221 thousand) and the actuarial reserve, net of the tax effect (Euro 3,324 thousand), the LTIP plans reserve (Euro 1,580 thousand) and finally the translation reserve (Euro 4,902 thousand).

## Intercos Group Key Financial Highlights

Alternative performance measures, not covered by IFRS, are used by management for a better assessment of the Group's operating and financial performance and are in line with the Group's performance policies and control parameters. These measures should not be considered to replace those set out in the IFRS.

The alternative performance measures not stemming directly from the financial statements are outlined below:

- **EBITDA:** the pre-tax result, before financial income and charges, without any adjustment and before amortization, depreciation and write-downs. EBITDA also excludes income and charges from managing non-consolidated equity investments and securities, in addition to the results from the sale of consolidated equity investments, classified

in the financial statements under "financial income and charges" or, for the results only of the investments valued at equity (non-operative), within the "effects of the valuation of investments at equity" item.

- **Adjusted EBITDA:** EBITDA after, as defined above, the following items (where applicable):
  - any impairment of goodwill;
  - amortization of the portion of the purchase price allocated to intangible assets as part of business combinations, as established by IFRS 3;
  - restructuring charges, as part of defined and relevant plans;
  - other non-recurring charges or income, i.e., due to particularly significant events outside of core operations.

- **Adjusted net profit (loss)** is obtained by excluding the components assessed by the Company as of a non-recurring nature, i.e., particularly significant events outside of core operations, net of the relative tax impacts;
- **Operating Working Capital** includes inventories and trade receivables and payables;
- **Net Working Capital:** operating working capital net of other current assets and liabilities;
- **Net capital employed:** the sum of non-current assets, non-current liabilities and Net Working Capital;
- **Net debt (cash) or net financial position:** the sum of current and non-current financial payables, net of short and long-term financial receivables, including cash and cash equivalents;
- **Workforce:** the number of employees on the employee register on the last day of the period.

(K€)	Period ending June 30, 2022	Period ending June 30, 2021	Change
<b>Revenues</b>	<b>367,948</b>	<b>314,606</b>	<b>53,342</b>
<b>EBITDA</b>	<b>45,149</b>	<b>37,834</b>	<b>7,315</b>
<b>Adjusted EBITDA</b>	<b>48,650</b>	<b>44,084</b>	<b>4,566</b>
<i>% of revenues</i>	<i>13.2%</i>	<i>14.0%</i>	<i>-0.8%</i>
<b>EBIT</b>	<b>24,441</b>	<b>18,251</b>	<b>6,190</b>
<i>% of revenues</i>	<i>6.6%</i>	<i>5.8%</i>	<i>0.8%</i>
<b>EBT</b>	<b>26,600</b>	<b>15,738</b>	<b>10,863</b>
<i>% of revenues</i>	<i>7.2%</i>	<i>5.0%</i>	<i>2.2%</i>
<b>Net Profit</b>	<b>18,221</b>	<b>17,443</b>	<b>780</b>
<i>% of revenues</i>	<i>5.0%</i>	<i>5.5%</i>	<i>-0.6%</i>
<b>Adjusted Net Profit</b>	<b>20,753</b>	<b>13,438</b>	<b>7,315</b>
<i>% of revenues</i>	<i>5.6%</i>	<i>4.3%</i>	<i>1.4%</i>

(K€)	6/30/2022	12/31/2021	Change
<b>Net working capital</b>	<b>115,833</b>	<b>90,993</b>	<b>24,839</b>
<i>Net working capital turnover rate</i>	<i>6.28</i>	<i>7.40</i>	<i>-1.13</i>
<b>Net capital employed</b>	<b>516,115</b>	<b>484,468</b>	<b>31,645</b>
<b>Non-current assets</b>	<b>421,732</b>	<b>417,668</b>	<b>4,064</b>
<b>Total net financial position (excluding IFRS 16 effects)</b>	<b>98,341</b>	<b>100,344</b>	<b>(2,003)</b>
<b>Net financial position</b>	<b>125,102</b>	<b>126,648</b>	<b>(1,546)</b>

	6/30/2022	12/31/2021	Change
<b>Workforce (number)</b>	<b>3,719</b>	<b>3,540</b>	<b>151</b>
<b>Basic and diluted earnings per share (in Euro)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.01</b>





Additional disclosure on the operating, equity and financial situation of the Group is provided below in the reclassified “Consolidated income statement”, “Consolidated statement of financial position”, “Consolidated net financial debt” and the “Reclassified consolidated statement of cash flow”.

(K€)	Period ending June 30, 2022	Period ending June 30, 2021
<b>Revenues</b>	<b>367,948</b>	<b>314,606</b>
Cost of sales	(291,588)	(247,890)
<b>Industrial Gross Profit</b>	<b>76,360</b>	<b>66,716</b>
<i>% of revenues</i>	20.8%	21.2%
Research, Development and Innovation Costs	(18,384)	(16,936)
Selling Expenses	(13,825)	(11,651)
General and Administrative Expenses	(22,106)	(16,472)
Other net operating income/(charges)	2,397	(3,406)
Effects of investments measured at equity (operating)	-	-
<b>EBIT</b>	<b>24,441</b>	<b>18,251</b>
<i>% of revenues</i>	6.6%	5.8%
Amortization, depreciation and write-downs (***)	(20,708)	(19,583)
<b>EBITDA (*)</b>	<b>45,149</b>	<b>37,834</b>
Non-recurring charges	(3,501)	(6,250)
<b>Adjusted EBITDA (*)</b>	<b>48,650</b>	<b>44,084</b>
<i>% of revenues</i>	13.2%	14.0%
Net financial income/(charges) (**)	2,160	(2,513)
Profits from equity investments	-	-
<b>EBT</b>	<b>26,600</b>	<b>15,738</b>
Income taxes	(8,379)	1,705
<b>Net Profit</b>	<b>18,221</b>	<b>17,443</b>
Of which:		
- Owners of the parent	18,113	17,455
- Non-controlling interests	108	(12)
Earnings per share (in Euro):		
Basic and diluted	0.19	0.19

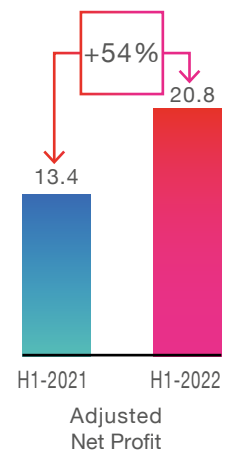
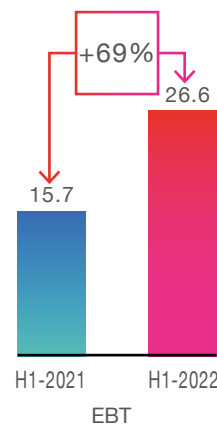
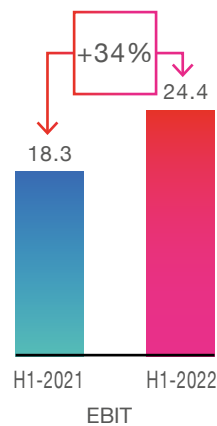
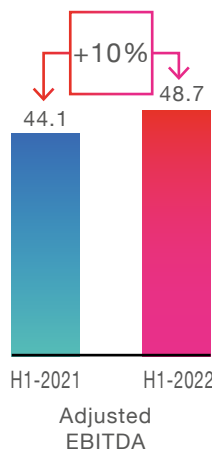
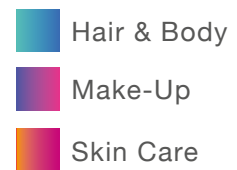
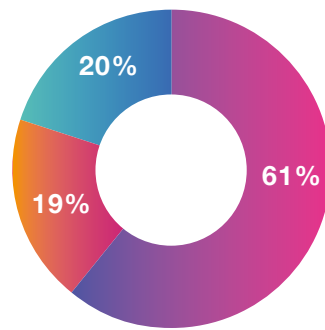
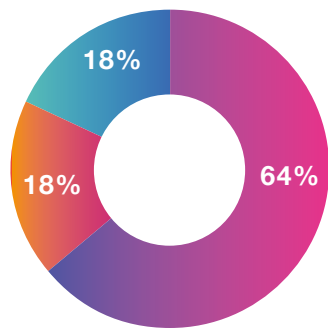
(\*) For further details, reference should be made to page 15.

(\*\*) The sum of financial income and charges without any adjustment.

(\*\*\*) All functional areas include their share of amortization and depreciation, which are restated below for the EBITDA figure.

H1 2022 Revenues  
**€ 367,9 M**

H1 2021 Revenues  
**€ 314,6 M**



Group sales **revenues** in the first half of the year totaled Euro 367,948 thousand, increasing Euro 53,342 thousand (+17%). Despite the continuing global economic challenges posed by the global supply chain crisis and the fresh extensive lockdowns in China which impacted Q2, revenues in the first half of the year again benefitted from the economic recovery and particularly of the Beauty market, across almost all regions.

All business areas reported higher sales, with Make-up (+24%) particularly reporting

its best revenues since the outbreak of the pandemic, followed by the Skincare business unit (+8.8%), which saw growth despite the lockdown in China, resulting in a slight decline in Q2 against the same period of the previous year, while finally the Hair & Body business unit was up 3.5%. Excluding the exceptional Hand Sanitizer sales as a result of the pandemic, the Hair & Body business unit grew 9.4%. For further details, reference should be made to paragraph “*Intercos Group Key Financial Highlights*” of the Directors’ Report.





The breakdown of revenues for the first half of 2022, compared with the first half of 2021, by **region** is presented below. The Group opted to represent sales by region from a commercial viewpoint, basing revenues according to the region in which the client has its headquarters.

### Revenues by Region

(in Euro thousands) Revenues by Region	Period ending	
	June 30, 2022	June 30, 2021
Americas	124,502	96,383
EMEA	176,661	157,464
Asia	66,785	60,759
<b>Total</b>	<b>367,948</b>	<b>314,606</b>

- Group revenues in the Americas totaled Euro 124,502 thousand in 2022, compared to Euro 96,383 thousand in 2021, increasing Euro 28,119 thousand (+29.1%), mainly due to the recovery in the Americas as a result of the re-openings and the vaccine campaigns which got underway well in advance of the other regions. This drove significantly higher sales compared to the first half of 2021 and mainly among the Multinational Brands and the Emerging Brands, both on the mass market and prestige segments.
  - Group revenues in the EMEA region totaled Euro 176,661 thousand in 2022, compared to Euro 157,464 thousand in 2021, increasing Euro 19,197 thousand (+12.2%), benefitting from the revenue growth generated particularly by the Emerging Brands clients.
  - Group revenues in Asia totaled Euro 66,785 thousand in 2022, compared to Euro 60,759 thousand in 2021, increasing Euro 6,026 thousand (+9.9%), mainly due to the excellent results of the subsidiary Intercos Korea and particularly on the Make-up segment, which offset the impacts from the lockdowns in China throughout Q2.
- Revenues by **customer type** for the first half of 2022 compared with the previous period are presented below:

### Sales Analysis by Customer

(in Euro thousands) Revenues by Customer	Period ending	
	June 30, 2022	June 30, 2021
Multinational Brands	182,302	162,883
Emerging Brands	123,995	94,607
Retailers	61,651	57,116
<b>Total</b>	<b>367,948</b>	<b>314,606</b>

- Group revenues generated by the Multinationals totaled Euro 182,302 thousand in 2022, compared to Euro 162,883 thousand in 2021, increasing Euro 19,419 thousand (+11.9%). This improvement is mainly due to the recovery of sales, driven principally by Make-up business unit revenue growth and by the American and Korean clients.
- Group revenue generated by the Emerging Brands totaled Euro 123,995 thousand in 2022, compared to Euro 94,607 thousand in 2021, up Euro 29,388 thousand (+31.1%), confirming its position as the main growth

driver and mainly comprising American and European client sales and particularly in the prestige segment.

- Group revenues generated by the Retailers amounted to Euro 61,651 thousand in 2022, compared to Euro 57,116 thousand in 2021, an increase of Euro 4,535 thousand (+7.9%), mainly owing to the progressive reopening of sale points.

Finally, revenues by **Business Unit** for the first half of 2022 compared with the comparative period are presented below:

### Sales Overview by Business Unit

(in Euro thousands) Revenue by Business Unit	Period ending	
	June 30, 2022	June 30, 2021
Make up	236,575	190,759
Skin care	65,313	60,045
Hair and Body	66,060	63,802
<b>Total</b>	<b>367,948</b>	<b>314,606</b>

It should be borne in mind that the Group is one of the leading business-to-business (B2B) operators internationally in the creation, production and marketing of cosmetics (color cosmetics) and skincare products, in addition to hair and body care products (Hair&Body), for leading domestic and international brands, emerging brands and retailers serving the cosmetics market and the wider beauty sector.

At June 30, 2022, the Group operates through the following business units:

- (i) **Make Up:** Specializes in the creation, research, development, manufacture and marketing of face and eye powder products, foundations, lipsticks, mascaras, nail polish-

es and delivery systems, the latter used for the face, eyes and lips. The Make Up business unit in turn comprises six business segments, each corresponding to one or more product categories: Powders, Wet Powders, Foundations, Lipsticks, Delivery Systems (including Mascaras) and Nail Lacquers;

- (ii) **Skincare:** specialized in the creation, research, development, production and marketing mainly of creams, serums and cosmetic and dermocosmetic lotions;
- (iii) **Hair&Body:** specialized in the production, and more recently also in the creation and research, of hair and body care products, in which the Group has been involved since the second half of 2017 following the acquisition of the Cosmint Group.





The Intercos Group production facilities number 16, located across three continents, of which 7 in Europe, 6 in Asia, and 3 in the Americas (2 in North America and 1 in South America), for a total production area of approx. 220,000 sq. m. The production locations reflect the Group's clear decision to serve the

most developed geographical areas and to operate close to its main clients.

The breakdown of each segment for the first half of 2022 and for the first half of 2021 is presented below.

(in Euro thousands)	Period ended June 30, 2022			
	Make up Line	Skin Care Line	Hair & Body Line	Total
Revenues	236,575	65,313	66,060	367,948
Adjusted EBITDA (*)	33,321	8,673	6,656	48,650
Amortization and depreciation	(13,555)	(3,377)	(3,776)	(20,708)
Other non-recurring income/(expenses)				(3,501)
Financial income/(expenses)				2,160
Income taxes				(8,379)
Net profit for the period				18,221
Net capital employed at 6/30/2022	339,439	93,216	83,458	516,115

(in Euro thousands)	Period ended June 30, 2021			
	Make up Line	Skin Care Line	Hair & Body Line	Total
Revenues	190,759	60,045	63,802	314,606
Adjusted EBITDA (*)	26,915	7,964	9,205	44,084
Amortization and depreciation	(12,709)	(3,110)	(3,764)	(19,583)
Other non-recurring income/(expenses)				(6,250)
Financial income/(expenses)				(2,513)
Income taxes				1,705
Net profit for the period				17,443
Net capital employed at 12/31/2021	317,319	90,228	76,921	484,468

(\*) Adjusted EBITDA is not a GAAP measure and comprises the operating result before amortization, depreciation and write-downs, adjusted by charges and/or income considered by management as non-recurring.

The **Make-up business unit** Group revenues for the Make-up business unit totaled Euro 236,575 thousand for the first half of 2022, compared to Euro 190,759 thousand for the first half of 2021, increasing therefore by Euro 45,816 thousand (+24%). The business unit's growth was driven in the first half of the year by all regions and all client types reported significant growth, particularly the Multinationals and Emerging Brands in North America and Europe.

Adjusted EBITDA was Euro 33,321 thousand, up Euro 6,406 thousand on the first half of 2021 (+23.8%), against Euro 26,915 thousand in the first half of 2022. The Adjusted EBITDA margin was 14.1% in the first half of 2022, unchanged on the comparative period (14.1% in the first half of 2021), despite the supply chain management difficulties and the lockdowns in China impacting Q2 2022.

The **Skincare business unit**: Group Skincare business unit revenues totaled Euro 65,313 thousand for the first half of 2022, compared to Euro 60,045 thousand in the first half of 2021, increasing Euro 5,268 thousand (+8.8%) and partially offset by the lockdown in China which saw volumes decline in Q2 2022.

Adjusted EBITDA was Euro 8,673 thousand, increasing Euro 709 thousand (+8.9% on the first half of 2021). The adjusted EBITDA

margin was 13.3% in the first half of 2022, remaining substantially unchanged on the same period of the previous year (+13.3% on the first half of 2021), despite the substantial inflationary impacts across all business sectors.

The **Hair & Body business unit**: Group Hair & Body business unit revenues amounted to Euro 66,060 thousand in the first half of 2022, compared to Euro 63,802 thousand in the first half of 2021, increasing Euro 2,258 thousand (+3.5%). The slight increase in sales relates to lower hand sanitizer sales, which were stronger in Q1 2021 as belonging to a product category focused on curbing infection. Excluding the exceptional sales in the initial three months of 2021, related to the hand sanitizer sales in view of the pandemic, the business unit would have grown 9.4%.

Adjusted EBITDA was Euro 6,656 thousand, compared to Euro 9,205 thousand in the first half of 2021, decreasing Euro 2,549 thousand (-27.7%). The adjusted EBITDA margin was 10.1% in the first half of 2022 (14.4% in the first half of 2021), decreasing 4.4 percentage points. This is mainly due to the fact that the Hair & Body business unit is based on an essentially contract manufacturing business model and is exposed more to changes in the product mix, in production efficiency and to energy price movements.





## Reclassified Consolidated Statement of Financial Position

(in Euro thousands)	6/30/2022	12/31/2021
<b>Fixed Assets</b>	<b>389,622</b>	<b>385,956</b>
Inventories	186,283	142,859
Trade receivables	123,969	120,145
Trade payables	(157,000)	(149,059)
<b>Operating working capital</b>	<b>153,252</b>	<b>113,945</b>
Other net current assets and liabilities (*)	(37,419)	(22,952)
<b>Net working capital</b>	<b>115,833</b>	<b>90,993</b>
Other net non-current assets and liabilities (**)	8,544	5,467
Investments in third party companies	2,116	2,052
<b>Net capital employed</b>	<b>516,115</b>	<b>484,468</b>
<b>Equity</b>	<b>391,013</b>	<b>357,820</b>
Cash and cash equivalents	(159,838)	(206,979)
Financial payables	284,940	333,627
<b>Net financial position</b>	<b>125,102</b>	<b>126,648</b>
<b>Total sources</b>	<b>516,115</b>	<b>484,468</b>

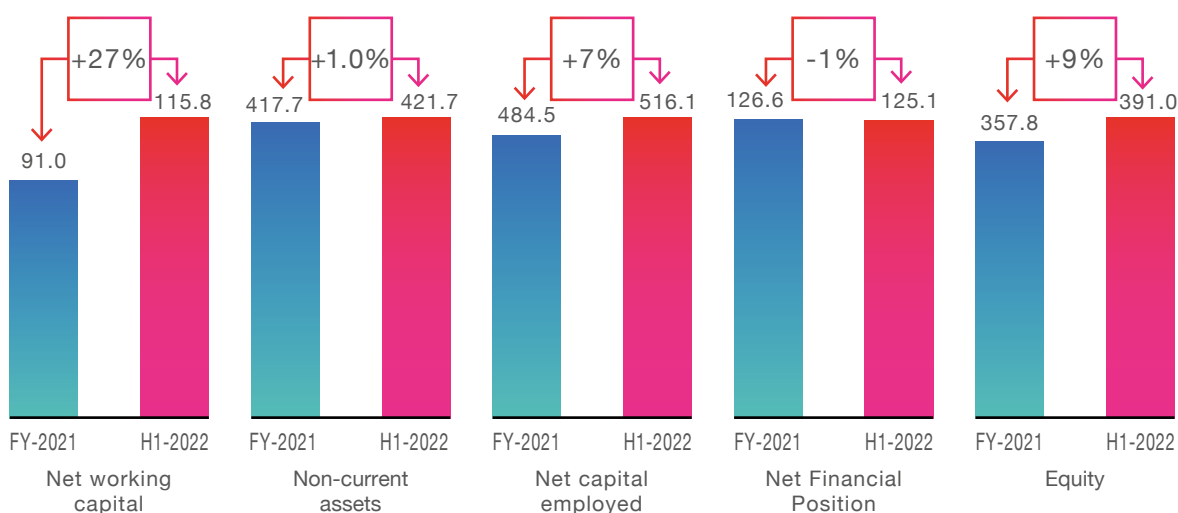
## Ratios

Fixed assets / Capital employed	75.49%	79.67%
Net Financial Position / NE	0.32	0.35
Capital Employed / NE	1.32	1.35
Operating working capital / Revenues	21.08%	16.91%
Net Working Capital / Revenues	15.93%	13.51%

Notes on the reconciliation between the reclassified consolidated balance sheet and the consolidated balance sheet:

(\*) Includes the items "Other current assets" and "Other current liabilities".

(\*\*) Includes the items "Deferred tax assets", "Other non-current receivables", "Provisions for risks and charges", "Deferred tax liabilities", "Other non-current liabilities", "Employee benefits".



**Net capital employed** at June 30, 2022 was Euro 516,115 thousand, increasing Euro 31,647 thousand on Euro 484,468 thousand in the same period of the previous year. This increase was a result of the increase in net working capital of Euro 24,840 thousand (+27.3% on Euro 90,993 thousand in the first half of 2021) to Euro 115,833 thousand, mainly due to the higher stock levels in the first six months of 2022 to deal with the supply chain instability.

The **net financial (debt) position** of Euro 125,102 thousand compares to Euro 126,648 thousand in 2021 (decreasing 1.2%), with a leverage ratio of 1.18 against adjusted EBITDA (1.25 at December 31, 2021). Excluding financial payables from the application of IFRS 16

for operating leases (Euro 26,759 thousand), the net financial debt would amount to Euro 98,341 thousand, with a leverage ratio of 0.93. During the first half of the year i) the parent company repaid the capital portions of credit lines for Euro 8,000 thousand, relating to the Line A loan; ii) the subsidiary Intercos Korea Inc. repaid capital portions of Euro 9,498 thousand.

The subsidiaries repaid short-term bilateral credit lines totaling Euro 23,021 thousand. For further details, reference should be made to paragraph “*Bank borrowings and other lenders*” in the Explanatory Notes.

The net financial debt at June 30, 2022 was as follows:

### Net financial debt

K €	6/30/2022	12/31/2021
Cash and cash equivalents	(159,838)	(206,979)
Net current financial liabilities to banks and other lenders	69,022	79,713
<b>Current financial debt</b>	<b>(90,816)</b>	<b>(127,266)</b>
Non-current financial liabilities to banks and other lenders	215,918	253,914
<b>Non-current financial debt</b>	<b>215,918</b>	<b>253,914</b>
<b>Net debt (cash)</b>	<b>125,102</b>	<b>126,648</b>



**Reclassified consolidated statement of cash flow at June 30, 2022 and June 30, 2021**

(in Euro thousands)	Period ended June 30, 2022	Period ended June 30, 2021	Change
<b>Adjusted EBITDA</b>	<b>48,650</b>	<b>44,079</b>	<b>4,571</b>
Adjustments(*)	(1,689)	(4,960)	3,272
Change in Trade Working Capital(**)	(39,306)	(9,875)	(29,431)
Other changes in Working Capital (***)	14,505	7,480	7,025
Investments****	(21,031)	(17,431)	(3,600)
<b>Cash flow from operating activities</b>	<b>1,129</b>	<b>19,292</b>	<b>(18,163)</b>
Other changes in long-term assets/liabilities	(3,115)	(4,299)	1,184
Financial charges	2,159	(2,514)	4,673
Fees	(8,379)	1,705	(10,084)
Other changes Net Equity and other	9,713	5,426	4,288
<b>Net cash flow</b>	<b>1,508</b>	<b>19,610</b>	<b>(18,101)</b>

(\*) Considering only the portion of EBITDA adjustments with cash impact and amounting to Euro 1,689 thousand for the first half of 2022, out of total cash and non-cash adjustments of Euro 3,501 thousand. In the same period of the previous year, out of total adjustments of Euro 6,250 thousand, Euro 4,960 thousand had cash impacts.

(\*\*) "Change in Trade Working Capital" calculated as the change in the balances as per the "Reclassified Consolidated Statement of Financial Position" at page 23 to the "Operating Working Capital" account.

(\*\*\*) "Other Changes in Working Capital" calculated as the change in the balances as per the "Reclassified Consolidated Statement of Financial Position" at page 23 to the "Other Net Current Assets and Liabilities" account.

(\*\*\*\*) "Investments" reports the increases in the period to June 30, 2022 of Property, Plant and Equipment and of Intangible Assets.

Net cash flow of Euro 1,508 thousand was generated during the first half of the year, following an absorption of cash of Euro 28,200 thousand in Q1 2022 and a generation of cash of Euro 29,700 thousand in Q2 2022.

Compared to the first half of 2021, operating cash flow in the first six months decreased Euro 18,163 thousand, mainly due to the higher stock levels in the first six months of the year in order to deal with the significant order levels amid supply chain unreliability, and increased investments, which totaled (also for the first six months of the year) Euro 21,031 thousand.

## Significant transactions during the first half of the year

- On March 23, 2022, the Board of Directors of Intercos S.p.A. and, in addition, the Boards of Directors of the subsidiaries Intercos Europe S.p.A. and Cosmint S.p.A., approved the updated versions of their respective organization, management and control models as per Legislative Decree No. 231 of 2001.
- On March 23, 2022, the Board of Directors of Intercos S.p.A. verified the achievement of the consolidated EBITDA and Net financial position objectives at December 31, 2021, as per Article 9 of the “2018-2022 Performance Shares Plan” regulation, approving the issue, with effect from March 24, 2022, of 515,657 shares, executing the share capital increases (of which one paid-in) approved by the Extraordinary Shareholders’ Meeting of Intercos S.p.A. of July 20, 2021 in support of the above-stated “2018-2022 Performance Shares Plan” for their allocation to the beneficiaries. Upon completion of the share capital increases to service the “2018-2022 Performance Shares Plan” plan, the share capital of Intercos will amount to Euro 11,300,256, divided into 96,257,950 ordinary shares, with no indication of nominal value, corresponding to 135,028,355 voting rights.
- On March 24, 2022, in application of the “Sell to cover” mechanism stipulated in the “2018-2022 Performance Shares Plan” regulation, a portion of the shares vesting to beneficiaries of the plan was sold to cover the tax costs to be borne by the beneficiaries related to the allocation of the newly issued shares. The Chairperson of the Board of Directors Mr. Dario Gianandrea Ferrari proceeded to purchase the shares at a price corresponding to the allocation tax value, through off-market transactions governed through the broker in charge of the financial management of the plan in order to limit possible fluctuations in the share price for reasons other than the company’s actual performance. This allows, finally, the beneficiaries of the “2018-2022 Performance Shares Plan” to flexibly satisfy the costs related to the vesting of the shares. As a result of this purchase, the Chairperson of the Board of Directors Mr. Dario Gianandrea Ferrari now personally holds 192,488 shares, corresponding to 192,488 voting rights. In relation to this transaction, Mr. Dario Gianandrea Ferrari requested enrolment in the multi-vote shares list, set up and maintained in compliance with Article 143-*quater* of the Issuers’ Regulation, which includes the shareholders and all those who, on the basis of a real right permitting the exercise of the right to vote, intend to avail of multi-voting rights for all or a portion of their holding. This transaction is outlined in the disclosure on persons requesting enrolment in the multi-vote list, updated on April 1, 2022 and published on the company’s website at [www.intercos-investor.com](http://www.intercos-investor.com), in the “Governance” section.
- On March 8, Intercos S.p.A. announced that it had received an update of its sustainability rating from Ecovadis, one of the leading ESG rating agencies and among the most respected in the cosmetics industry, which for the fourth consecutive year confirms a significant improvement in the Group performance. The effective roll out of the sustainability plan has therefore enabled Intercos S.p.A. to obtain the Platinum medal, the highest recognition on the Ecovadis value scale, placing the Group in the top 1% of cosmetic companies globally in terms of sustainability performance.





- In March 2022, Raffles Blue Holdings Limited, a vehicle company headed by Gic Blue Holdings Pte Ltd, exercised its right to convert, through withdrawal, the shares held in Dafe 4000 and Dafe 5000 respectively, into an equivalent number of shares of Intercos S.p.A. This withdrawal transaction and consequent conversion took place as per the By-Laws of Dafe 4000 and Dafe 5000 respectively, and the shareholders' agreement signed on October 13, 2021 between Dafe 3000 S.r.l, Dario Gianandrea Ferrari, Gic Blue Holdings Pte Ltd and Raffles Blue Holdings Limited.

Therefore, on April 1, 2022, Dafe 4000 and Dafe 5000 requested the cancellation of a total of 7,963,292 ordinary shares of Intercos S.p.A. with multi-voting rights, which, as a result of and in execution of the above transaction, were allocated to Raffles Blue Holdings Limited.

This also resulted in a decrease in the total amount of voting rights of Intercos' shares from 135,028,355 to 127,065,063. For completeness, at the date of this Half-Year Financial Report at June 30, 2022, the share capital of the company amounts to Euro 11,300,256.00, comprising 96,257,950 ordinary shares, without par value, of which: 65,450,837 ordinary shares without multi-voting rights and 30,807,113 ordinary shares with multi-voting rights.

On June 6, 2022, following the completion of the above procedure for the withdrawal of Raffles Blue Holdings Limited from Dafe 4000 and Dafe 5000, the Shareholders' Agreement definitively concluded, as per the notice of termination available on the Company's website at [www.intercos-investor.com](http://www.intercos-investor.com), "Governance" section, in addition to the "1INFO" authorized storage mechanism available at [www.1info.it](http://www.1info.it).

Following the exercise of the right of withdrawal from the companies Dafe4000 S.r.l. and Dafe

5000 S.r.l. by Raffles Blue Holdings Limited, in addition to the purchases made by Dario Gianandrea Ferrari on March 24, 2022, Dario Gianandrea Ferrari has - directly and through the companies he directly and indirectly controls, Dafe 3000 S.r.l, Dafe 4000 S.r.l. and Dafe 5000 S.r.l. - a holding in Intercos S.p.A. equal to 48.642% of the total voting rights. As a result of that outlined above, Dario Gianandrea Ferrari effectively controls Intercos S.p.A., through a shareholding (direct and indirect) that enables him to exercise a dominant influence at the ordinary shareholders' meeting of Intercos S.p.A., as also reflected in the declarations made by him pursuant to Article 120 of Legislative Decree No. 58/1998

- On April 12, 2022, Intercos announced that it had finalized a commercial agreement with the fashion house Dolce&Gabbana. The business agreement sees the Intercos Group partnering with Dolce&Gabbana for the development and production of fragrances and other Hair&Body products. This collaboration will complement that in place for many years between the Dolce&Gabbana brand and the Intercos Group in the make-up segment. The commercial contract covers a five-year period until December 31, 2027 and will generate additional business volumes for Intercos mainly from 2023.
- Mr. Daniel Gregory Pettifer, Global Senior Vice President, Industrial Operations and identified as a "senior executive", resigned on May 5, 2022, with effect from June 1, 2022, in order to undertake new professional challenges. For the purpose of replacing Mr. Daniel Gregory Pettifer, the Company has already identified possible candidates within the Group and, in the coming months, a new appointment will be made. From June 1, 2022 and until the date of the appointment of the new Global Senior Vice President Industrial Operations who will replace Daniel Gregory Pettifer, the above-mentioned position will be held *ad in-*

*terim* by the Chief Executive Officer Mr. Renato Semerari who has declared his availability to temporarily cover the role. Details upon the resignation of Mr. Daniel Gregory Pettifer were announced in a press release on May 5, 2022, available on the company's website at [www.intercos-investor.com](http://www.intercos-investor.com), "Press Release" section, in addition to the "1INFO" authorized storage mechanism at [www.1info.it](http://www.1info.it).

- In June 2022, C.R.B. S.a. achieved Carbon Neutrality at its plant in Switzerland and thereby contributing to the Group objective of cutting greenhouse gas emissions by 2025. The goal was achieved by sourcing energy from renewable sources, an initiative that has already led to a 90% reduction in greenhouse gas emissions compared to 2018. The remaining direct and indirect gas emissions from energy consumption will be offset through certified decarbonization projects, which will see the Intercos Group become increasingly involved and active in the transition to a low-carbon economy. This project is part of a wider program in which the Intercos Group is continuing its efforts to decrease its carbon footprint, to improve the recovery of waste generated, and to use sustainable ingredients in its products.

- Following the resignation of the statutory auditor Ms. Maria Maddalena Gnudi on April 21, 2022 as a result of unexpected professional commitments, the alternate auditor Ms. Monica Manzini assumed the role of statutory auditor as per Article 2401 of the Civil Code. Ms. Monica Manzini remained in office until the subsequent Shareholders' Meeting of April 29, 2022 and *in prorogatio* until the Shareholders' Meeting of June 29, 2022, which by unanimous vote of those present, approved the supplementation of the Board of Statutory Auditors of the company as per Article 2401 of the Civil Code, appointing, on the proposal presented by the shareholder Dafe 4000 S.r.l., with a holding representing 35.9% of the company's voting rights (and therefore without undertaking slate voting), Ms. Monica Manzini as statutory auditor, and Ms. Francesca Pischedda as alternate auditor. Ms. Monica Manzini and Ms. Francesca Pischedda shall remain in office until the conclusion of mandate of the Board of Statutory Auditors of Intercos S.p.A. currently in office and, therefore, until the Shareholders' Meeting called to approve the 2023 Annual Accounts.





## Research & Development

The Group in the first half of 2022 continued to invest in new products and technologies, confirming its international leadership in terms of innovation.

With regards to the “Development costs” item on the Group balance sheet, an investment project has been rolled out focused on the following:

- The research of new production technologies for the development of new products;
- The research of new raw materials and new formulas for the development of new products.

Group investment in intangible assets during the first half of the year totaled Euro 5,752 thousand and mainly concerned:

- development for Euro 2,774 thousand, mainly by the parent company Intercos S.p.A. (Euro 724 thousand), by Vitalab S.r.l. (Euro 260 thousand), by Cosmint S.p.A. (Euro 461 thousand), by CRB S.A. (Euro 1,017 thousand) and by Intercos America Inc. (Euro 312 thousand);
- patent and software rights of the Parent Company for Euro 121 thousand;
- investments for projects in progress amounting to Euro 2,247 thousand, mainly attributable to the Parent Company Intercos S.p.A., of which Euro 2,116 thousand for the development of new formulas and new products.

## Personnel and Organization

The Group **workforce** (including temporary workers) at June 30, 2022 numbered 6,428 (compared to 5,681 at June 30, 2021), with the number of employees increasing by 179 and temporary workers increasing by 568.

The breakdown by category follows:

Group workforce	6/30/2022	6/30/2021
Executives and Managers	356	322
Managers	1,583	1,272
Workers	1,780	1,946
<b>Total</b>	<b>3,719</b>	<b>3,540</b>
Temporary	2,709	2,141
<b>Total</b>	<b>6,428</b>	<b>5,681</b>

The breakdown between open-ended contract and fixed term staff is as follows:

Group workforce	6/30/2022	6/30/2021
Open-ended	3,603	3,407
Fixed-term	116	133
<b>Total</b>	<b>3,719</b>	<b>3,540</b>

Employees on open-ended contracts totaled 3,407 at June 30, 2021, compared to 3,603 at June 30, 2022 (an increase of 196), whereas employees on fixed-term contracts at June 30, 2021 numbered 133, compared to 116 at June 30, 2022 (a decrease of 17).

**Personnel expenses** increased Euro 21,030 thousand, from Euro 91,465 thousand in the first half of 2021 to Euro 112,495 thousand in the first half of 2022 (+23%).

The increase is mainly due to the full recovery of industrial operations at Group plant and the simultaneous phasing out of the personnel support measures that the Group had introduced to tackle the COVID-19 emergency. We indicate also the increased personnel expense of the Chinese subsidiaries for Euro 2,114 thousand, due to the expanded workforce to strengthen the production and indirect structure, and the minimum salary increases established by the local authorities. This increase was offset by the partial downsizing of the production workforce of the Chinese subsidiaries as a result of the pandemic and the new lockdowns imposed by the local government. Production recovered also in Europe, with personnel expense increasing by Euro 5,234 thousand and mainly due to the expanded production workforce.

The Group uses temporary employment contracts for its production activities for more flexibility in its direct labor costs. Temporary personnel costs in the first half of the year amounted to Euro 29,985 thousand, increasing by Euro 8,266 thousand, or 44.2%.

The increase relates to the greater production volumes in the first half of 2022, reflecting significantly higher demand and consequently the resumption of production activities at all Group plant. We indicate particularly that more than 50% of the increased temporary personnel costs related to the subsidiary Intercos America, rising from Euro 5,239 thousand in the first half of 2021 to Euro 9,510 thousand in the first half of 2022.

The Group also continued with remote working, facilitated the use of parental leave, and adopted standard safety measures with the primary goal of ensuring the health and safety of workspaces and operating procedures. During the first half of the year, regarding the health and safety of Group employees, no accidents occurred resulting in an absence of greater than six months.

Finally, during the period, there were no cases of death or cases of work-related injuries resulting in an absence of more than six months.





# Risk management and uncertainties

## FINANCIAL AND BUSINESS RISKS

For a better understanding of the impact on the Group's balance sheet, earnings and cash flows, qualitative disclosure is provided below for clarity on the Group's exposure to the various types of risk and the related management policies.

Group operations are exposed to various risks, including financial and business risks such as: currency risk, interest rate risk, credit risk, liquidity risk, raw material price risks, product quality risks, product liability risks, reputation risks, risks related to relations with vendors and subcontractors, and risks related to rapid innovation and the launch of new products.

The Group's risk management strategy focuses on the unpredictability of the markets and seeks to minimize potential impacts on Group results. Some types of risk are offset through recourse to certain actions as described below. Co-ordination and monitoring of the main financial risks are centralized to the management team. The risk management policies are approved, together with the Board of Directors, by the Group's Finance, Administration and Control Department, which provides written principles for the management of the above risks and the use of appropriate financial instruments. As part of the sensitivity analyses outlined below, the impact on the net result and on the shareholders' equity was calculated without considering the tax effect.

## CURRENCY RISK

As operating internationally, the Group is exposed to the currency risk generated by fluctuations in the value of trade and financial movements denominated in currencies other than the reporting currency of the individual Group companies.

The currencies for the majority of Group revenues are, in addition to the Euro, the US Dollar, the Swiss Franc, UK Sterling and the Chinese Renminbi.

The overseas Group subsidiaries tend to purchase raw materials in currencies other than the Euro (mainly US Dollars), which are naturally offset by sales made in US Dollars by these companies. This development has reduced the impact of currency differences incurred by the Group.

Against revenues expressed mainly in the local currencies of the respective markets, the Group incurs a significant portion of costs in Euro, mainly for the production and management of the corporate structure.

In detail, the main exchange rates for the Group are:

- Euro/US Dollar: in relation to commercial and financial transactions made by companies operating in the Eurozone on the North American market and vice versa.
- Euro/UK Sterling: in relation to commercial and financial transactions made by companies operating in the Eurozone on the UK market and vice versa.
- US Dollar/Chinese Renminbi: in relation to commercial and financial transactions made by companies operating in China on the North American market and vice versa.

- Euro/Chinese Renminbi: in relation to commercial and financial transactions made by companies operating in the Eurozone on the Chinese market and vice versa.
- Swiss Franc/Euro/USD: in relation to commercial and financial transactions made by the Group companies operating in Switzerland.

It is the Group's policy to hedge, where possible, exposures in currencies other than the functional currency of the individual companies. In particular, the Group undertakes the following hedges:

- certain flows: trade receivables and payables and exposures generated by loans receivable and payable;

- forecast flows: commercial commitments arising from certain or highly probable contractual obligations.

The above hedges are monitored by means of a positioning of the Group's foreign currency balance or by entering into derivative contracts.

A sensitivity analysis is illustrated below which shows the effects on the net result, and consequently also on consolidated shareholders' equity, deriving from an increase/decrease in the exchange rates of 7.5% compared to the actual exchange rates at June 30, 2022 and December 31, 2021.

(in Euro thousands)	6/30/2022		12/31/2021	
	-7.50%	+7.50%	-7.50%	+7.50%
US Dollar	3,223	(2,774)	255	(220)
UK Sterling	86	(74)	80	(68)
Other currencies	77	(66)	372	(320)
<b>Total</b>	<b>3,386</b>	<b>(2,914)</b>	<b>707</b>	<b>(608)</b>

The following table presents, with reference to the main monetary assets and liabilities, the amounts at June 30, 2022 of exposures in currencies other than the reporting currency of each Group company:

(in Euro thousands)	At June 30, 2022									
	USD	CHF	GBP	CNY	PLN	JPY	HKD	CAD	Total	% of total
Trade receivables	11,512	0	14	0	0	0	219	20	11,765	40%
Trade payables	(4,818)	(45)	(977)	(1)	(4)	(320)	0	0	(6,165)	-21%
Financial receivables	23,426	198	73	137	0	0	0	0	23,834	81%
<b>Total</b>	<b>30,120</b>	<b>153</b>	<b>(891)</b>	<b>136</b>	<b>(4)</b>	<b>(320)</b>	<b>219</b>	<b>20</b>	<b>29,434</b>	<b>100%</b>





## INTEREST RATE RISK

At June 30, 2022, the interest rate risk stems mainly from the Senior loan signed on December 17, 2019 with the long-standing bank syndicate of IMI, Unicredit and BNP, who were joined by CACIB and Credit Agricole Italy and related to an interest rate, applicable to all lines, based on the applicable Euribor plus a variable per annum margin.

This resulted in the signing of new IRS hedges on tranches A and B, with deferred maturities, in order to benefit from the supports under the loan contract which allow the Group to utilize a negative Euribor in calculating the final interest rate applied to the loan, against hedging of at least 75% of the nominal value of the tranche, in addition to the better financial conditions amid declining interest rates.

The Group monitors exposure to interest rate risk and proposes suitable hedging strategies

to contain the exposure within the limits defined by the Group's Finance, Administration and Control Department, relying on the undertaking of derivative contracts as described above:

Tranche A - € 100,000,000

- on 12/20/2019 - coverage at 75% of the nominal value

- on 2/21/2020 - coverage at 25% of the nominal value

Tranche B - € 120,000,000

- on 7/02/2020 - coverage at 100% of the nominal value

A sensitivity analysis representing the impacts on the consolidated net result from an increase/decrease in interest rates of 50 basis points over the interest rates at June 30, 2022 and December 31, 2021 and amid constant other variables is reported below.

(in Euro thousands)	6/30/2022		12/31/2021	
	+0.50%	-0.50%	+0.50%	-0.50%
Euro (Euribor)	340	(340)	380	(380)
<b>Total</b>	<b>340</b>	<b>(340)</b>	<b>380</b>	<b>(380)</b>

The potential impacts above are calculated by taking into account the liabilities representing the most significant portion of the Group's debt at the reporting date and calculating, on this amount, the potential effect of the change in interest rates on an annual basis.

The liabilities subject to this analysis include variable rate financial payables and receivables, cash and cash equivalents and derivative financial instruments whose value is influenced by interest rate changes.

For further details, reference should be made to paragraph "Bank borrowings and other lenders" in the Explanatory Notes.

## CREDIT RISK

Credit risk is recognized with reference to trade receivables, cash and cash equivalents, financial instruments, and deposits with banks and other financial institutions, and is defined as the risk that a counterparty fails to meet its obligations related to a financial instrument or commercial contract, thereby leading to a financial loss.

Credit risk relating to commercial counterparties is managed by the individual subsidiaries and monitored centrally by the central Administration, Finance and Control Department.

The Intercos Group does not have significant concentrations of credit risk. Procedures are in place to ensure the sale of products and services to highly reliable clients, taking into account their financial position, historical experience and other factors. The credit limits on the main clients are based on internal and external assessments on the basis of thresh-

olds approved by management in the specific countries. The use of credit limits is monitored periodically at local level.

The Group at end of the first half of 2022 had factored not yet overdue receivables through without recourse contracts for Euro 30,136 thousand, regarding the subsidiary Intercos Europe SpA for Euro 16,365 thousand, the subsidiary Cosmint SpA for Euro 10,675 thousand, and the subsidiary Tatra Spring Sp.zo.o. for Euro 3,096 thousand.

In terms of the credit risk relating to the management of financial resources and cash, this risk is monitored by the Administration, Finance and Control Department of the Group, which introduces procedures to ensure that the Group companies undertake transactions with independent counterparties of high standing and who are considered secure.

The breakdown of receivables with details by maturity at June 30, 2022 and December 31, 2021 is presented below:

(in Euro thousands)	Trade Receivables	Not yet due	Overdue 0-60 Days	Overdue 60-90 Days	Overdue over 90 Days	Write-down provision
June 30, 2022	123,969	97,112	22,898	1,386	4,548	(1,975)
December 31, 2021	120,145	100,320	19,890	1,353	769	(2,187)
Change 2022-2021	3,824	(3,208)	3,008	33	3,779	212
Change % 2022-2021	3.2%	-3.2%	15.1%	2.4%	491.5%	-9.7%

Reference should be made to paragraph “*Working Capital*” of the Explanatory Notes for further details.

## LIQUIDITY RISK

The prudent management of liquidity risk from ordinary Group operations requires the maintenance of an adequate level of liquidity, in addition to funds available through committed credit lines. The Group’s Finance Department monitors forecast utilizations of the Group’s liquidity reserves on the basis of expected cash flows.





The maturity of gross cash flows regarding financial liabilities at June 30, 2022 and December 31, 2021 are presented below:

(in Euro thousands)	June 30, 2022			
	< 12 m	From 1 to 5 years	> 5 years	total
Medium/long-term loans (Intercos S.p.A.)	16,000	214,700	-	230,700
Medium/long-term loans (Intercos do Brazil)	198	-	-	198
Medium/long-term loans (CRB)	385	1,350	3,056	4,791
Financial Payables IFRS 16	5,806	9,949	20,119	35,874
Finance leases	1,021	6,446	22	7,489
Other financial payables	-	-	-	-
Derivative liabilities	-	-	-	-
<b>Gross long-term debt</b>	<b>23,410</b>	<b>232,445</b>	<b>23,197</b>	<b>279,052</b>
Payables for subsidiary bilateral lines	20,285	-	-	20,285
Current bank payables	1,625	-	-	1,625
<b>Gross short-term debt</b>	<b>21,910</b>	<b>-</b>	<b>-</b>	<b>21,910</b>
Payables to factoring companies	-	-	-	-
<b>Total gross financial debt</b>	<b>45,320</b>	<b>232,445</b>	<b>23,197</b>	<b>300,962</b>

(in Euro thousands)	December 31, 2021			
	< 12 m	From 1 to 5 years	> 5 years	total
Medium/long-term loans (Intercos S.p.A.)	16,000	222,700	-	238,700
Medium/long-term loans (Intercos do Brazil)	272	-	-	272
Medium/long-term loans (Intercos Korea)	9,498	-	-	9,498
Medium/long-term loans (CRB)	371	1,486	2,947	4,804
Financial Payables IFRS 16	3,402	10,604	18,950	32,956
Finance leases	1,055	6,868	74	7,997
Other financial payables	1,239	-	-	1,239
Derivative liabilities	452	-	-	452
<b>Long-term debt</b>	<b>32,289</b>	<b>241,658</b>	<b>21,971</b>	<b>295,918</b>
Payables for subsidiary bilateral lines	42,872	-	-	42,872
Current bank payables	2,418	-	-	2,418
<b>Short-term debt</b>	<b>45,290</b>	<b>-</b>	<b>-</b>	<b>31,607</b>
Payables to factoring companies	1,388	-	-	1,388
<b>Total Financial Debt</b>	<b>78,967</b>	<b>241,658</b>	<b>21,971</b>	<b>342,596</b>

Group liquidity reserves at the reporting date are presented below:

(in Euro thousands)	June 30, 2022	December 31, 2021
Cash and cash equivalents	159,838	206,979
Unused committed line (Revolving with ESG provisions)	30,000	30,000
Unused committed line (revolving)	30,000	30,000
Capex Facility line (Tranche C)	87,300	87,300
<b>Total</b>	<b>307,138</b>	<b>354,279</b>

For further details, reference should be made to paragraph "Bank borrowings and other lenders" in the Explanatory Notes.

## RISKS ASSOCIATED WITH EXISTING DEBT AND ANY COVENANT BREACHES

The Senior Loan Agreement includes certain mandatory early repayment clauses, in addition to restrictions on the operations of the Parent Company and its main subsidiaries. In particular, among other matters, the Parent Company's ability to take on further debt and pay dividends is linked, subject to certain exceptions, to compliance with a given financial covenant. These limitations could affect the Parent's ability to pay dividends, conduct its business, in addition to its ability to respond to market conditions and benefit from any business opportunities. Where the Group is unable

to manage its level of indebtedness and other obligations and commitments, it may need to refinance its debt or dispose of assets in order to obtain the necessary resources. The Group cannot guarantee that such refinancings or disposals can be made on a timely basis or on satisfactory terms, or may be made at all, or are permitted under the existing debt terms.

The SACE and BNL loan agreements and the Senior loan agreement provide for certain restrictions on the Group's operations, including, by way of example, limitations on the possibility of creating liens or guarantee instruments on all or part of the assets in order to guarantee any form of indebtedness ("negative pledge").

The guaranteed debt at June 30, 2022 is reported below:

Company	Institute	June 30, 2022	December 31, 2021	Guarantee type
Intercos America Inc.	Banca Intesa	2,599	2,384	Bank guarantee
Intercos America Inc.	Bank of West	2,888	2,649	Corporate guarantee
CRB S.A.	Banque Cantonale Vaudoise	3,135	3,764	Mortgage guarantee on building and land
CRB S.A.	Banque Cantonale Vaudoise	858	1,041	Mortgage guarantee on building and land
Intercos Korea Inc.	Keb Hana Bank	0	9,498	Mortgage guarantee on building and land
Intercos Korea Inc.	BNP Seoul	14,797	22,059	Corporate guarantee

For further details, reference should be made to paragraph "*Bank borrowings and other lenders*" in the Explanatory Notes.





## DERIVATIVES

International accounting standards (IAS/IFRS) require the fair value of derivatives to be classified on the basis of reference parameters that can be deduced either from the market or from other financial indicators (for example, interest rate curves, exchange rates). Derivatives hedging foreign exchange and interest rate risk fall within Level 2 of the hierarchy, as the fair value of these instruments is determined by recalculating their present value through official period-end fixings for exchange rates and interest rates quoted on the market.

The Group uses fair value hedging derivatives to hedge the exposure to exchange rate risk of financial assets/liabilities recorded in the financial statements.

The following table presents the fair values of the financial instruments in portfolio:

### Hierarchy Fair Value at reporting date

(in Euro thousands)	June 30, 2022 Level 3	June 30, 2022 Level 2	December 31, 2021 Level 3	December 31, 2021 Level 2
<b>Assets</b>				
IRS – Interest rate swap				
Fair value hedge		6,294		452
Equity investments	2,116		2,025	

Details of the IRS contracts entered into by the Group are provided below:

### Tranche A

Type of derivative contract	Contract start date	Contract conclusion date	Residual duration (years)	Interest rate acquired	Spread	Currency	Notional /000	MTM (Euro thousands)
IRS (Intesa) 75%	12/20/2019	12/17/2024	4	Euribor Fwd 6M	0.06%	EUR	12,750	288
IRS (Intesa) 25%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.180%	EUR	4,250	114
IRS (BNL) 75%	12/20/2019	12/17/2024	4	Euribor Fwd 6M	0.06%	EUR	12,750	288
IRS (BNL) 25%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.180%	EUR	4,250	114
IRS (Unicredit) 75%	12/20/2019	12/17/2024	4	Euribor Fwd 6M	0.06%	EUR	12,750	286
IRS (Unicredit) 25%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.180%	EUR	4,250	114
IRS (CACIB) 75%	12/20/2019	12/17/2024	4	Euribor Fwd 6M	0.06%	EUR	7,125	144
IRS (CACIB) 25%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.180%	EUR	2,375	57
IRS (Cr. Agricole Italy) 75%	12/20/2019	12/17/2024	4	Euribor Fwd 6M	0.06%	EUR	7,125	144
IRS (Cr. Agricole Italy) 25%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.180%	EUR	2,375	57
								<b>1,606</b>

## Tranche B

Type of derivative contract	Contract start date	Contract conclusion date	Residual duration (years)	Interest rate acquired	Spread	Currency	Notional /000	MTM (Euro thousands)
IRS (Intesa) 100%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.125%	EUR	30,000	1175
IRS (BNL) 100%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.125%	EUR	30,000	1176
IRS (Unicredit) 100%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.125%	EUR	30,000	1166
IRS (CACIB) 100%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.125%	EUR	15,000	589
IRS (Cr. Agricole Italy) 100%	6/30/2020	12/17/2024	4	Euribor Fwd 6M	-0.125%	EUR	15,000	582
								<b>4,688</b>

For further details, reference should be made to paragraph “*Bank borrowings and other lenders*” in the Explanatory Notes.

## RAW MATERIAL PRICE FLUCTUATION RISKS

The price of components and raw materials used by the Group for production activities may be subject to (even significant) fluctuations, and depends above all on external factors that are beyond the Group’s control, such as the introduction of new laws and regulations, changes in exchange rates and price levels, developments in the raw materials used by suppliers for the production of components and semi-finished products purchased by the Group, developments in market demand, the allocation of suppliers to competitors, interruptions in suppliers’ production cycles or in delivery orders, in addition to delays in the supply of components and semi-finished products by suppliers.

The Group does not undertake hedges on raw material prices. As a result, the Group may not be able to offset the increase in raw material costs with an increase in final product sales prices or otherwise, thereby impacting the Group’s business, operating results and margins.

In addition, any increase in the cost of raw materials over the long term, resulting in an increase in the final price of the Group’s products on the market, could have an impact on product sales volumes, in addition to the Group’s competitiveness, market share and the maintenance of commercial relationships with the clients of the Parent Company and of the Group, affecting Group profitability and its prospects and financial statements.





## **RISKS RELATED TO THE QUALITY OF PRODUCTS, PRODUCT LIABILITY AND CONSEQUENT REPUTATION RISKS**

The Group is furthermore exposed to the risk that any defects and/or malfunctions of its products may cause losses and/or reputational damage that could negatively impact the production or the financial position, results of operations and cash flows.

The Group considers the occurrence of such risks to be of medium probability. Although insurance policies have been taken out to cover damage due to defective products, the maximum amounts of which are deemed adequate by the Group in relation to its estimate of the related risks, it is not possible to exclude the risk of claims for damages exceeding the maximum amounts provided for in such policies.

In addition, to further mitigate these risks, the Group follows strict quality criteria in the control of its products. It also puts in place strict internal quality controls and periodically runs analyses and new quality protocols established directly by the clients.

## **RISKS RELATED TO RELATIONS WITH SUPPLIERS AND SUBCONTRACTORS**

The Group is exposed to the risk that the replacement of specific suppliers or sub-suppliers or non-fulfillment by them may interrupt or compromise production. The Group's capacity to discharge its obligations to clients is reliant also on the fulfilment of contractual obligations

by suppliers and sub-contractors. Where the Group is unable to reclaim the entire compensation paid and/or greater costs incurred from suppliers and/or sub-contractors through its right to regress, the occurrence of these risks, which the Company considers to be of average probability, could negatively impact the Group's financial position, results of operations and cash flows. Relations with suppliers may also be subject to audits and verifications by the authorities with regard to legislative and regulatory compliance.

## **RISKS ASSOCIATED WITH RAPID INNOVATION AND NEW PRODUCT LAUNCHES**

The Group is exposed to the risk that it may not be able to maintain its current market position due to its inability to develop innovative solutions in a timely manner to meet the needs of all customers. Therefore, the expected results in terms of the number of products developed and/or the revenues obtained from those products may not materialize.

It may not be excluded that, due to changes in market conditions or other factors (including the complexity of customer requests received), the Group may not be able to design and produce cosmetic, hair-care, skin-care and body-care products with aesthetic, technical and technological characteristics that ensure that they are innovative on the market and/or appreciated by consumers. The occurrence of such risks could have a very significant adverse effects on the Group's financial position, results of operations and cash flows. In view of the above, the risk referred to in this paragraph is considered to be of low significance.

## RISKS ASSOCIATED WITH INFORMATION SYSTEMS AND IT SECURITY

The Group is exposed to the risk that its information systems may be infected by viruses or subject to unauthorized access aimed at hindering their normal operation or at extracting or corrupting Group data, as well as the risk that malfunctions, errors and/or unauthorized access to Group software connected with the systems of suppliers and/or customers could harm the operations of the Group's suppliers and/or customers.

The occurrence of such risks, which the Company considers to be of average probability, could have a very significant adverse effects on the Group's financial position, results of operations and cash flows. In view of the above, the risk referred to in this paragraph is considered to be of high significance. Group operations also depend on its own information systems and those of its consultants and other collaborators. These systems may be exposed to the risk of viruses or of unauthorized access by parties intending to extract or corrupt data or interrupt the functioning of information systems, which could lead to errors in operations, process inefficiencies, delays or cancellations of customer orders, loss of customers, production downtime, the inability to ship products, or other interruptions in Group operations. There is also the risk of loss or damage to intellectual property as a result of security violations.

The Group has made investments to upgrade and digitize internal systems and documenta-

tion and has begun projects to optimize processes and automate certain activities. The Group has begun implementing Robotic Process Automation solutions and has adopted a number of data analytics solutions to analyze market trends by creating a platform that gathers internal data and data from external servers and sources, as well as to create tools for the KPI analysis of operations and innovation.

Given the recent increase in cyber risk exposure worldwide, the Group continually puts in place ongoing controls upon IT infrastructure. Specifically, the Information Technology function drives the Group's digital transformation, the key pillar of which is cyber security and in whose regard it strives to raise awareness among the company population, including through a training plan.

In order to mitigate this risk and to manage cyber security incidents and contain their impacts, the Group has undertaken close assessments in this regard, successfully completing a disaster recovery test in May 2022.

Finally, in the event of delays or malfunctions in the operating systems, the Group could experience delays or interruptions in production or may not be able to absorb the costs incurred to update systems and digitize processes. To the extent to which such circumstances could lead to the loss of data or the disclosure of proprietary or other confidential information, the Group could be held liable and incur delays or interruptions in product development and in production, which could negatively impact the Group's financial position, result of operations and cash flows.





## RISKS RELATED TO INTANGIBLE ASSETS

The occurrence of such risks, which the Company considers to be of low probability, could have a very significant adverse effect on the Group's financial position, result of operations and cash flows. In view of the above, the risk referred to in this paragraph is considered to be of average significance.

In accordance with IAS 36, the Parent Company has also conducted impairment tests aimed at verifying the value of goodwill and determining any impairment losses in goodwill or other intangible assets. These impairment tests did not point to any loss in value.

For further information, reference should be made to paragraph "*Testing for the impairment of goodwill and of intangible assets with indefinite useful life*" of the Explanatory Notes.

## RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY AND INDUSTRIAL SECRETS OF THE GROUP

The Group tends not to file patents for each of its products or to register all its intellectual property, with the sole exception of intellectual property involving technology which the Group believes to be particularly innovative. Therefore, the Group is exposed to the risk of losing competitive advantage should it not be able to adequately protect its intellectual property, industrial secrets, or other know-how. The Group could also involuntarily violate the patents of others and be subject to sanctions and consequent compensation for any damages suffered.

The occurrence of such risks, which the Company considers to be of average probability, could have significant adverse effects on the Group's financial performance and standing. In view of the above, the risk referred to in this paragraph is considered to be of average significance. The Group files patents and other registrations aimed solely at protecting new products when they involve particularly innovative technologies. Although the Group invests significantly to protect its products and production processes by way of patents, trademarks, and other intellectual property rights, should the Group's efforts prove to be ineffective at preventing imitations of the Group's products, or should third parties make unlawful use of the Group's formulas and other industrial secrets and know-how, the Group's sales volumes could decrease and the Group could suffer damage to its image and reputation. Industrial and intellectual property rights may also not be sufficient to ensure the Group's competitive advantage, given that other companies could develop products with similar aesthetic or functional characteristics or similar production processes, and competitors' trademarks could prove to be more attractive than those of the Group. The Group may also be exposed to the disclosure and/or dissemination and/or use of its trade secrets or other sensitive information that could be equally strategic to future Group policies, resulting in harm to the image or reputation of the brand.

Finally, given that innovation is essential in the industry in which the Group operates, the Group may, in certain cases, risk bringing to market products that violate the intellectual property rights of others of which the Group was not aware. In such case, the Group would be exposed to the risk of paying compensation for damages to its customers, which could have a negative impact on reputation and financial performance.

## **RISKS ASSOCIATED WITH CUSTOMER CONCENTRATIONS AND COMMERCIAL RELATIONS WITH THE PRIMARY CUSTOMERS OF THE GROUP BASED ON PURCHASE ORDERS**

The Group's market features a relatively limited number of global or regional operators. In addition, many of the contractual relationships with the main Group clients are based on specific purchase orders which are generally not governed by contracts with purchase floors.

The occurrence of such risks, which the Company considers to be of low probability, could have a very significant adverse effect on the Group's financial performance and standing. Taking account of the above, the risk referred to in this paragraph is considered to be of average significance.

The Group's markets feature a relatively limited number of global or regional operators, which account for a significant share of the market.

The framework agreements also do not envisage guaranteed minimum quantities purchased or exclusive rights granted to the Group. Therefore, the primary customers of the Group can generally cancel, not renew, or reduce orders with little notice and without any significant penalty when the customers' purchasing terms and conditions have been applied. Certain emerging brands may also, subsequent to the launch of the brand, not be able to make a mark and, more generally, all customers of the Group could experience difficulties both internally and in the commercialization of specific products and consequently interrupt their relationships

with the Group. The Group's success also depends on its ability to maintain lasting commercial relationships with its customers. At June 30, 2022, the Group's commercial relations with most of the top 10 customers had been in place for more than 10 years. The Group must also consider that, in the future, it may no longer be able to maintain commercial relationships with its current primary customers, or that these relationships could become litigious, or to develop commercial relationships with new customers. In light of the above, it must be considered that a loss by the Group of one or more of its primary customers, or of a significant portion of sales, could lead to a reduction in revenues and have, therefore, a negative impact on the Group's financial position, result of operations and cash flows.

Finally, concentrations of customers could also result in a concentration of credit risk with a relatively low number of customers. Any default on payment obligations by the Group's primary customers could have a negative impact on the Group's outlook and on its financial position, result of operations and cash flows.

## **RISKS ASSOCIATED WITH A DETERIORATION IN THE GLOBAL MACROECONOMIC LANDSCAPE**

The Group is exposed to the risks stemming from the global economic environment, and in particular the economic performance of the specific markets in which the Group operates. The occurrence of such risks, which the Company considers to be of average probability, could have a very significant adverse effects on the Group's financial position, results of operations and cash flows. In view of the above, the risk referred to in this paragraph is considered to be of high significance.





Sales of cosmetics and other beauty products are affected by the macroeconomic conditions of the markets in which the Group operates, including changes in levels of employment, changes in consumer spending habits, and the availability of credit. During periods of economic crisis, consumer confidence and purchases tend to decrease significantly, and retailers tend to manage inventories and slow volumes of purchases from outsourcers in order to turn over the goods already in inventory. As a result, during an economic recession, customers of the Group reduce their product purchases and seek to renegotiate payment terms, commercial credit conditions, and product prices. The macroeconomic conditions of the markets in which the Group operates can also be affected by events beyond the Group's control, such as the COVID-19 pandemic, which brought about significant restrictions to travel and could affect consumer spending habits, while finally the Russia-Ukraine conflict has created international concern and increasingly gives rise to possible recessionary scenarios.

## **RISKS ASSOCIATED WITH THE PERFORMANCE OF THE MARKETS IN WHICH THE GROUP OPERATES AND CHANGES IN CUSTOMERS' OUTSOURCING STRATEGIES AND IN CONSUMER PREFERENCES**

The Group is exposed to the risk of not being able, in a timely manner, to predict changes in consumer preferences and in the outsourcing strategies of its customers.

The occurrence of such risks, which the Company considers to be of low probability, could have a very significant adverse effect on the Group's financial performance and

standing. Taking account of the above, the risk referred to in this paragraph is considered to be of average significance. Within the segments of color cosmetics (makeup), skincare, and hair & body, consumer preferences vary and follow fashion trends that are not always predictable from one season to the next. The Group's success also depends on the ability to predict changes in consumer preferences and to anticipate the strategies of its customers. However, the Group must also consider that it may not be able, in the future, to predict changes in consumer preferences and to adapt effectively to such changes, which could have a negative impact on how customers perceive the Group as an innovation leader in color cosmetics outsourcing. More specifically, there remains the risk that, in a market focused increasingly on environmental sustainability, the Group is unable to adapt quickly to this trend while maintaining the same levels of product performance and profitability.

Finally, the Group produces certain products based on the specific needs of certain customers. These productions are carried out based on estimates of volumes produced by the Group; therefore, should these customers significantly reduce their orders after production has begun, the Group could incur costs that is unable to recover, in whole or in part, or that may not be recovered as quickly as desired.

The Group's success is linked, among other matters, to the choice, made by many cosmetic companies, to outsource the production of one or more categories of cosmetic and treatment products. However, it cannot be excluded that in the future the tendency for companies to outsource alters and they decide to internalize the production of one or more product categories and/or one or more stages of the production chain, with a consequent reduction in the Group's customers, production and revenues.

## RISKS ASSOCIATED WITH THE OPERATION OF PRODUCTION FACILITIES

The Group is exposed to the risk of having to interrupt or suspend its production activities due to breakdowns, malfunctions and/or damage to its production facilities.

The occurrence of such risks, which the Company considers to be of low probability, could have a very significant adverse effects on the Group's financial position, results of operations and cash flows. In view of the above, the risk referred to in this paragraph is considered to be of average significance.

## RISKS CONNECTED WITH THE GROUP'S INTERNATIONAL OPERATIONS

At June 30, 2022, the Group had 16 production facilities worldwide, with 21 companies operating locally and two in liquidation. The Group's presence and operations in various international markets expose it to risks connected, amongst other matters, with the geo-political and macroeconomic conditions of the countries in which it operates and possible changes in regulations and taxation. The occurrence of such risks could have a significantly adverse effect on the Issuer's and Group's financial position, results of operations and cash flows. The occurrence of such risks, which the Company considers to be of low probability, could have significant adverse effects on the Issuer's and Group's financial position, results of operations and cash flows.

In view of the above, the risk referred to in this paragraph is considered to be of average significance.

Given the international scope of the Group's activities, it is exposed to risks arising from relations between countries, the different regulations applicable to the Group's products, credit and tax regulations and, in general, the macroeconomic, political and social situation of each of the countries in which the Group operates.

Changes in legislation or amendments to current regulations, including at international level, could require the Group to incur additional costs to adapt its production facilities or the characteristics of its products to the new provisions, including those regarding the ingredients to be indicated on the product label. In particular, the possibility cannot be ruled out that restrictions may be introduced at international level on the circulation of products, the recognition and enforcement of judgments, the management of distribution and supply channels and the collection of receivables, with the provision of longer payment periods by the Group's debtors, or the introduction of customs charges and duties in general that might prejudice, even to a significant extent, the Group's ability to offer its products on economically competitive terms in the countries in which it currently operates or in which it might decide to operate in the future. In addition, the Group conducts its business on the basis of permits and authorizations granted by administrative authorities, whose holding is essential in order to carry out production activities. Should these permits or authorizations be suspended, revoked or not renewed, the Group could be restricted in the performance of its activities and this would lead to a reduction in production, with a consequent reduction in revenue volumes and possible impacts on the activities and prospects, as well as on the Issuer's and Group's financial position, results of operations and cash flows.





The countries in which the Group distributes its products include emerging or developing countries, such as the Philippines, India, Brazil, Chile and Mexico. Demand for the products offered by the Group is therefore influenced by the general economy, economic trends and the business environment of the countries and markets in which the Group operates. Consequently, the high degree of geopolitical uncertainty that continues to characterize certain emerging countries of interest to the Group, as well as significant recession, inflation and weakening of the local currency that could affect these countries, may lead to a reduction in investment and demand, with impacts on the Group's sales volumes. Finally, the above may lead - by way of example but not limited to - to investments that are not in line with the strategy adopted by the Issuer, to a reduced protection of the Group's intellectual property rights, to an increase in fixed costs connected with the opening and management of new production and/or distribution sites and to the uncertainty of the economic and financial outcome of the new initiatives undertaken, with impacts on the demand for the products offered by the Group, as well as on the financial position, results of operations and cash flows. and prospects of the Issuer and the Group. The Group also benefits from certain tax and customs advantages, with particular reference to the Suzhou plant (Intercos Cosmetics) located in the "EPZ zone", which cannot be excluded may be modified or revoked by the respective local authorities, with possible negative effects on the activities and prospects as well as on the economic and financial situation of the Issuer and the Group.

Finally, the risk cannot be excluded that, in the future, products marketed by the Group in territories outside the EU may be subject to duties by the relevant importing countries.

## CLIMATE CHANGE RISKS

For many years, the Group has been actively engaging and systematically consulting its stakeholders so as to improve its environmental, social and governance (ESG) performance.

Actions to support the ESG strategy seek to achieve a concrete and significant impact in business development, that target environmental protection and social inclusion goals.

The Group is strongly committed to the fight against climate change. In fact, one of the objectives of the Group's Sustainability Plan to 2025 centers on reducing greenhouse gas (GHG) emissions from its plant.

Although the IAS/IFRS standards do not make explicit reference to climate-related issues, these impacts are taken into account by the Group in the application of the international accounting standards where significant, by assessing their effects, both in the application of the individual accounting standards and on the going concern. In this context, it should be noted that the Group has not had any significant risks from the application of the individual standards, nor have any doubts or uncertainties arisen regarding events or conditions that might call into question its ability to operate as a going concern.

# Corporate governance and ownership structure report of the company as per Article 123-bis of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments and supplements (CFA)

Intercos S.p.A. is a company whose shares have been traded since November 2, 2021 on the Euronext - Milan segment of the Italian Stock Exchange.

We note that the Company's shares were not previously traded on any regulated market and it had therefore adopted corporate governance measures appropriate to its characteristics.

From the trading commencement date, Intercos S.p.A. has implemented the corporate governance structure outlined in the "*Corporate governance and ownership structure report*" prepared with reference to the "Format for the corporate governance and ownership structure report" issued by Borsa Italiana in January 2022.

Intercos adopts, as a reference model for its corporate governance, the provisions of the Corporate Governance Code for Listed Companies approved in January 2020 by the Corporate Governance Committee.

The Corporate Governance Report is available on the Company's website at [www.intercos-investor.com](http://www.intercos-investor.com).

The corporate boards comprising the Intercos S.p.A.'s governance system are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. For completeness, we also indicate that the Company's Board of Directors has appointed a Supervisory Board, which supervises and controls the observance, effectiveness, implementation and updating, where necessary, of the Organization, Management and Control Model pursuant to Legislative Decree No. 231.

The Board of Directors is granted the broadest range of powers for the management of the company and defines the Group's strategic objectives and guidelines, undertaking all actions considered beneficial to achieve the corporate scope, excluding only those reserved by law to the Shareholders' Meeting.





On July 20, 2021, the Ordinary Shareholders' Meeting of Intercos set as 11 the number of members of the Board of Directors that would take office as of the Trading Commencement Date and appointed, subject to the Listing and effective as of the Trading Commencement Date, the following members of the Board of Directors:

Name	Office	Gender
Dario Gianandrea Ferrari	Executive Chairperson	M
Renato Semerari	Chief Executive Officer	M
Ludovica Arabella Ferrari	Executive Director	F
Gianandrea Ferrari (*)	Executive Director	M
Nikhil Kumar Thukral	Non-Executive Director	M
Ciro Piero Cornelli	Non-Executive Director	M
Nikhil Srinivasan	Independent Director pursuant to the CFA and the CG Code	M
Michele Scannavini	Independent Director pursuant to the CFA and the CG Code	M
Ginevra Ott	Non-Executive Director	F
Maggie Fanari	Non-Executive Director	F
Patrizia De Marchi	Independent Director pursuant to the CFA and the CG Code	F

(\*) Executive Director identified as such in compliance with the provisions of the Corporate Governance Code, as holding the office of director with management powers in Intercos Europe S.p.A., a subsidiary of Intercos S.p.A. with strategic importance, but without individual operating powers in Intercos S.p.A..

Therefore, at the end of the reporting period, the Board of Directors was made up of 11 Directors, 7 men and 4 women.

Directors shall hold office for 3 financial years, unless a different, shorter period is established by the Shareholders' Meeting at the time of their appointment, and may be re-elected. Their mandate expires at the date of the Shareholders' Meeting called to approve the financial statements relating to their third year of office.

On July 20, 2021, the Board of Directors resolved to establish the following internal committees, effective as of the Trading Commencement Date (confirmed at the meeting of November 11, 2021) with investigative, proposal and advisory functions, with a term of office equal to that of the Board of Directors and, therefore, until the approval of the financial statements for the year ended December 31, 2023:

(i) the Appointment and Remuneration Committee, composed of three directors, the

majority of whom are independent, in the persons of the directors Patrizia De Marchi (as Chairperson), Ciro Piero Cornelli and Michele Scannavini;

(ii) the Control and Risk Committee, consisting of three non-executive directors, the majority of whom are independent, in the persons of the directors Nikhil Srinivasan (as Chairperson), Michele Scannavini and Ciro Piero Cornelli;

(iii) the Related Parties Committee, made up of three independent directors, in the persons of Michele Scannavini (as Chairperson), Patrizia De Marchi and Nikhil Srinivasan.

The Board of Statutory Auditors comprises, according to the By-Laws, three statutory auditors and two alternate auditors, appointed by the Shareholders' Meeting to ensure compliance with law and the By-Laws, and is supported by an independent audit firm. The statutory auditors remain in office for three years and may be re-elected. On July 20, 2021, the Ordinary Shareholders' Meeting of Intercos

S.p.A. set as 3 statutory auditors and 2 alternate auditors the members of the Board of Statutory Auditors that would take office as of the Trading Commencement Date and appointed, subject to the Listing and effective as of the Trading Commencement Date, the Board of Statutory Auditors.

Subsequently, following the resignation of the statutory auditor Ms. Maria Maddalena Gnu-di on April 21, 2022 as a result of unexpected professional commitments, the alternate auditor Ms. Monica Manzini assumed the role of statutory auditor as per Article 2401 of the Civil Code. Ms. Monica Manzini remained in office until the subsequent Shareholders' Meeting of April 29, 2022 and in prorogatio until the Share-

holders' Meeting of June 29, 2022, which by unanimous vote of those present, approved the supplementation of the Board of Statutory Auditors of the company as per Article 2401 of the Civil Code, appointing, on the proposal presented by the shareholder Dafe 4000 S.r.l., with a holding representing 35.9% of the company's voting rights (and therefore without undertaking slate voting), Ms. Monica Manzini as statutory auditor, and Ms. Francesca Pischedda as alternate auditor. Ms. Monica Manzini and Ms. Francesca Pischedda shall remain in office until the conclusion of mandate of the Board of Statutory Auditors of Intercos currently in office and, therefore, until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

Name	Office	Gender
Matteo Tamburini	Chairperson Board of Statutory Auditors	M
Monica Manzini	Statutory Auditor	F
Giovanni Rossi	Statutory Auditor	M
Francesca Pischedda	Alternate Auditor	F
Maurizio Nastri	Alternate Auditor	M

The Shareholders' Meeting represents all of the Shareholders and their motions, taken in accordance with law and the Company's By-Laws. The Shareholders' Meeting shall be called whenever the Board of Directors deems it appropriate or when it is required by law. The Ordinary Shareholders' Meeting for the approval of the financial statements shall be called at least once a year, within 120 days from financial year-end, or within 180 days where the Company is required to draw up the consolidated financial statements, or when specific needs related to the structure and purpose of the Company so require, subject to the provisions of Article 154-*bis* of the Consolidated

Finance Act and, in any case, any applicable regulatory provision.

The Supervisory Board oversees the observance, efficacy, implementation and updating, where necessary, of the Organization, Management and Control Model, as per Legislative Decree No. 231/2001, in order to prevent the commission of the offenses set out in the Decree. For the performance of such tasks, the Supervisory Board is invested with all powers of initiative and control of all company activities and personnel, and reports exclusively to the Board of Directors through its Chairperson. The Supervisory Board is composed as follows.

Name	Office	Gender
Giuseppe Schiuma	Chairperson Supervisory Board	M
Francesco Cimatti	Supervisory Board member	M
Maria D'Agata	Supervisory Board member	F





## THE ETHICS CODE AND CONDUCT CODE

The Ethics Code presents the Intercos Group's key values: **innovation and imagination, ambition, passion, flexibility and speed, beauty and customer focus.**

The Ethics Code also outlines the fundamental Group ethics of **respect, integrity and transparency**, which underline the relationships with all stakeholders, customers, personnel, investors, suppliers, the community and public sector and, finally, the environment.

Finally, the company clearly outlines in the Ethics Code its values and the specific responsibilities which guide relations with all stakeholders, ensuring therefore a common vision and approach and high standards of conduct within the Group.

Together with the Ethics Code, Intercos S.p.A., Intercos Europe S.p.A. and Cosmint S.p.A. adopted an additional document, the Conduct Code, which clearly presents the Intercos Group's Vision and Mission: ***"To be a global color cosmetics market leader and to provide customers with highly innovative products whose conception and production is unattainable***

***by competitors"*** and ***"To help satisfy the inherent desire for beauty in everyone"***.

The Conduct Code, which is an integral part of the Organization, Management and Control Model (as per Legislative Decree No. 231/2001) adopted by the aforementioned Group companies supports Intercos personnel (employees and collaborators) in the relations with the stakeholders, in the exercise of corporate values and principles and in the pursuit of the commitments outlined in the Ethics Code. In fact, the Conduct Code sets out in detail the values and responsibilities that guide the Group in its relations with customers, with its personnel, with suppliers, with the environment and, in general, with those who share a legitimate interest in Intercos (competitors, shareholders, finance, administration and control, public sector, trade unions and the community), in all phases of its work. Knowledge of and compliance with the Conduct Code by all Group employees, and particularly by those employed by Group companies that have adopted it, are decisive factors in ensuring innovation, competitiveness, the ability to anticipate market trends, quality and value creation.

## SHARE CAPITAL (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)

As at June 30, 2022, the share capital of Intercos S.p.A., fully subscribed and paid-in, amounts to Euro 11,300,256.00 and is divided into 96,257,950 ordinary shares, without par value, corresponding, pursuant to Article 120, paragraph 1 of the Consolidated Finance Act and Article 6 of the By-Laws, to 127,065,063 voting rights. It should be noted that Intercos' By-Laws provide for the mechanism of multi-voting rights (Article 6 of the By-Laws).

The issue and circulation of ordinary shares is regulated by current legislation.

Intercos' share capital structure is detailed in the table below.

### Share capital structure

	No. of shares	No. of voting rights	Listed	Rights and obligations
Ordinary Shares	96,257,950	127,065,063	Euronext - Milan	Rights and obligations as per law and By-Laws

## SIGNIFICANT HOLDINGS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), CFA)

On the basis of the information received pursuant to the applicable legislation (and, in particular, pursuant to Article 120 of the CFA) and the entries in the shareholders' register, shareholders who directly or indirectly hold more than 3% of the voting rights in Intercos are as follows:

Shareholder	Direct Shareholder	No. shares	% ordinary share capital (*)	Number of votes (**)	% voting rights
<b>Dario Gianandrea Ferrari</b>	Dafe 4000 S.r.l.(***)	22,808,452	23.695%	45,616,904	35.900%
	Dafe 5000 S.r.l.(***)	7,998,661	8.310%	15,997,322	12.590%
	Dario Gianandrea Ferrari	192,488	0.200%	192,488	0.151%
	<b>Total</b>	<b>30,999,601</b>	<b>32.205%</b>	<b>61,806,714</b>	<b>48.642%</b>
<b>Cp7 Caledonia Aiv Gp, Llp</b>	Cp7 Beauty Luxco Sarl	15,598,518	16.205%	15,598,518	12.276%
<b>Ontario Teachers' Pension Plan Board</b>	The Innovation Trust	12,335,347	12.815%	12,335,347	9.708%
<b>Gic Private Limited</b>	Raffles Blue Holdings Limited	7,963,292	8.273%	7,963,292	6.267%

(\*) The share capital consists of 96,257,950 ordinary shares, with no indication of nominal value.

(\*\*) The total amount of voting rights as of June 30, 2022 is 127,065,063.

(\*\*\*) Shareholder who has held increased voting rights since November 2, 2021 (Trading Commencement Date).

At the end of the reporting period, the company did not hold treasury shares.

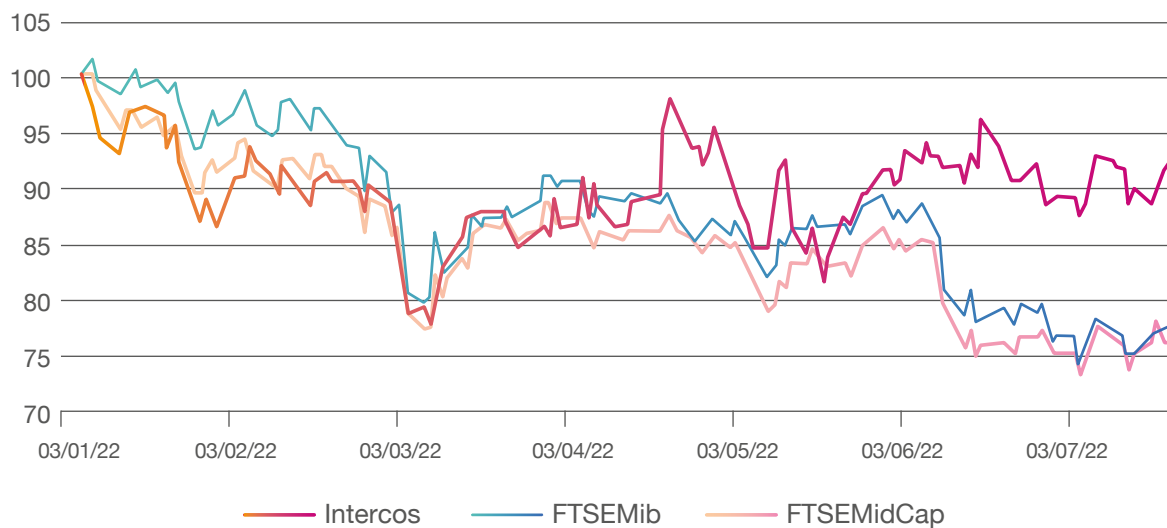




## Intercos' share performance

Intercos was listed on Euronext Milan on November 2, 2021 at a placement price of Euro 12.50 and closed on June 30, 2022, the final trading day of the period, at a price of Euro 12.54. At the end of the following month, at July 22, 2022, the share price was Euro 13.06.

### Performance of the Intercos SpA share vs. FTSEMib and FTSEMIDCap (base100)



The stock market in the first six months of 2022 saw a sharp retreat, with the FTSEMib declining 23% and the FTSE MidCap by 25%, reflecting a range of factors, including (i) the geopolitical tensions arising from the Russia-Ukraine conflict, (ii) the expected increase - and particularly in terms of its extent - of inflation, which mainly hit Europe and the United States, (iii) the consequent restrictive monetary policies of the FED initially and the ECB subsequently to contain inflation, although which at the same time are bringing the feared scenarios of imminent recession to fruition. Against this backdrop, the Intercos share, thanks also to the strong operating-financial results which are in fact stronger than the Beauty market in general and the main competitors, outper-

formed both the FTSEMib and the FTSEMIDCap, with a decrease in the first six months of the year of 11% (+12% vs FTSEMib and +14% vs FTSEMIDCap).

As at July 24, 2022, it should be noted that of the five brokers who follow Intercos S.p.A., three have a "Buy" recommendation, while the other two are "Neutral". In the first half of 2022, a "Neutral" recommendation became a "Buy" and a new broker opened coverage on the share, also with a "Buy" rating. For further information and updates on the share performance and for the latest company information, please visit the website [www.intercos-investor.com](http://www.intercos-investor.com) - Investor Relations section.

# Outlook

A substantially positive performance is expected in 2022, effectively confirming the Group's forecasts at the start of the year.

Consequently, there are currently no possible issues which could significantly change the 2022 outlook. This view considers also the signs of uncertainty regarding developments for the global economy and the beauty market. Against this backdrop, management will - in line with that undertaken in 2021 - continue to monitor the Group's key operating and financial indicators, so as to promptly identify any critical issues.

Finally, the uncertainty associated with the start of the war on February 24, 2022 between the nation states of Ukraine and Russia may not be predicted. This is the case also for possible recessionary economic scenarios, which many consider possible in the short term.

It should be borne in mind that the Group does not have production plant in Russia and Ukraine, nor research centers or representative offices, and it should be noted that business volumes with customers based in Russia are extremely limited and not material. In addition, the Group features geographic, product, and customer/market segment diversification that should enable it to effectively mitigate possible recessionary scenarios that may emerge in certain regions.

Milan, August 4, 2022

---

INTERCOS S.p.A.  
for the Board of Directors









# **NOTES TO THE FINANCIAL STATEMENTS**

# General information

## BOARD OF DIRECTORS

Name	Office
Dario Gianandrea Ferrari	Executive Chairperson
Renato Semerari	Chief Executive Officer
Ludovica Arabella Ferrari	Executive Director
Gianandrea Ferrari (*)	Executive Director
Michele Scannavini	Independent Director pursuant to the CFA and the CG Code
Nikhil Kumar Thukral	Non-Executive Director
Ciro Piero Cornelli	Non-Executive Director
Nikhil Srinivasan (**)	Independent Director pursuant to the CFA and the CG Code
Ginevra Ott	Non-Executive Director
Patrizia De Marchi	Independent Director pursuant to the CFA and the CG Code
Maggie Fanari	Non-Executive Director

(\*) Executive Director identified as such in compliance with the provisions of the CG Code, as holding the office of director with management powers in Intercos Europe S.p.A., a subsidiary of Intercos S.p.A. with strategic importance, but without individual operating powers in Intercos S.p.A..

(\*\*) Lead Independent Director

The Board of Directors was appointed by the Ordinary Shareholders' Meeting of Intercos S.p.A. of July 20, 2021, with effect subject to the Listing, therefore entering office on November 2, 2021 (trading commencement date of Intercos S.p.A.'s shares on the Euronext - Milan segment of the Italian Stock Exchange).

*The Board of Directors was appointed according to the provisions of the By-Laws in force at the date of appointment and, therefore, before the Trading Commencement Date, without application of slate voting<sup>1</sup> and shall remain in office for three financial years, i.e. until the approval of the financial statements at December 31, 2023.*

The curriculum vitae of the Directors can be found at [www.intercos-investor.com](http://www.intercos-investor.com).

1. The provisions on slate voting contained in the By-Laws (which reserve the appointment of a member to be elected from the slate that obtained the second highest number of votes after the majority slate and which is not connected in any way, even indirectly, with the shareholders who submitted or voted for the Majority Slate) shall apply from the first renewal of the Board of Directors following the Trading Commencement Date.





## BOARD OF STATUTORY AUDITORS

Name	Office
Matteo Tamburini	Chairperson of the Board of Statutory Auditors
Monica Manzini (*)	Statutory Auditor
Giovanni Rossi	Statutory Auditor
Francesca Pischedda (*)	Alternate Auditor
Maurizio Nastri	Alternate Auditor

The Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting of Intercos S.p.A. of July 20, 2021, with effect subject to the Listing, therefore entering office on November 2, 2021 (trading commencement date of Intercos S.p.A.'s shares on the Euronext - Milan segment of the Italian Stock Exchange).

The Board of Statutory Auditors was appointed according to the provisions of the By-Laws in force at the date of appointment and, therefore, before the Trading Commencement Date, without application of slate voting<sup>2</sup> and shall remain in office for three financial years, i.e. until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

(\*) Following the resignation of the statutory auditor Ms. Maria Maddalena Gnudi on April 21, 2022 as a result of unexpected professional commitments, the alternate auditor Ms. Monica Manzini assumed the role of statutory auditor as per Article 2401 of the Civil Code. Ms. Monica Manzini remained in office until the subsequent Shareholders' Meeting of April 29, 2022 and *in prorogatio* until the Shareholders' Meeting of June 29, 2022, which by unanimous vote of those present, approved the supplementation of the Board of Statutory Auditors of the company as per Article 2401 of the Civil Code, appointing, on the proposal presented by the shareholder Dafe 4000 S.r.l., with a holding representing 35.9% of the company's voting rights (and therefore without undertaking slate voting), Ms. Monica Manzini as statutory auditor, and Ms. Francesca Pischedda as alternate auditor. Ms. Monica Manzini and Ms. Francesca Pischedda shall remain in office until the conclusion of mandate of the Board of Statutory Auditors of Intercos currently in office and, therefore, until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

2. We highlight that the slate voting provisions contained in the By-Laws - which allow the Minority Slate that obtains the highest number of votes to appoint one Statutory Auditor and one Alternate Auditor and the Chairperson of the Board of Statutory Auditors to be appointed by the Shareholders' Meeting from among the Auditors elected by the minority, in compliance with the provisions of Article 148, Paragraphs 2 and 2-bis of the CFA - will apply starting only from the first renewal of the Board of Statutory Auditors following the Trading Commencement Date.

## INTERNAL COMMITTEES TO THE BOARD (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) CFA)

### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office
Patrizia De Marchi	Chairperson
Ciro Piero Cornelli	Member
Michele Scannavini	Member

### CONTROL AND RISKS COMMITTEE

Name	Office
Nikhil Srinivasan	Chairperson
Michele Scannavini	Member
Ciro Piero Cornelli	Member

### RELATED PARTY TRANSACTIONS COMMITTEE

Name	Office
Michele Scannavini	Chairperson
Patrizia De Marchi	Member
Nikhil Srinivasan	Member

On July 20, 2021, the Board of Directors of Intercos S.p.A. resolved to establish the internal committees reported above, effective as of the Trading Commencement Date, with investigative, proposal and advisory functions, with a term of office equal to that of the Board of Directors and, therefore, until the approval of the financial statements for the year ended December 31, 2023.

For further information on the Committees, reference should be made to the CG Report available on the company's website at [www.intercos-investor.com](http://www.intercos-investor.com).





## SUPERVISORY BOARD

Name	Office
Giuseppe Schiuma	Chairperson
Francesco Cimatti	Member
Maria D'Agata	Member

The Supervisory Board was appointed on April 30, 2021 by Board of Directors' motion of Intercos S.p.A. and will remain in office for three financial years and, therefore, until the Shareholders' Meeting called to approve the financial statements at December 31, 2023.

## INDEPENDENT AUDIT FIRM

EY S.p.A.

The Ordinary Shareholders' Meeting of Intercos S.p.A. on August 25, 2021 appointed the Independent Audit Firm EY S.p.A. for the legal audit of the accounts for nine years (2021-2029), until the approval of the financial statements at December 31, 2019.

## EXECUTIVE OFFICER FOR FINANCIAL REPORTING

Pietro Oriani

# Financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2022 AND DECEMBER 31, 2021

(Euro thousands)	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	212,368	210,559
Intangible assets	44,428	43,273
Goodwill	132,826	132,124
Equity Investments	2,116	2,052
Deferred tax assets	28,910	28,718
Other non-current assets	1,084	942
<b>Non-current assets</b>	<b>421,732</b>	<b>417,668</b>
<b>CURRENT ASSETS</b>		
Inventories	186,283	142,859
Trade receivables	123,969	120,145
Other current assets	26,323	25,031
Current financial receivables	6,294	-
Cash and cash equivalents	159,838	206,979
<b>Current assets</b>	<b>502,707</b>	<b>495,014</b>
<b>TOTAL ASSETS</b>	<b>924,439</b>	<b>912,682</b>
<b>EQUITY</b>		
Share Capital	11.300	11.238
Other reserves	108.504	108.504
Retained earnings	269.252	236.147
Total Equity owners of the parent	389.056	355.889
Non-controlling interest equity	1.957	1.931
<b>TOTAL EQUITY</b>	<b>391.013</b>	<b>357.820</b>





(Euro thousands)	June 30, 2022	December 31, 2021
<b>LIABILITIES</b>		
NON-CURRENT LIABILITIES		
Bank borrowings and other lenders	215,918	253,914
Provisions for risks and charges	5,712	6,120
Deferred tax liabilities	8,875	8,212
Other non-current liabilities	1,281	675
Employee benefits	5,582	9,186
<b>Non-current liabilities</b>	<b>237,368</b>	<b>278,107</b>
<b>CURRENT LIABILITIES</b>		
Current bank borrowings and other lenders	68,068	70,697
Other financial payables	7,248	9,016
Trade payables	157,000	149,059
Provisions for risks and charges	-	38
Other current liabilities	63,742	47,945
<b>Current liabilities</b>	<b>296,058</b>	<b>276,755</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>924,439</b>	<b>912,682</b>

## CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF OF 2022, COMPARED WITH THE FIRST HALF OF 2021

### CONSOLIDATED INCOME STATEMENT

(Euro thousands)	Period ended June 30, 2022	Period ended June 30, 2021
<b>Revenues</b>	<b>367,948</b>	<b>314,606</b>
Cost of sales	(291,588)	(247,890)
<b>Industrial Gross Profit</b>	<b>76,360</b>	<b>66,716</b>
Research, Development and Innovation Costs	(18,384)	(16,936)
Selling Expenses	(13,825)	(11,651)
General and Administrative Expenses	(22,106)	(16,472)
Other income and expenses	2,396	(3,406)
<b>EBIT</b>	<b>24,441</b>	<b>18,251</b>
Financial income	6,297	4,809
Financial expense	(4,138)	(7,322)
Profits from equity investments	-	-
<b>EBT</b>	<b>26,600</b>	<b>15,738</b>
Income taxes	(8,379)	1,705
<b>Net Profit</b>	<b>18,221</b>	<b>17,443</b>
Of which:		
- Owners of the parent	18,113	17,455
- Non-controlling interests	108	(12)
Earnings per share		
Basic and diluted	0.19	0.19



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Euro thousands)	Period ended June 30, 2022	Period ended June 30, 2021
<b>Net Profit</b>	<b>18,221</b>	<b>17,443</b>
Total other comprehensive income, net of tax effect which will not subsequently be reclassified to profit/loss for the period		
- Actuarial gains/(losses) on defined benefit plans	3,971	683
- Tax effect	(647)	(95)
<b>Actuarial Gains and Losses net of tax effect</b>	<b>3,324</b>	<b>588</b>
Other comprehensive income/(charges) which will subsequently be reclassified to profit/loss for the period		
- Translation difference	4,903	3,158
<b>Translation difference</b>	<b>4,903</b>	<b>3,158</b>
- Cash flow hedge	6,747	1,102
- Tax effect	(1,619)	(265)
<b>Fair Value Hedge, net of tax effect</b>	<b>5,128</b>	<b>837</b>
<b>Comprehensive income for the period</b>	<b>31,576</b>	<b>22,026</b>
Of which:		
- Owners of the parent	31,412	22,001
- Non-controlling interests	164	25

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT JUNE 30, 2022 AND DECEMBER 31, 2021

(Euro thousands)		Group Equity			Non-controlling interests equity		Total
Description	Share capital	Other Reserves (share premium)	Reserves and retained earnings	Profit (loss) for the period	Non-controlling interests share capital	Non-controlling interests net profit (loss)	
<b>January 1, 2022</b>	<b>11,238</b>	<b>108,504</b>	<b>196,118</b>	<b>40,029</b>	<b>2,311</b>	<b>(380)</b>	<b>357,820</b>
Allocation of 2021 result	-	-	40,029	(40,029)	(380)	380	-
Capital increase	62	-	-	-	-	-	62
Translation difference	-	-	-	4,896	-	7	4,903
Other comprehensive income, net of tax effect	-	-	-	8,403	-	50	8,453
Net change in LTIP plans reserve	-	-	1,580	-	-	-	1,580
Consolidation reserve	-	-	112	-	(138)	-	(26)
Profit/(loss)	-	-	-	18,113	-	108	18,221
<b>June 30, 2022</b>	<b>11,300</b>	<b>108,504</b>	<b>237,839</b>	<b>31,412</b>	<b>1,793</b>	<b>165</b>	<b>391,013</b>

(Euro thousands)		Group Equity			Non-controlling interests equity		Total
Description	Share capital	Other Reserves (share premium)	Reserves and retained earnings	Profit (loss) for the period	Non-controlling interests share capital	Non-controlling interests net profit (loss)	
<b>January 1, 2021 restated*</b>	<b>10,818</b>	<b>66,005</b>	<b>157,674</b>	<b>33,126</b>	<b>2,879</b>	<b>(777)</b>	<b>269,725</b>
Allocation of 2020 result restated	-	-	33,126	(33,126)	(777)	777	-
Capital increase	420	42,499	(199)	-	-	-	42,720
Translation difference	-	-	-	10,335	-	39	10,374
Other comprehensive income, net of tax effect	-	-	-	2,728	-	(2)	2,726
Net change in LTIP plans reserve	-	-	5,517	-	-	-	5,517
Consolidation reserve	-	-	-	-	209	-	209
Profit/(loss)	-	-	-	26,966	-	(417)	26,549
<b>December 31, 2021</b>	<b>11,238</b>	<b>108,504</b>	<b>196,118</b>	<b>40,029</b>	<b>2,311</b>	<b>(380)</b>	<b>357,820</b>

\* The item "December 31, 2020 restated" includes the effect on the income statement of the Purchase Price Allocation of the subsidiary Intercos Korea Inc





## CONSOLIDATED STATEMENT OF CASH FLOWS AT JUNE 30, 2022 AND JUNE 30, 2021

(Euro thousands)	For the period ended June 30, 2022	For the period ended June 30, 2021
<b>Group net profit</b>	<b>18,221</b>	<b>17,443</b>
Amortization and Depreciation	20,452	19,565
Revaluations/Write-downs of equity investments	256	18
Other (charges) and income	1,580	1,294
Change in provisions	(753)	5,633
Financial expenses and (income)	(2,160)	2,513
Decrease / (Increase) in inventories	(39,252)	(9,600)
Decrease / (Increase) in trade receivables, net	(771)	1,505
Increase / (Decrease) in trade payables	5,533	(279)
Decrease / (Increase) in other assets	(5,192)	(14,169)
Increase / (Decrease) in other liabilities	15,534	11,084
<b>Cash flow generated by operating activities ( a )</b>	<b>13,448</b>	<b>35,007</b>
Investments in property, plant & equipment	(15,279)	(12,187)
Investments in intangible assets	(5,752)	(5,244)
Divestments of property, plant & equipment	255	2,184
Investments in joint ventures and at cost	-	-
Other Investments / (Divestments) in equity investments	(13)	201
Acquisition of equity investments in subsidiaries	-	-
<b>Cash flow generated by investing activities ( b )</b>	<b>(20,789)</b>	<b>(15,046)</b>
Share capital increase	62	-
Increase in share premium reserve	-	-
Increase in payables to banks & other lenders	5,455	10,993
(Decrease) in payables to banks & other lenders	(46,501)	(71,833)
Interest paid in the period	(1,396)	(1,670)
<b>Cash flow generated by financing activities ( c )</b>	<b>(42,380)</b>	<b>(62,510)</b>
<b>Cash flow in the period ( a )+( b )+ ( c )</b>	<b>(49,721)</b>	<b>(42,549)</b>
Cash and cash equivalents at beginning of period	206,979	225,423
Of which currency changes	(2,580)	(2,219)
Cash and cash equivalents at end of period	159,838	185,093
<b>Change in cash and cash equivalents in the period</b>	<b>(49,721)</b>	<b>(42,549)</b>

# NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2022

## INTRODUCTION

Intercos S.p.A. is a limited liability company incorporated in Italy. The company has its registered office in Milan, Piazza Generale Armando Diaz 1 and its administrative offices in Agrate Brianza, via Guglielmo Marconi 84, which is the headquarters of the Parent Company.

Intercos S.p.A. leads a Group that operates internationally in the production and marketing of cosmetic products and cosmetics in general.

The condensed consolidated half-year financial statements at June 30, 2022 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the recognition and measurement criteria of the international accounting standards issued by the international accounting standards board and endorsed by the European Union (referred to as “IFRS”), in addition to the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. For further details, please refer to Section “*General Basis of Preparation of the Condensed Consolidated Half-Year Financial Statements*” of the explanatory notes.





## General information

The Group is one of the leading business-to-business (B2B) operators internationally in the creation, production and marketing of cosmetics (color cosmetics) and skincare products, in addition to hair and body care products (Hair&Body), for leading domestic and international brands, emerging brands and retailers serving the cosmetics market and the wider beauty sector.

At June 30, 2022, the Group operates through the following business units:

(i) **Make Up:** Specializes in the creation, research, development, manufacture and marketing of face and eye powder products, foundations, lipsticks, mascaras, nail polishes and delivery systems, the latter used for the face, eyes and lips. The Make Up business unit in turn comprises six business segments, each corresponding to one or more product categories: Powders, Wet Powders, Foundations, Lipsticks, Deliv-

ery Systems (including Mascaras) and Nail Lacquers;

(ii) **Skincare:** specialized in the creation, research, development, production and marketing mainly of creams, serums and cosmetic and dermocosmetic lotions;

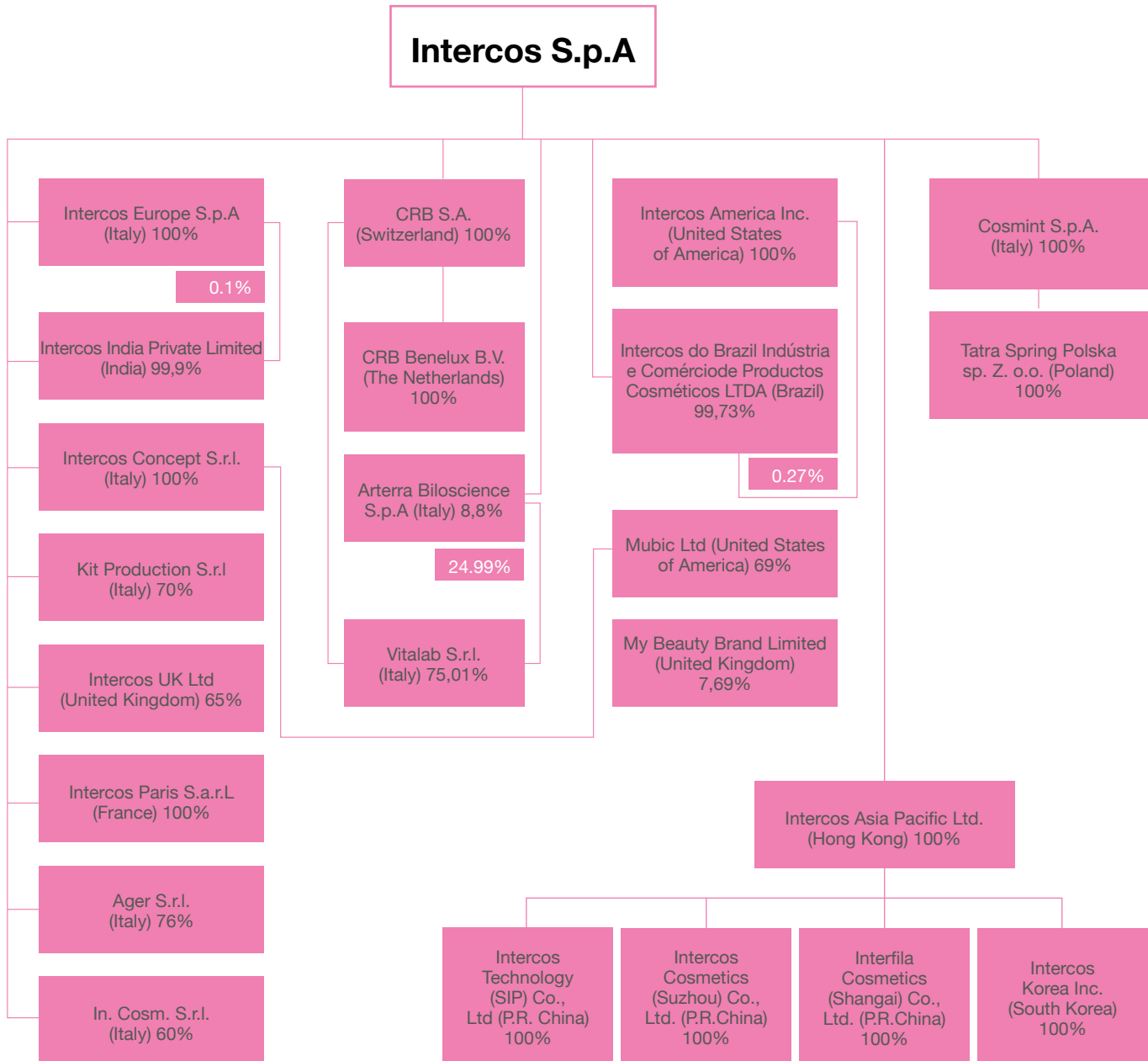
(iii) **Hair&Body:** specialized in the production, and more recently also in the creation and research, of hair and body care products, in which the Group has been involved since the second half of 2017 following the acquisition of the Cosmint Group.

The Intercos Group production facilities number 16, located across three continents, of which 7 in Europe, 6 in Asia, and 3 in the Americas (of which 2 in North America and 1 in South America), for a total production area of approx. 220,000 sq. m. The production locations reflect the Group's clear decision to serve the most developed geographical areas and to operate close to its main clients.

# THE STRUCTURE OF THE GROUP

The structure of the Group,  
updated as of the closing date  
of the half-year financial report  
at June 30, 2022, is presented below.





For changes in the first six months of 2022, please refer to section "Basis of Presentation of the Condensed Consolidated Half-Year Financial Statements" in the Consolidation Scope section.

# Basis of presentation of the Condensed Consolidated Half-Year Financial Statements

## GENERAL INFORMATION

These condensed consolidated half-year financial statements of the Parent Company Intercos S.p.A. for the period ending June 30, 2022 have been approved by the Board of Directors.

## ACCOUNTING STANDARDS

The condensed consolidated half-year financial statements at June 30, 2022 have been prepared in accordance with the provisions of Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act - CFA), as amended and supplemented, and in application of IAS 34. They do not include all the information required by IFRS in the preparation of the annual financial statements and should therefore be read in conjunction with the consolidated financial statements at December 31, 2021, drawn up in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union.

IFRS include all the revised international accounting standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”). In particular, it should be noted that the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, and the statement of cash flows are prepared in ex-

panded form and are the same as those adopted for the consolidated financial statements at December 31, 2021. The explanatory notes below, however, are presented in summary form and therefore do not include all the information required for the annual accounts. In particular, it should be noted that, as required by IAS 34, in order to avoid the duplication of information already published, the explanatory notes refer exclusively to those components of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows whose composition or changes, by amount, nature, or because they are unusual, are essential to an understanding of the Group’s financial and equity position, operating results and cash flows. The condensed consolidated half-year financial statements at June 30, 2022 consist of the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows, and these explanatory notes to the financial statements. In the presentation of these statements, the comparative figures required by IAS 34 (December 31, 2021 for the statement of financial position, June 30, 2021 for changes in equity, income statement, statement of comprehensive income and statement of cash flows) are presented.

For further considerations and details of the Group’s operating and financial results, reference should be made to paragraph “*Intercos Group Key Financial Highlights*” of the Directors’ Report.





## ACCOUNTING POLICIES

The condensed consolidated half-year financial statements at June 30, 2022 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the recognition and measurement criteria of the international accounting standards issued by the international accounting standards board and endorsed by the European Union (referred to as "IFRS"), in addition to the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005.

## NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting standards adopted for the preparation of the condensed consolidated half-year financial statements are those utilized for the 2021 consolidated financial statements of the Group, with the exception of the adoption of the new standards and amendments in force from January 1, 2022. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

Various amendments are applied for the first time in 2022, but did not impact the condensed consolidated half-year financial statements of the Group.

The new standards and amendments effective as of January 1, 2022, adopted by the Group for the preparation of the condensed consolidated half-year financial statements, are presented below:

### ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT – AMENDMENTS TO IAS 37

An onerous contract is one in which the non-discretionary costs (e.g. the costs that the Group cannot avoid because it is a party to a contract) required to fulfil the obligations un-

dertaken are greater than the economic benefits theoretically obtainable from the contract.

The amendment, issued in May 2020 by the IASB, clarifies that in determining whether a contract is onerous or loss-generating, an entity must take into account those costs directly related to the contract for the provision of goods or services which include both incremental costs (e.g. the cost of direct labor and materials) and costs directly attributed to contractual activities (e.g. depreciation of equipment used to fulfil the contract and costs for contract management and supervision). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty based on the contract.

The Group applied this amendment to contracts for which it had not yet fulfilled all its obligations at the beginning of the fiscal year.

Prior to the application of the amendments, the Group had not identified onerous contracts because the non-discretionary costs on the basis of the contract, which included the costs of contract implementation, included only the incremental costs directly attributable to those contracts. As a result of the changes, some additional costs have been considered by the Group in determining the costs of contract implementation. Consequently, the Group has established a provision for onerous contracts, which remains unchanged at June 30, 2022 as the Group has not yet fulfilled its contractual obligations.

In accordance with the transition requirements, the Group has applied the amendments to contracts for which it has not yet fulfilled its obligations at the beginning of the fiscal year in which the amendments are first applied (the date of first application) and has not restated its comparative information.

This amendment had no impact on the Group's condensed consolidated half-year financial statements as no onerous contracts were identified.

## REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3

In May 2020, the IASB published changes to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments replace references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 and without a significant change in the standard's requirements.

The Board also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, where contracted separately. The exemption requires that entities apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition.

The amendment also adds a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognizable assets at the date of acquisition.

At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets shall not be impacted by the updated references to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the Group's condensed half-year financial statements as no contingent assets, liabilities, and contingent liabilities were recognized in this regard in the half-year.

## PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16

In May 2020, the IASB published Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement.

The amendment shall be applied retrospectively to items of Property, Plant and Equipment made available for use on or after the start date of the prior period to that in which the entity first applies the amendment.

These amendments had no impact on the Group's condensed consolidated half-year financial statements as no sales were made related to these items of property, plant and equipment before they came into operation, before or after the beginning of the previous comparative period.

## IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – SUBSIDIARY AS A FIRST-TIME ADOPTER

As part of the 2018-2020 Annual Improvements to IFRS process, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This





amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognized by the parent, considering the parent's date of transition to IFRS. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

This amendment had no impact on the Group's condensed consolidated half-year financial statements as the Group is not a first-time adopter.

### **IFRS 9 FINANCIAL INSTRUMENTS – FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES**

As part of the 2018-2020 Annual Improvements to IFRS process, the IASB published an amendment to IFRS 9. This amendment clarifies the fees an entity includes in determining whether the terms and conditions of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. An entity applies this amendment to the financial liabilities that are modified or exchanged subsequent to the date in the first year in which it is applied.

No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

This amendment had no impact on the Group's condensed consolidated half-year financial statements as there were no changes in the Group's financial liabilities during the period.

### **ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BY IASB/IFRIC AND ENDORSED BY THE EUROPEAN COMMISSION, BUT NOT YET APPLIED**

The standards, interpretations and amendments which at the date of the preparation of the Group financial statements were issued but not yet in force are reported below. The Group will adopt these standards when they enter into force, if applicable:

#### **AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT**

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by the right to defer maturity;
- That the right of subordination must exist at financial year-end;
- The classification is not impacted by the probability of whether the entity will exercise its subordination right;
- Only where a derivative embedded in a convertible liability is itself an equity instrument the maturity of the liability shall have no impact on its classification.

The amendments will be effective for fiscal years beginning on or after January 1, 2024, and should be applied retrospectively. The Group is currently assessing the impact of the amendments on the current situation and whether the renegotiation of existing loan agreements and will be necessary, in addition to the discussions of the IFRS IC and the IASB.

## CONSOLIDATION CRITERIA AND METHODS

The condensed consolidated half-year financial statements include the financial statements of Intercos S.p.A. and of its subsidiaries at June 30, 2022.

The financial statements prepared for consolidation purposes, whose year-end coincides with that of the Parent Company, have been drawn up in accordance with the international accounting standards adopted by the Group.

Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group.

The Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

When the Group holds less than the majority of the voting rights (or similar rights), all the facts and significant circumstances should be considered to establish whether control of the investment entity exists, including:

- Contractual agreements with other holders of voting rights;

- Rights deriving from contractual agreements;
- Voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the period are included in the statement of comprehensive income from the date in which the Group obtains control until the date in which the Group no longer exercises control on the company.

The profit/(loss) and each of the other comprehensive income statement items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation.

When the share in the equity held by the Parent Company changes, which does not result in a loss of control, this change must be recorded under equity. If the Group loses control, it must:

- Eliminate the assets (including any goodwill) and the liabilities of the subsidiary;
- Eliminate the book value of all the minority shareholdings;
- Eliminate the cumulative translation reserve recorded in equity;
- Recognize the fair value of the amount received;
- Recognize the fair value of any holding maintained in the former subsidiary;





- Recognize the gain or loss in the income statement;
- Reclassify the share of the Parent Company of any items previously recorded in the

statement of comprehensive income to the income statement or profits/(losses) carried forward, as required by specific accounting standards, as if the Group had directly sold the related assets or liabilities.

## Consolidation scope

The companies included in the consolidation scope of Intercos S.p.A. at June 30, 2022 and the respective consolidation methods are reported below:

### SUBSIDIARIES (CONSOLIDATED BY THE LINE-BY-LINE METHOD)

Company Name	Registered Office	Currency	Share Capital in thousands	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%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Intercos America Inc.	Wilmington, New Castle, Delaware (USA)	US Dollar	10	100.00%	
Intercos do Brasil Indústria e Comércio de Produtos Cosméticos Ltda	Atibaia (Brazil)	Brazilian Real	36,549	99.73%	0.27%
Intercos Paris Sarl	Paris (France)	Euro	14	100.00%	
Intercos UK Ltd*	Barnstaple (UK)	UK Sterling	0.1	65.00%	
Intercos Marketing Ltd**	South Molton (UK)	UK Sterling	0.001		100%
CRB S.a.	Puidoux (Switzerland)	Swiss Franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	160		75.01%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100%
Intercos Technology Co.Ltd.	Suzhou (P.R.C.)	US Dollar	8,400		100%
Interfila Cosmetics (Shanghai) Co. Ltd	Shanghai (P.R.C)	US Dollar	2,700		100%
Intercos Cosmetics Suzhou Co. Ltd.	Suzhou (P.R.C.)	US Dollar	12,800		100%
Intercos Asia Pacific Limited***	Hong Kong	US Dollar	48,951	100.00%	
Intercos Concept S.r.l	Milan	Euro	10	100.00%	
Cosmint S.p.A.	Olgiate Comasco	Euro	1,586	100.00%	
Tatra Spring Polska Spółka zoo	Garwolin (Poland)	PLN	50		100%
MUBIC Ltd.	Dover, Kent, Delaware (USA)	US Dollar	5,000		69%
In.Cosm S.r.l.	Italy	Euro	500	60%	
Intercos Korea Inc.	South Korea	KRW	39,565,640		100%
Intercos India Private Limited***	Mumbai (India)	INR	744,100	99.9%	0.000001%

\* Intercos UK Ltd on May 24, 2022 was dissolved, concluding the liquidation process that began in September 2019.

\*\* Intercos Marketing Ltd on December 8, 2021 was dissolved, concluding the liquidation process that began in September 2019.

Details of the direct and indirect minority holdings of the Parent Company at June 30, 2022 follow:

Name	Registered Office	Currency	Share Capital in thousands	Percentage of control	
				Direct	Indirect
My Beauty Brand Limited*	United Kingdom	UK Sterling	1,552		7.69%
Arterra Bioscience S.p.A.**	Italy	Euro	333	8.73%	

\* Intercos S.p.A. has an indirect holding (through the company MUBIC Ltd.) in the share capital of My Beauty Brand Limited of 7.6%. On June 14, 2021, the shareholders' meeting of My Beauty Brand plc. resolved, *inter alia*, to convert the company from a "public limited company" to a "private limited company" and, accordingly, the company's name was amended to My Beauty Brand Limited.

\*\* Intercos S.p.A. acquired a minority holding in Arterra Bioscience S.p.A. (formerly "Arterra Bioscience S.r.l.") for a total investment of Euro 1,500,000, equivalent to 8.73% of the company.

## Estimates and assumptions

The preparation of the condensed consolidated half-year financial statements requires the Directors to apply accounting policies and methods that are at times based on complex subjective assessments and estimates linked to historical experience, and on assumptions that at any given point are considered reasonable and realistic in view of the relevant circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the statement of financial position, the income statement and the statement of cash flow, and on the disclosures in the notes to the accounts.

The accounting policies utilized in the preparation of the condensed consolidated half-year financial statements at June 30, 2022 are the same as those used in preparing the consolidated financial statements at December 31, 2021, to which reference should be made, except as

noted in the section "New accounting standards, interpretations and amendments adopted by the Group".

The information in the condensed consolidated half-year financial statements at June 30, 2022 should be read in conjunction with the consolidated financial statements at December 31, 2021, prepared in accordance with IFRS.

For an outline of accounting estimates utilized, reference should be made to the 2021 Consolidated Annual Accounts.

It should also be noted that some valuation processes, in particular the most complex, such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require an immediate valuation of any loss in value.





## CORONAVIRUS OUTBREAK

The global spread of the Coronavirus (or COVID-19) and its immediate consequences in the areas of health, the economy and for society in general, has been a source of uncertainty for the implications that may still be felt by the domestic and international economic system. However, even as new waves and variants continue to bring fresh concerns, the success of the vaccination campaigns and the expansive policies adopted have demonstrated in early 2022 that global economic activity is resilient. Surveys indicate that the impact from the Omicron variant of COVID-19 on the advanced economies may only be brief.

The Intercos Group, faced with this situation, has chosen to continue to adopt a standard safety protocol in all the countries in which it operates, in compliance with the various applicable local rules and regulations, with the primary objective of ensuring the health and safety of the workplace and working methods, so as to prevent the exposure of all workers to the spread of the virus.

In each country, the Group's subsidiaries have set up a COVID-19 Extraordinary Crisis Committee, made up of representatives from the main corporate functions. Its main objective is to ensure the adoption of a protocol centered on the risk assessment and management required by the current pandemic emergency. All employees have received appropriate briefings with regular electronic updates.

## CLIMATE CHANGE

With reference to climate change, it should be noted that Intercos does not fall within the scope of Directive 2003/87/EU (as latterly amended by EU Directive 2018/410), which introduced and regulated the European Union Emissions Trading System (EU ETS).

The ETS is the main tool adopted by the European Union to achieve CO2 reduction targets in the main industrial sectors and in the aviation sector.

Although Intercos is not one of the industrial sectors covered by the ETS, the company has been committed to combating climate change for several years now. In fact, one of the objectives of the Group's Sustainability Plan to 2025 centers on reducing greenhouse gas (GHG) emissions from its plant (Scope 1 and Scope 2). It should be noted that within the Group's Enterprise Risk Management (ERM) model, there is a risk dedicated to climate change. In particular, the risk relates to the failure to achieve the objective of reducing the Group's GHG emissions by 2025. The types of risk considered during the risk assessment phase were: compliance risks; reputational risks; operational risks. In relation to financial reporting, stakeholders are increasingly interested in the impact of climate change on business models, cash flows, financial position and company results. Although the IAS/IFRS standards do not make explicit reference to climate-related issues, these impacts are taken into account by Intercos in the application

of the international accounting standards where significant, by assessing their effects, both in the application of the individual accounting standards and on the company's going concern. In this context, it should be noted that the Group has not had any significant impact from the application of the individual standards, nor have any doubts or uncertainties arisen regarding events or conditions that might call into question its ability to operate as a going concern. We should also consider that the transition to lower-emission economies in response to climate change will create challenges and opportunities for global growth.

### RUSSIA-UKRAINE CONFLICT

Lastly, the war between the nation states of Ukraine and Russia has since the beginning of the year created a situation of uncertainty, whose impacts may not be fully assessed in the short term.

At present, the current war has caused great volatility for energy prices and therefore there is limited visibility on raw material and packaging inflation.

In this regard, it should be borne in mind that the Group does not have production plant in Russia and Ukraine, nor research centers or representative offices, and it should be noted that business volumes with customers based in Russia are extremely limited and not material.

In relation to the above points, during the first half of 2022 the Group's performance indicators did not significantly alter compared to December 31, 2021 such as to impact the recoverability of non-current assets (such as property, plant and equipment, intangible assets, and deferred tax assets) or to make it necessary to revise the estimates underlying the business plan.





## Testing for the impairment of goodwill and of intangible assets with indefinite useful life

Property, plant and equipment and intangible assets with an indefinite useful life were analyzed annually at December 31, 2021 in order to identify the existence of any impairment indicators. Where such indicators are identified, the recoverable value of these assets is estimated. If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.

The recoverability of the goodwill and of the other intangible and tangible fixed assets is verified at least once a year also in the absence of indicators of loss in value. The recoverable value of the cash-generating units, whose individual goodwill were allocated, was determined through the determination of the value in use, considered as the present value of the expected cash flows, utilizing an interest rate which reflects the specific risks of the individual cash-generating units at the valuation date.

During the first half of 2022, the Group's market and performance indicators in terms of order intake, revenues, and cash flow did not present any significant discontinuities compared to December 31, 2021 and therefore to the company's plans, such as to make it necessary to revise the estimates of the business plan drawn up for the 2022-2026 five-year period and approved by the Board of Directors on March 15, 2022.

All Business Units have ample coverage. Moreover, for the Hair & Body business, volumes and profits shall significantly exceed the assumptions of the original plan, on the basis of the recent commercial agreement signed with the *maison* Dolce&Gabbana. For prudence, this agreement had not been considered in the assumptions of the plan approved by Group management since, at the time of the execution of the 2021 impairment test, it had not yet been finalized.

# REVIEW OF THE MAIN CONSOLIDATED FINANCIAL STATEMENT ACCOUNTS

## Property, plant & equipment

The movements in “Property, plant and equipment” during the first half of 2022 were as follows:

### JUNE 30, 2022

(in Euro thousands)	January 1, 2022	Increases/ deprec.	Inc/ Deprec. Option Contract	Currency changes/ Transfers	Decreases / Utilizations	June 30, 2022
<b>Historical costs</b>						
Land & buildings	253,778	2,842	-	4,634	(418)	260,836
Property, plant and equipment	261,774	4,625	-	6,465	(427)	272,437
Industrial equipment	56,292	1,368	-	465	(177)	57,948
Office furniture and equipment	22,858	353	-	641	(143)	23,709
Vehicles and internal transport	4,737	553	-	16	(112)	5,194
Radiotelephones	88	12	-	4	(8)	96
Assets in progress and advances	6,977	5,528	-	(2,775)	(141)	9,589
<b>Total</b>	<b>606,504</b>	<b>15,281</b>	<b>-</b>	<b>9,450</b>	<b>(1,426)</b>	<b>629,809</b>
<b>Provisions</b>						
Land & buildings	130,824	5,178	112	3,181	(418)	138,877
Property, plant and equipment	194,866	7,287	-	3,385	(363)	205,175
Industrial equipment	48,881	1,819	-	186	(170)	50,716
Office furniture and equipment	18,034	759	-	394	(143)	19,044
Vehicles and internal transport	3,299	373	-	4	(91)	3,585
Radiotelephones	41	3	-	0	-	44
<b>Total</b>	<b>395,945</b>	<b>15,419</b>	<b>112</b>	<b>7,150</b>	<b>(1,185)</b>	<b>417,441</b>
<b>Net value</b>	<b>210,559</b>	<b>(138)</b>	<b>(112)</b>	<b>2,300</b>	<b>(240)</b>	<b>212,368</b>

Group capital expenditure in the first half of 2022 totaled Euro 15,281 thousand, of which:

(i) investments by the Group in the EMEA area totaling Euro 9,155 thousand, of which Euro 3,808 thousand in Cosmint S.p.A., Euro 2,769 thousand in Intercos Europe S.p.A., Euro 367 thousand in Intercos S.p.A., Euro

873 thousand in CRB S.A. and Euro 1,273 thousand in Tatra Spring Polska Sp. Z.o.o.. These investments mainly concern new plant and machinery (Euro 3,313 thousand), new industrial equipment (Euro 1,132 thousand), new land and buildings (Euro 617 thousand) and assets in progress for Euro





3,469 thousand, principally the extension of the Cosmint di Olgiate Comasco warehouse and the upgrading of the industrial plant and machinery of Intercos Europe S.p.A. and of Tatra Spring Polska Sp. Z.o.o..

(ii) Asian investments totaled Euro 2,706 thousand, of which Euro 352 thousand in Intercos Technology Co. Ltd, Euro 1,018 thousand in Intercos Cosmetics Suzhou Co. Ltd, Euro 78 thousand in Interfila Cosmetics (Shanghai) Co. Ltd., Euro 80 thousand in Intercos Asia Pacific and Euro 1,090 thousand in Intercos Korea INC. By type, these investments mainly concern new plant and machinery (Euro 1,249 thousand) and new buildings (Euro 575 thousand);

(iii) the Americas totaled Euro 3,419 thousand, of which Euro 3,376 thousand in Intercos America Inc. and Euro 43 thousand in Intercos do Brasil Indústria and Comércio de Produtos Cosméticos LTDA. By nature, these investments are mainly represented by new land and buildings (Euro 1,649 thousand) and assets in progress amounting to Euro 1,664 thousand, mainly investments for the upgrading of industrial plant and machinery.

Investments in plant and machinery and industrial equipment were undertaken in order to upgrade, expand, renovate and automate production facilities as a whole.

The following table provides information on the carrying amounts of right-of-use assets and their movements during the year:

(in Euro thousands)	January 1, 2022	Increases/ Deprec.	Currency changes/ Transfers	Decreases/ EarlyTerm	June 30, 2022
<b>Historical cost</b>					
Industrial buildings	38,254	2,444	1,355	(418)	41,635
Property, plant and equipment	379	-	34	-	413
Industrial equipment	1,188	186	-	(131)	1,243
Office furniture and equipment	1,571	11	(1)	(44)	1,537
Transport vehicles	3,268	541	10	(107)	3,712
<b>Total</b>	<b>44,660</b>	<b>3,182</b>	<b>1,398</b>	<b>(700)</b>	<b>48,540</b>
<b>Provisions</b>					
Industrial buildings	16,441	2,076	1,181	(418)	19,280
Property, plant and equipment	62	39	8	-	109
Industrial equipment	265	116	(0)	(124)	257
Office furniture and equipment	847	158	(1)	(44)	960
Transport vehicles	1,901	353	6	(86)	2,174
<b>Total</b>	<b>19,516</b>	<b>2,742</b>	<b>1,194</b>	<b>(672)</b>	<b>22,780</b>
<b>Net Value</b>	<b>25,144</b>	<b>440</b>	<b>204</b>	<b>(28)</b>	<b>25,760</b>

In the period ending June 30, 2022, no indicators have emerged that would lead to the identification of a differing useful life. For further considerations on the recoverability of property, plant and equipment, reference should be made to paragraph “Esti-

mates and Assumptions” of the Explanatory Notes.

For further details on financial leases for liabilities, reference should be made to paragraph “Bank borrowings and other lenders” of the Explanatory Notes.

# Intangible assets

The account reports the following movements:

(in Euro thousands)	January 1, 2022	Increases	Decreases/ Adjust./ Changes	Transfers	Amort.	June 30, 2022
<b>Development costs</b>	<b>21,338</b>	2,774	291	4,537	(3,358)	<b>25,582</b>
<b>Patents &amp; software</b>	<b>8,524</b>	287	1	168	(1,298)	<b>7,682</b>
<b>Concessions, licenses</b>	<b>1,705</b>	29	22	-	(236)	<b>1,520</b>
<b>Assets-in-progress</b>	<b>8,562</b>	2,246	8	(4,603)	-	<b>6,213</b>
<b>Other</b>	<b>3,144</b>	416	2	(102)	(29)	<b>3,430</b>
<b>TOTAL</b>	<b>43,273</b>	<b>5,752</b>	<b>323</b>	-	<b>(4,921)</b>	<b>44,428</b>

Group investment in intangible assets in the first half of 2022 totaled Euro 5,752 thousand and mainly concerned:

- development activities for Euro 2,774 thousand, mainly by the parent company Intercos S.p.A. (Euro 724 thousand), by Vitalab S.r.l. (Euro 260 thousand), by Cosmint S.p.A. (Euro 461 thousand), by CRB S.A. (Euro 1,017 thousand) and by Intercos America Inc. (Euro 312 thousand);
- patent and software rights of the Parent Company for Euro 121 thousand;
- investments for projects in progress amounting to Euro 2,246 thousand, mainly attributable to the Parent Company Intercos S.p.A., of which Euro 2,116 thousand for the development of new formulas and new products.

With reference to “Development costs”, the Parent Company carried out a program targeting:

- the development of new production technologies for the development of new products;
- the development of new raw materials and new formulas for the development of new products.

For further considerations on the recoverability of intangible assets, reference should be made to paragraph “*Estimates and Assumptions*” of the explanatory notes to the financial statements.





## Goodwill

The Group's goodwill amounted to Euro 132,826 thousand at June 30, 2022, compared to Euro 132,124 thousand at December 31, 2021, an increase of Euro 703 thousand

(+0.5%), attributable to the translation into Euro of the value of goodwill expressed in local currencies other than Euro.

(in Euro thousands)	December 31, 2021	Increases	Decreases	Exchange adjustments	June 30, 2022
Goodwill	132,124	-	-	702	132,826

For further considerations on the recoverability of goodwill, reference should be made to paragraph "Estimates and Assumptions" of the explanatory notes to the financial statements.

## Net deferred taxes

(Euro thousands)	June 30, 2022	December 31, 2021
Deferred tax assets	28,910	28,718
Deferred tax liabilities	(8,875)	(8,212)
<b>Net deferred taxes</b>	<b>20,035</b>	<b>20,506</b>

Net deferred taxes decreased by Euro 471 thousand on December 31, 2021. The deferred tax assets recognized are fully

recoverable, given the potential for absorption through the Companies' future taxable income from the 2021-2025 business plan.

## Other non-current assets and liabilities

(Euro thousands)	June 30, 2022	December 31, 2021
Other non-current assets	1,084	942
Other non-current liabilities	(1,281)	(675)
<b>Other non-current assets and liabilities</b>	<b>(197)</b>	<b>267</b>

Other non-current assets and liabilities increased by Euro 464 thousand compared to December 31, 2021.

# Other current assets and liabilities

(Euro thousands)	June 30, 2022	December 31, 2021
Other current assets	26,323	25,031
Other current liabilities	(63,742)	(47,945)
<b>Other current assets and liabilities</b>	<b>(37,419)</b>	<b>(22,914)</b>

Other current assets and liabilities increased by Euro 14,505 thousand compared to December 31, 2021. This mainly follows the increase in other current assets for Euro 1,292 thousand, mainly attributable to higher VAT receivables, and the increase in other current liabilities for Euro 15,798 thousand, mainly related to (i) high-

er payables to employees for Euro 6,850 thousand (+31.6%), as a result of increased charges for vacation days matured but not taken, bonuses and other accruals for deferred salaries (ii) higher payables to the tax authorities for Euro 1,269 thousand as a result of the increase in current tax payables and VAT payables.

# Working capital

## INVENTORIES

Total inventories at June 30, 2022 amounted to Euro 186,283 thousand, compared to Euro 142,859 thousand at December 31, 2021, a total increase of Euro 43,424 thou-

sand (+30%), due to the procurement policy implemented by the Group to cope with supply chain instabilities in the first six months of 2022.

(Euro thousands)	June 30, 2022	December 31, 2021
Raw materials, packaging, ancillaries and consumables	120,599	93,682
Semi-finished products	49,886	36,171
Finished products and goods	15,798	13,006
<b>Total</b>	<b>186,283</b>	<b>142,859</b>

The Group uniformly adopts the 100% write-down approach to inventory obsolescence for all materials that have not been moved for more than 12 months, as at the end of this peri-

od, semi-finished products and products have a limited possibility of reuse for marketing and/or production, mainly due to non-compliance defects.





The inventory obsolescence provision at June 30, 2022 is reported below:

(Euro thousands)	June 30, 2022	December 31, 2021
Opening balance	31,495	37,657
Provisions in the period	9,335	16,476
Utilization in the period	(9,289)	(22,793)
New acquisitions		155
<b>Total</b>	<b>31,541</b>	<b>31,495</b>

The inventory obsolescence provision at June 30, 2022 amounted to Euro 31,451 thousand, increasing Euro 46 thousand on December 31, 2021, with this movement due on the one hand

to higher accruals of Euro 9,335 thousand and on the other to the utilization of the provision for Euro 9,289 thousand, with both changes mainly concerning the semi-finished products category.

## TRADE RECEIVABLES AND THE DOUBTFUL DEBT PROVISION

Trade receivables at June 30, 2022 totaled Euro 123,969 thousand, compared to Euro 120,145 thousand at December 31, 2021, with a net increase of Euro 3,824 thousand (+3.2%).

(Euro thousands)	June 30, 2022	December 31, 2021
Receivables from third parties	120,451	117,552
Invoices to be issued	5,493	4,780
Doubtful debt provision	(1,975)	(2,187)
<b>Total</b>	<b>123,969</b>	<b>120,145</b>

Trade receivables increased Euro 3,824 thousand (+3.2%) compared to the previous period. The increase is substantially in line with the increase in revenues (+17%) and average collection days

are substantially unchanged. Reference should be made to paragraph “*Risk management and uncertainties*” of the Directors’ Report for further details regarding the ageing of trade receivables.

The write-downs of receivables at June 30, 2022 are reported below:

(Euro thousands)	June 30, 2022	December 31, 2021
Opening balance	2,187	3,857
Provisions in the period	342	563
Utilization in the period	(575)	(2,252)
New acquisitions	-	-
Exchange differences	21	19
<b>Total</b>	<b>1,975</b>	<b>2,187</b>

Trade receivables are presented net of the doubtful debt provision. This provision was calculated in line with international accounting standard IFRS 9.

The Group doubtful debt provision at June 30, 2022 amounts to Euro 1,975 thousand, compared to Euro 2,187 thousand at December 31, 2021, decreasing by Euro 212 thousand (-9.7%).

## TRADE PAYABLES

Trade payables at June 30, 2022 amounted to Euro 157,000 thousand, compared to Euro 149,059 thousand at December 31, 2021, increasing by Euro 7,941 thousand (+5%).

Trade payables are all related to transactions with suppliers in the normal course of production and investment activities and have a dura-

tion of less than twelve months. It should also be noted that the Group has assessed that its trade payables overdue by more than 60 days do not have a significant financing component, also taking into account the provisions of paragraph 184 of the new ESMA guidelines 32-382-1138 of March 4, 2021.

The measurement of trade and other payables at fair value does not produce significant effects given the short period of time elapsing between the arising of the debt and its maturity.

During the period under review, the Group did not renegotiate contractual maturities with its suppliers, nor are there any disputes with the Group's creditors or any enforcement actions taken by the latter.

It should be noted that compared with the previous year there were no substantial changes in terms of average payment days.





## Equity

Group equity at June 30, 2022 amounts to Euro 391,013 thousand, compared to Euro 357,820 thousand at December 31, 2021, increasing by Euro 33,193 thousand (9.3%). This movement is mainly due to the net profit for the period (Euro 18,221 thousand) and the actuarial reserve, net of the tax effect (Euro 3,324 thousand), the LTIP plans reserve (Euro 1,580 thousand), the translation reserve (Euro 4,902 thousand), and finally Euro 5,128 thousand related to the Fair Value Hedge reserve, net of the tax effect.

### SHARE CAPITAL

As at June 30, 2022, the share capital of In-

tercos S.p.A., fully subscribed and paid-in, amounts to Euro 11,300,256.00 and is divided into 96,257,950 ordinary shares, without par value, corresponding, pursuant to Article 120, paragraph 1 of the Consolidated Finance Act and Article 6 of the By-Laws, to 127,065,063 voting rights. It should be noted that Intercos' By-Laws provide for the mechanism of multi-voting rights (Article 6 of the By-Laws).

The issue and circulation of ordinary shares is regulated by current legislation.

Intercos' share capital structure is detailed in the table below.

### SHARE CAPITAL STRUCTURE

	No. of shares	No. of voting rights	Listed	Rights and obligations
Ordinary Shares	96,257,950	127,065,063	Euronext - Milan	Rights and obligations as per law and By-Laws

### OTHER RESERVES

The other reserves consist of the share premium reserve of Euro 108,504 thousand.

in other reserves, net of the related tax effect of Euro 5,128 thousand, iii) the increase in the conversion reserve of Euro 4,896 thousand. Please see in this regard the consolidated statement of comprehensive income.

### RETAINED EARNINGS AND GROUP RESULTS FOR THE YEAR

Group retained earnings totaled Euro 269,251 thousand in the first half of 2022, with the increase on the 2021 opening balance of Euro 236,147 relating to the result for the period of Euro 18,113 thousand, in addition to the increase of the LTIP plans reserve of Euro 1,580 thousand.

This item increased by a total of Euro 13,413 thousand, mainly due to: i) the increase in actuarial reserves, net of the related tax effect equal to Euro 3.275 thousand, ii) the increase

### NON-CONTROLLING INTERESTS EQUITY

This item comprises the non-controlling interests share capital and losses for the period of Euro 1,957 thousand. Non-controlling interests equity increased due to the profit for the first half of 2022 of Euro 109 thousand, the positive effect of the translation reserve amounting to Euro 6 thousand, in addition to the increase of the actuarial reserves, net of the related tax effect amounting to Euro 49 thousand, and finally decreasing by Euro 139 thousand relating to the consolidation

reserve, due to the distribution of dividends to non-controlling interests.

## CAPITAL MANAGEMENT

The primary objective of capital management is to maximize shareholder value. The Group manages the capital structure and makes adjustments based on economic conditions and the requirements of financial covenants.

The Group capital management policies stipulate the maintenance of a high level of equity in order to maintain trust among investors, creditors and the market, allowing for future development.

The Group monitors the return on capital and seeks to maintain a balance between obtaining higher returns through the use of debt and the benefits and the advantages and security provided by a strong equity position.

# Bank borrowings and other lenders

At June 30, 2022, the net financial debt of the Group was Euro 125,102 thousand, mainly comprising the Senior Loan Agreement with the long-standing banking syndicate of IMI, Unicredit and BNP Paribas, who were joined by CACIB and Crédit Agricole Italia.

## NET FINANCIAL DEBT

(Euro thousands)	June 30, 2022	December 31, 2021
Cash and cash equivalents	(159,838)	(206,979)
Net current financial liabilities to banks and other lenders	63,768	74,550
Current financial liabilities from application of IFRS16	5,254	5,163
<b>Current financial debt</b>	<b>(90,816)</b>	<b>(127,266)</b>
Non-current financial liabilities to banks and other lenders	194,412	232,774
Non-current borrowings from application of IFRS16	21,506	21,140
<b>Non-current financial debt</b>	<b>215,918</b>	<b>253,914</b>
<b>Net debt (cash)</b>	<b>125,102</b>	<b>126,648</b>





## CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

(Euro thousands)	June 30, 2022	December 31, 2021
Bank and postal deposits	159,781	206,929
Cash and valuables in hand	57	50
<b>Total</b>	<b>159,838</b>	<b>206,979</b>

The decrease in the first half of 2022 was Euro 47,141 thousand, mainly due to the repayments made by the Parent Company of capital portions of the credit lines in place at the reporting date.

The movement in cash and cash equivalent is presented in the Statement of Cash Flows above.

There are no restrictions and/or constraints on cash held at June 30, 2022. Available liquidity

is used to meet the normal core operating obligations and to implement the strategic guidelines.

The credit lines in place at the date of these financial statements, accessed by the Parent Company in order to deal with the economic and health emergency and relaunch the Group's strategic action, are summarized below:

(Euro thousands)	Nominal value	Nominal rate	Euribor/Libor rate
<b>Credit line</b>			
BNL loan	30,000	0.90%	0.00%
<b>Total</b>	<b>30,000</b>		

## FINANCIAL DEBT

At June 30, 2022, the Group therefore has total current and non-current debt of Euro 291,234 thousand, broken down into:

- a fixed-rate portion of Euro 38,350 thousand (13% of total debt), made up of (i) Euro 4,791 thousand relating to mortgages held by CRB S.A., (ii) Euro 26,759 thousand to payables for financial leases following the application of IFRS 16 and (iii) Euro 6,800 thousand to payables for financial leases.
- a variable-rate portion of Euro 252,884 thousand (87% of the total debt) comprising (i)

Euro 229,439 thousand relating to the Senior Loan underwritten by the Parent Company, the medium/long-term BNL loan (presented net of the effects of the application of the amortized cost method pursuant to IFRS 9), (ii) Loan from the Subsidiary Intercos do Brasil for Euro 198 thousand (iii) Other financial payables for Euro 1,337 thousand, (iv) Euro 20,285 thousand relating to bilateral lines held by subsidiaries, and finally (v) Euro 1,625 thousand relating to current bank borrowings.

The breakdown of the Group's financial debt at June 30, 2022 and December 31, 2021 is presented below, along with the relevant maturities:

(in Euro thousands)	June 30, 2022		
	current	non-current	Total
Medium/long-term loans (Intercos S.p.A.)	45,574	183,864	229,438
Medium/long-term loans (Intercos CRB)	386	4,405	4,791
Medium/long-term loans (IdB)	198	-	198
Financial Payables IFRS 16	5,254	21,506	26,760
Finance leases	657	6,143	6,800
Other financial payables	1,337	-	1,337
<b>Long-term debt</b>	<b>53,405</b>	<b>215,918</b>	<b>269,324</b>
Payables for subsidiary bilateral lines	20,285	-	20,285
Current bank borrowings	1,625	-	1,625
<b>Short-term debt</b>	<b>21,910</b>	<b>-</b>	<b>21,910</b>
Payables to factoring companies	-	-	-
<b>Total financial debt</b>	<b>75,316</b>	<b>215,918</b>	<b>291,234</b>

(in Euro thousands)	December 31, 2021		
	current	non-current	Total
Medium/long-term loans (Intercos S.p.A.)	15,267	221,857	237,124
Medium/long-term loans (Intercos Korea)	9,498	-	9,498
Medium/long-term loans (Intercos CRB)	371	4,433	4,804
Medium/long-term loans (IdB)	272	-	272
Financial Payables IFRS 16	5,163	21,140	26,303
Finance leases	773	6,484	7,257
Other financial payables	1,239	-	1,239
Derivative liabilities	452	-	452
<b>Long-term debt</b>	<b>33,035</b>	<b>253,914</b>	<b>286,949</b>
Payables for subsidiary bilateral lines	42,872	-	42,872
Current bank borrowings	2,418	-	2,418
<b>Short-term debt</b>	<b>45,290</b>	<b>-</b>	<b>45,290</b>
Payables to factoring companies	1,388	-	1,388
<b>Total financial debt</b>	<b>79,713</b>	<b>253,914</b>	<b>333,627</b>





The breakdown of Group financial debt at June 30, 2022, with indication of the nature of the flows, was as follows:

(in Euro thousands)	December 31, 2021	Drawdown	Repayments	Leases Undertaken	Other*	June 30, 2022
Medium/long-term loans (Intercos S.p.A.)	237,124	-	(8,000)	-	314	229,438
Medium/long-term loans (Intercos Korea)	9,498	-	(9,488)	-	(10)	-
Medium/long-term loans (IdB)	272	-	(116)	-	42	198
Medium/long-term loans (CRB)	4,804	-	(186)	-	173	4,791
Financial Payables IFRS 16	26,303	-	(4,087)	3,182	1,362	26,760
Finance leases	7,257	4	(414)	-	(47)	6,800
Other financial payables	1,239	-	(196)	-	294	1,337
Derivative liabilities	452	-	(452)	-	-	-
<b>Long-term debt</b>	<b>286,949</b>	<b>4</b>	<b>(22,939)</b>	<b>3,182</b>	<b>2,128</b>	<b>269,324</b>
Payables for subsidiary bilateral lines	42,872	-	(23,021)	-	434	20,285
Current bank payables	2,418	-	(549)	-	(244)	1,625
Payables to factoring companies	1,388	-	(1,388)	-	-	-
<b>Short-term debt</b>	<b>46,678</b>	<b>-</b>	<b>(24,958)</b>	<b>-</b>	<b>190</b>	<b>21,910</b>
<b>Total financial debt</b>	<b>333,627</b>	<b>4</b>	<b>(47,897)</b>	<b>3,182</b>	<b>2,318</b>	<b>291,234</b>

\* The "Other" item includes currency differences, accrued interest not yet paid and the effects of the accounting treatment of the Cometa option right.

During the first half of the year i) the parent company repaid the capital portions of credit lines for Euro 8,000 thousand, relating to the Line A loan; ii) the subsidiary Intercos Korea Inc. repaid capital portions of Euro 9,498 thousand. The subsidiaries also repaid short-term bilateral credit lines for Euro 23,021 thousand, respectively Euro 7,197 thousand by the sub-

sidiary Intercos Korea and Euro 2,824 thousand by the subsidiary Intercos Cosmetics Suzhou and finally Euro 13,000 thousand by the subsidiary Intercos Europe SpA.

Movements in bank borrowings and other lenders are presented below, broken down into cash and non-cash items:

(in Euro thousands)	
<b>Opening Balance December 31, 2021</b>	<b>333,627</b>
Non-cash changes	48
Cash changes	(42,441)
<b>Closing Balance June 30, 2022</b>	<b>291,234</b>
<b>Opening Balance December 31, 2020</b>	<b>419,420</b>
Non-cash changes	2,571
Cash changes	(62,510)
<b>Closing Balance June 30, 2021</b>	<b>359,481</b>

Information is provided below on the carrying amounts of liabilities for leases (included under financial payables) and their movements during the year:

	2022	2021
<b>At January 1, 2021</b>	-	<b>26,469</b>
Increases	-	4,837
Increase in interest	-	559
Payments	-	(6,072)
Other	-	510
<b>December 31, 2021</b>	<b>26,303</b>	<b>26,303</b>
Increases	3,182	-
Increase in interest	264	-
Payments	(3,224)	-
Other	234	-
<b>At June 30, 2022</b>	<b>26,760</b>	-
<b>Current</b>	<b>5,254</b>	<b>5,163</b>
<b>Non-Current</b>	<b>21,506</b>	<b>21,140</b>

The new loan contract signed on December 17, 2019 introduced a “covenant light” structure, reducing the financial covenants of the parent company, calculated as (as per the underlying contract):

- Net Financial Position / EBITDA

This covenant structure was replicated for the other two medium/long-term loans (SACE and BNL).

The covenants for the year ending June 30, 2022 were complied with.





The following table breaks down net financial debt at June 30, 2022 and December 31, 2021, in accordance with paragraph 175 of ESMA Recommendation 32-382-1138 dated March 4, 2021:

(in Euro thousands)	June 30, 2022	December 31, 2021
A Cash and cash equivalents	159,838	206,979
B Other cash equivalents	-	-
C Other current financial assets	6,294	-
<b>D LIQUIDITY (A+B+C)</b>	<b>166,132</b>	<b>206,979</b>
E Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	29,158	54,306
F Current portion of non-current debt	46,158	25,407
<b>G CURRENT FINANCIAL DEBT (E+F)</b>	<b>75,316</b>	<b>79,713</b>
<b>H NET CURRENT FINANCIAL DEBT (G-D)</b>	<b>(90,816)</b>	<b>(127,266)</b>
I Non-current financial debt (excluding current portion and debt instruments)	215,918	253,914
J Debt instruments	-	-
K Trade payables and other non-current payables	1,281	675
<b>L NON-CURRENT FINANCIAL DEBT (I+J+K)</b>	<b>217,199</b>	<b>254,589</b>
<b>M TOTAL FINANCIAL DEBT (H+L)</b>	<b>126,383</b>	<b>127,322</b>

It should also be noted that the Group does not have any indirect debt or debt subject to conditions and that it has assessed that its trade payables overdue by more than 30 days do not have a significant financing component, also taking into account the provisions of paragraph 184 of the new ESMA guidelines 32-382-1138 of March 4, 2021.

It should be noted that during the year the Group did not renegotiate any contractual maturities with its suppliers and that there are no disputes with the Group's creditors.

The fair value measurements of the Group's financial instruments have been classified into the three levels required by IFRS 7.

Specifically, the fair value hierarchy consists of the following levels:

- **Level 1:** corresponds to prices listed on active markets;
- **Level 2:** corresponds to prices calculated through elements inferred from observable market data;
- **Level 3:** corresponds to prices calculated through other elements than observable market data.

Financial instruments belonging to fair value hierarchy level 3 are represented by "Other equity investments" under Non-current assets for which no directly or indirectly observable market prices are available.

Financial instruments belonging to fair value hierarchy level 3 are derivatives hedging the foreign exchange risk of financial assets/liabilities recorded in the statement of financial position.

The following table presents the fair values of the financial instruments in portfolio:

### HIERARCHY FAIR VALUE AT REPORTING DATE

(in Euro thousands)	June 30, 2022 Level 3	June 30, 2022 Level 2	December 31, 2021 Level 3	December 31, 2021 Level 2
<b>Assets</b>				
IRS – Interest rate swap				
Fair value hedge		6,294		452
Equity investments	2,116		2,052	

For further considerations of the fair value of financial instruments in portfolio and details of the mark-to-market of IRS contracts, please refer to the Derivatives section in paragraph “*Risk management and uncertainties*” of the Directors’ Report.

## Provisions for risks and charges (non-current)

Provisions for risks and charges (non-current) at June 30, 2022 amounted to Euro 5,712 thousand, decreasing by Euro 408 thousand compared to the previous year (Euro 6,120 thousand at December 31, 2021 restated). The changes in the item are shown below:

(Euro thousands)	June 30, 2022	December 31, 2021
Opening balance	6,120	1,167
Provisions in the period	83	5,560
Utilization in the period	(494)	(610)
Exchange differences	3	-
Other movements	-	3
<b>Total</b>	<b>5,712</b>	<b>6,120</b>

At June 30, 2022, the provision for risks and charges decreased by Euro 408 thousand, mainly due to releases and utilizations of Euro 494 thousand by the subsidiaries Intercos Europe S.p.A and Intercos Korea.





For a better understanding, the breakdown of the item by nature is presented below:

(Euro thousands)	Tax provisions	Other
December 31, 2021	5,000	1,120
Provisions in the period	-	83
Utilization in the period	-	(494)
Effect of exchange rate application	-	2
Other movements	-	-
<b>June 30, 2022</b>	<b>5,000</b>	<b>712</b>

The tax provisions at June 30, 2022 report a balance of Euro 5,000 thousand concerning the subsidiaries Intercos Europe S.p.A. and Cosmint S.p.A. which on June 24, 2021 received two consultation reports from the Tax Agency concerning the tax regime of certain subcontracting and/or contracting agreements entered into by the company with “third parties” who allegedly made use of cooperative companies

that committed alleged tax violations.

The Other item at June 30, 2022 amounts to Euro 712 thousand and mainly relates to (i) provisions for potential penalties for compliance claims of certain products (ii) provisions for potential litigation with personnel and (iii) potential litigation for infringement of a patent of which the Parent Company is the legitimate owner.

## Revenues from sales and services

(Euro thousands)	Period ended	
	June 30, 2022	June 30, 2021
<b>Revenue from sales and services</b>	<b>367,948</b>	<b>314,606</b>

Group sales **revenues** in the first half of 2022 totaled Euro 367,948 thousand, increasing Euro 53,342 thousand (+17%). Despite the continuing global economic challenges posed by the global supply chain crisis and the fresh extensive lockdowns in China which impacted Q2, revenues in the first half of the year again benefitted from the economic recovery and particularly of the Beauty market, across almost all regions.

All business areas reported higher sales, with Make-up (+24%) particularly reporting its best revenues since the outbreak of the pandemic,

followed by the Skincare business unit (+8.8%) which saw growth despite the lockdown in China, resulting in a slight decline in Q2 against the same period of the previous year, and finally the Hair & Body business unit was up 3.5%. Excluding the exceptional Hand Sanitizer sales as a result of the pandemic, the Hair & Body business unit grew 9.4%.

For further details on revenue by business unit, by region and finally by client, reference should be made to paragraph “*Intercos Group Key Financial Highlights*” of the Directors’ Report.

# Operating highlights

The income statement items for the first half of the year are reported below.

(in Euro thousands)	Period ended June 30, 2022	Period ended June 30, 2021
<b>Cost of sales</b>	<b>(291,588)</b>	<b>(247,890)</b>
<b>Net Operating Costs and Income</b>	<b>(51,919)</b>	<b>(48,464)</b>
<i>The account breaks down as follows:</i>		
Research, Development and Innovation Costs	(18,384)	(16,936)
Selling Expenses	(13,825)	(11,651)
General and Administrative Expenses	(22,106)	(16,472)
Other net income/(charges)	2,396	(3,405)

The Group cost of sales was Euro 291,588 thousand in the first half of 2022, compared to Euro 247,890 thousand in the first half of 2021, increasing Euro 43,698 thousand (+17.6%). The increase is substantially in line with the improved Group revenues (+17%).

Group general and administrative expenses totaled Euro 22,106 thousand in the first half of 2022, compared to Euro 16,472 thousand in the first half of 2021, increasing Euro 5,634 thousand (+34%). General and administrative expenses accounted for an increased percentage (6% in the first half of 2022; 5.2% in the first half of 2021). Personnel expense saw the greatest increase (Euro 3,293 thousand).

Other income of Euro 2,397 thousand mainly comprises (i) operating income of Euro 5,898 thousand, which increased Euro 3,053 thou-

sand compared to Euro 2,845 thousand in the same period of the previous year, (ii) non-recurring charges of Euro 3,501 thousand, rising Euro 2,749 thousand on the previous year.

Non-recurring charges mainly relate to the provisions for the internal reorganization of personnel for Euro 1,020 thousand, the grant for the people of Ukraine for Euro 200 thousand, the costs incurred for the stock market listing of Euro 634 thousand and finally the provision of Euro 1,580 thousand related to the formalization of the new targets of the new performance shares plan.

For further details on the performance shares plan, reference should be made to the significant events at paragraph “*Significant transactions during the first half of the year*” of the Directors’ Report.





For further details on the income statement items, reference should be made to the reconciliation between the consolidated income statement by type and the reclassified income statement for the period ended June 30, 2022 and for the period ended June 30, 2021.

(in Euro thousands)	Period ended June 30, 2022						
	Revenues	Cost of sales	Research, Development and Innovation costs	Sales expenses	General and Administrative Expenses	Other income and expenses	EBIT
Revenues	367,948	-	-	-	-	-	367,948
Personnel expenses	-	(78,636)	(13,480)	(10,017)	(10,363)		(112,496)
Raw materials, ancillary consumables and goods	-	(140,911)	(1,159)				(142,070)
Outsourcing	-	(27,489)					(27,489)
Consultancy costs	-		(1,059)	(778)	(2,488)		(4,325)
IT systems services	-				(3,058)		(3,058)
Employee training and hiring	-				(849)		(849)
Transport costs	-	(11,465)		(362)			(11,827)
Travel expenses	-		(799)				(799)
Commercial expenses	-			(227)			(227)
Amortization, depreciation and write-downs	-	(12,547)	(4,763)	(575)	(2,607)		(20,492)
Utilities	-	(6,071)	(317)	(292)	(336)		(7,016)
Maintenance services	-	(4,881)					(4,881)
Costs capitalized for internal construction	-		4,701				4,701
Rental charges	-				(262)		(262)
(Accruals) util. write-down provision Receivables	-			(198)			(198)
Other costs	-		(1,508)	(1,376)	(2,143)		(5,027)
Other costs of sales	-	(9,588)					(9,588)
Other operating income	-					7,192	7,192
Other operating charges	-					(1,295)	(1,295)
Non-recurring charges	-					(3,501)	(3,501)
<b>Total</b>	<b>367,948</b>	<b>(291,588)</b>	<b>(18,384)</b>	<b>(13,825)</b>	<b>(22,106)</b>	<b>2,396</b>	<b>24,441</b>

(in Euro thousands)	Period ended June 30, 2021						
	Revenues	Cost of sales	Research, Development and Innovation costs	Sales expenses	General and Administrative Expenses	Other income and expenses	EBIT
Revenues	314,606	-	-	-	-	-	314,606
Personnel expenses	-	(63,850)	(11,897)	(8,648)	(7,069)	-	(91,464)
Raw materials, ancillary consumables and goods	-	(124,089)	(1,100)	-	-	-	(125,189)
Outsourcing	-	(22,669)	-	-	-	-	(22,669)
Consultancy costs	-	-	(950)	(496)	(1,845)	-	(3,291)
IT systems services	-	-	-	-	(2,345)	-	(2,345)
Employee training and hiring	-	-	-	-	(705)	-	(705)
Transport costs	-	(9,015)	-	(389)	-	-	(9,404)
Travel expenses	-	-	(517)	-	-	-	(517)
Commercial expenses	-	-	-	(674)	-	-	(674)
Amortization, depreciation and write-downs	-	(11,794)	(4,833)	(540)	(2,416)	-	(19,583)
Utilities	-	(3,781)	(291)	(307)	(331)	-	(4,710)
Maintenance services	-	(4,326)	-	-	-	-	(4,326)
Costs capitalized for internal construction	-	-	3,770	-	-	-	3,770
Rental charges	-	-	-	-	(296)	-	(296)
(Accruals) util. write-down provision Receivables	-	-	-	692	-	-	692
Other costs	-	-	(1,118)	(1,289)	(1,465)	-	(3,872)
Other costs of sales	-	(8,366)	-	-	-	-	(8,366)
Other operating income	-	-	-	-	-	3,782	3,782
Other operating charges	-	-	-	-	-	(938)	(938)
<b>Non-recurring charges</b>	-	-	-	-	-	(6,250)	(6,250)
<b>Total</b>	<b>314,606</b>	<b>(247,890)</b>	<b>(16,936)</b>	<b>(11,651)</b>	<b>(16,472)</b>	<b>(3,406)</b>	<b>18,251</b>





## Income taxes

Income taxes break down as follows:

(in Euro thousands)	Period ended	
	June 30, 2022	June 30, 2021
Current income taxes	8.267	7.921
Deferred tax assets	(556)	(14.626)
Prior year taxes	668	5.000
<b>Total</b>	<b>8.379</b>	<b>(1.705)</b>

Group income taxes totaled Euro 8,379 thousand in the first half of 2022, compared to Euro 1,705 thousand in the first half of 2021, increasing Euro 10,083 thousand. The increase in the first six months of 2022 mainly concerns the accruals made in the first half of the previous year relating for Euro 5,000 thousand to prior year taxes and for Euro 13,511 thousand to the higher deferred tax assets for the re-alignment of the tax value of goodwill.

The tax rate in the first half of 2022 was 31.5%, compared to 10.8% in the previous year

(+20.7%). For a better understanding of the figure, for the half year 2021 the effects of the "August Decree" amounting to Euro 13,511 thousand should be excluded and, with the taxes related to previous years amounting to Euro 6,806 thousand and a tax rate of 39.6%, with a decrease of 8.1%.

The tax calculation for the first half of 2022 was made considering the period-end tax rate. The Group did not apply the option to use the weighted average annual expected tax rate in accordance with IAS 34 paragraph 30.

## Related party transactions

In accordance with IAS 24, the Group's related parties are determined as entities and persons capable of exercising control, joint control or significant influence over the Group and its subsidiaries. Related parties include the companies belonging to Dario Ferrari, the majority shareholder of Intercos S.p.A. (through the companies DAFE 3000 S.r.l., DAFE 4000 S.r.l. and DAFE 5000 S.r.l.). Related party transactions, as per IAS 24, are limited to those regarding the commercial, administrative and financial services undertaken by the parent company and by the

subsidiaries with other related parties and are therefore net of transactions between the company and its subsidiaries.

These transactions are within the scope of ordinary management, the core operations of each party and the parent company considers them to be carried out at market conditions.

The Group during the first half of the year undertook the following transactions with Related Parties:

(K€)	Revenues	Other operating income	Material costs & services costs & rent, lease & similar costs	Personnel expense	Other operating charges	Financial Expenses	Financial Income	Trade Receivables	Trade Payables	Financial liabilities
Dafe International Srl	-	-	(65)	-	-	-	-	1	-	-
Sci Maragia	-	-	(22)	-	-	-	-	-	64	-
Je m'en fous	-	-	-	-	-	-	-	-	(5)	-
Arterra Bioscience SpA	3	1	(1,801)	-	-	-	29	1	994	200
My Style	-	-	(4)	-	(20)	-	-	-	5	-
Interior	-	-	(3)	-	(1)	-	-	-	0	-
Maragia USA Inc	-	-	(14)	-	-	-	-	-	14	-
Cornelli Gabelli e associati	-	-	(123)	-	-	-	-	-	154	-
MTA Tech S.r.l.	-	-	(114)	-	-	-	-	-	155	-
OTTO S.R.L.	-	-	(1)	-	-	-	-	-	1	-
Family members and relatives of Dario Ferrari	-	-	-	-	(15)	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>1</b>	<b>(2,147)</b>	<b>-</b>	<b>(36)</b>	<b>-</b>	<b>29</b>	<b>2</b>	<b>1,382</b>	<b>200</b>

The total remuneration of the Board of Directors was Euro 1,908 thousand in the first half of 2022 (Euro 1,182 thousand in the first half of 2021). In addition, the total amount of remuneration of the top senior executives was Euro 1,232 thousand in the first half of 2022.

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in the first half of 2022 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.





## Earnings per share (EPS)

Earnings per share (EPS) is calculated:

- dividing the net result attributable to holders of ordinary shares by the number of average ordinary shares in the period, net of treasury shares (basic EPS);
- dividing the net result by the average number of the ordinary shares and the potential number deriving from the exercise of all of the rights options from stock option plans, net of treasury shares (diluted EPS), taking into consideration any dilutive effects as per IAS 33.

EPS	Period ended June 30, 2022	Period ended June 30, 2021
Average number of shares during the period	96,089,863	92,242,293
Net result ( <i>Euro thousands</i> )	18,221	17,443
<b>Basic EPS and diluted EPS (in Euro)</b>	<b>0,19</b>	<b>0,19</b>

## Board of Directors' and Board of Statutory Auditors' fees

The following table presents the corporate board fees for the first half of 2022:

(Euro thousands)	Importo
Board of Directors	1,908
Board of Statutory Auditors	40
<b>Total</b>	<b>1,948</b>

These fees include the emoluments due for serving as a director or statutory auditor of Intercos S.p.A.

For further details on the remuneration of Directors, Statutory Auditors and Senior Executives,

reference should be made to the 2021 Remuneration Report, which can be consulted on the company's website [www.intercos-investor.com](http://www.intercos-investor.com) in the "Governance" section.

# Commitments and guarantees

The guarantees given at June 30, 2022 concern sureties, guarantees and commitments in favor of third parties issued by the parent company, on its own behalf totaling Euro 40,880 thousand and by subsidiaries totaling Euro 54,719 thousand. The guarantees issued during the present period are detailed below:

## ON BEHALF OF THE PARENT COMPANY INTERCOS S.P.A

- On behalf of Intercos America for a bank credit line through Intesa Italy in favor of Intesa NY (Intesa branch in America) amounting to USD 3,000 thousand, corresponding to Euro 2,888 thousand;
- On behalf of Intercos America to guarantee the obligations deriving from the lease of the commercial offices in NY and in favor of Prospect Resources for a value of USD 418 thousand, corresponding to Euro 402 thousand;
- On behalf of Intercos America for a bank credit line through Intesa Italy in favor of Intesa NY (Intesa branch in America) amounting to USD 3,000 thousand, corresponding to Euro 2,888 thousand;
- On behalf of Intercos Korea a guarantee in favor of BNP Seoul Branch (Korea) for a value of Korean Won 35,000,000 thousand, corresponding to Euro 25,895 thousand;
- On behalf of Intercos do Brasil, a guarantee in favor of Banco Bradesco amounting to Brazilian Real 3,500 thousand, corresponding to Euro 645 thousand;
- On behalf of CRB S.A. a guarantee in favor of UBS Switzerland AG for a value of Swiss Francs 5,500 thousand, corresponding to Euro 5,522 thousand;
- On behalf of Intercos Korea a guarantee in favor of IMB Seoul (Korea) for a value of Korean Won 964.000 thousand, corresponding to Euro 713 thousand.

## DIRECTLY BY THE SUBSIDIARIES

In connection with the acquisition of the subsidiary Intercos Korea on June 30, 2020, there is a pledge in favor of the Bank on the building and land where the headquarters of Intercos Korea are located for a total value of Korean Won 63,600,000 thousand, corresponding to Euro 47,055 thousand, in favor of Keb Hana Bank as a guarantee for the loan on the building that was granted at the time of the company's incorporation.

The loan was repaid in full on June 29, 2022, and the guarantee is being cancelled. Since this is a pledge, the cancellation procedure is quite complex and may take several weeks.





## Share-based payment plans

In 2021, due to the Listing of the Parent Company's shares, the Board of Directors approved a new performance share plan, effective as of the Listing Date, designed to incentivize and retain key Group resources identified by the Board of Directors (both employees and directors) to be implemented through the grant of up to a total of 1,190,000 shares of the Com-

pany's ordinary shares upon the achievement of specified targets.

In application of this plan, in the first half of 2022 and subject to the setting and communication of the new targets and duration of the plan, non-recurring charges of Euro 1,580 thousand were provisioned, while the LTIP reserve was moved to equity for a similar amount.

## Significant and subsequent transactions

On July 13, 2022, Mr. Matteo Milani was appointed Group Chief Purchasing Officer and Director of Intercos Concept S.r.l., resigning from his position as Chairperson of the Board of Directors and Chief Executive Officer of In-

tercos Europe S.p.A.. Mr. Gianandrea Ferrari was therefore appointed, effective from that date, as Chairperson of the Board of Directors and Chief Executive Officer of Intercos Europe S.p.A..

## Other information

It is communicated that Intercos S.p.A. has complied with the simplified regime as per Articles 70, paragraph 8 and 71, paragraph 1-*bis*, of CONSOB Regulation on Issuers No. 11971/1999, as subsequently amended, thereby availing of the right to waive the disclosure requirements provided for in Articles 70, paragraph 6 and 71, paragraph 1, of the aforementioned Regulation for significant mergers, spin-offs, share capital increases by contributions in kind, acquisitions and disposals.

Milan, August 4, 2022

INTERCOS S.p.A.  
for the Board of Directors

# Declaration of the Consolidated Financial Statements as per Article 81 - ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements

The undersigned Renato Semerari, as Chief Executive Officer, and Pietro Oriani, as Executive Officer for Financial Reporting of Intercos S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the accuracy of the information on company operations and
- the effective application of the administrative and accounting procedures for the compilation of the condensed half-year financial statements for the first half of 2022.

We also declare that:

1. the condensed half-year financial statements:

- a. were prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
- b. correspond to the underlying accounting documents and records;
- c. provide a true and fair view of the financial position, balance sheet and operating results of the issuer and of the companies included in the consolidation.

The Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

August 4, 2022

Chief Executive Officer

Renato Semerari

Executive Officer for  
Financial Reporting

Pietro Oriani









# INDEPENDENT AUDITORS' REPORT



# **Intercos S.p.A.**

**Review report on the interim condensed consolidated  
financial statements as of June 30, 2022**

**(Translation from the original Italian text)**

## Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of  
Intercos S.p.A.

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Intercos S.p.A. and its subsidiaries (the "Intercos Group") as of June 30, 2022. The Directors of Intercos S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Intercos Group as of June 30, 2022 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 5, 2022

EY S.p.A.

Signed by: Paolo Zocchi, Statutory Auditor

*This report has been translated into the English language solely for the convenience of international readers*

Creative concept,  
design and editing



MERCURIO<sup>GP</sup>  
[www.mercuriogp.eu](http://www.mercuriogp.eu)





intercos  
GROUP