

**INTERCOS GROUP**  
**Global Cosmetic Manufacturer**

**INTERIM REPORT**  
**at March 31, 2015**

**PREPARED IN ACCORDANCE WITH THE IFRS**  
**ENDORSED BY THE EUROPEAN UNION**

**MAY 15, 2015**

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

## Company Information

### BOARD OF DIRECTORS

| <b>Name</b>               | <b>Position</b>                      |
|---------------------------|--------------------------------------|
| Dario Gianandrea Ferrari  | Chairman and Chief Executive Officer |
| Ludovica Arabella Ferrari | Chief Executive Office               |
| Gianandrea Ferrari        | Director                             |
| Thukral Nikhil Kumar      | Director                             |
| Chu James Michael         | Director                             |

### Board of Statutory Auditors

| <b>Name</b>                  | <b>Position</b>     |
|------------------------------|---------------------|
| Nicola Pietro Lorenzo Broggi | Chairman            |
| Matteo Tamburini             | Standing Auditor    |
| Maria Maddalena Gnudi        | Standing Auditor    |
| Francesco Molinari           | Alternative Auditor |
| Simone Alessandro Marchiò    | Alternative Auditor |

### INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

## REPORT ON OPERATIONS FOR THE FIRST QUARTER OF 2015

### Introduction

The Interim Report at March 31, 2015 has been prepared and drawn up:

in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union and pursuant to IAS 34 – Interim Financial Reporting.

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

|  | <i>in € thousands</i> |                   |
|--|-----------------------|-------------------|
| <b>Interim Statement of Financial Position</b> | <b>3/31/2015</b>      | <b>12/31/2014</b> |
| Non-current assets                             | 227,917               | 217,408           |
| Current assets                                 | 216,978               | 190,439           |
| <b>Total Assets</b>                            | <b>444,895</b>        | <b>407,847</b>    |
| Non-current liabilities                        | 207,900               | 181,385           |
| Current liabilities                            | 136,747               | 129,828           |
| Equity   | 100,249               | 96,634            |
| Non-controlling interests                      | -                     | -                 |
| <b>Total Equity and Liabilities</b>            | <b>444,895</b>        | <b>407,847</b>    |

|  | <i>in € thousands</i> |                   |
|--|-----------------------|-------------------|
| <b>Interim Income Statement</b>          | <b>3/31/2015</b>      | <b>12/31/2014</b> |
| Revenues from sales and services (Sales) | 81,326                | 76,569            |
| Other revenues and income                | 696                   | 577               |
| Operating expenses                       | (75,919)              | (67,975)          |
| Gross operating profit (EBITDA)          | 6,100                 | 9,172             |
| Operating profit (EBIT)                  | 544                   | 6,161             |
| Profit (loss) before taxes (EBT)         | (4,385)               | 4,428             |
| <b>Profit (loss) for the period</b>      | <b>(5,420)</b>        | <b>2,172</b>      |

*in € thousands*

| <b>Sales by business unit</b> | <b>Q1 2015</b> | <b>Q1 2014</b> |
|-------------------------------|----------------|----------------|
| Make Up                       | 71,743         | 67,139         |
| Skin Care                     | 9,583          | 9,430          |
| <b>Total</b>                  | <b>81,326</b>  | <b>76,569</b>  |

*in € thousands*

| <b>Sales by geographical area</b> | <b>Q1 2015</b> | <b>Q1 2014</b> |
|-----------------------------------|----------------|----------------|
| Americas                          | 32,104         | 29,022         |
| EMEA                              | 38,741         | 39,315         |
| Asia                              | 10,480         | 8,232          |
| <b>Total</b>                      | <b>81,326</b>  | <b>76,569</b>  |

*in € thousands*

| <b>Net financial position</b>       | <b>3/31/2015</b> | <b>12/31/2014</b> |
|-------------------------------------|------------------|-------------------|
| Current net financial position      | 996              | (17,370)          |
| Non-current net financial position  | (182,129)        | (157,971)         |
| <b>Total Net financial position</b> | <b>(181,133)</b> | <b>(175,341)</b>  |

*number*

| <b>Work force</b>                | <b>3/31/2015</b> | <b>12/31/2014</b> |
|----------------------------------|------------------|-------------------|
| Executives                       | 206              | 205               |
| Mid-level managers and employees | 807              | 801               |
| Workers                          | 1,809            | 1,502             |
| Temporary                        | 855              | 912               |
| <b>Total work force</b>          | <b>3,677</b>     | <b>3,420</b>      |

## Profit and Financial Performance

During the first quarter of 2015 the Group reported revenues from sales of €81,326 thousand compared to €76,569 thousand in the first three months of 2014, with an increase of €4,756 thousand, or 6%.

EBITDA in the first quarter of 2015 is a positive €6,100 thousand.

Operating profit in the first quarter of 2015 is €544 thousand.

Capital expenditures in property, plant and equipment and intangible assets for the period January 1, 2015 to March 31, 2015 total €2,452 thousand and €1,462 thousand, respectively.

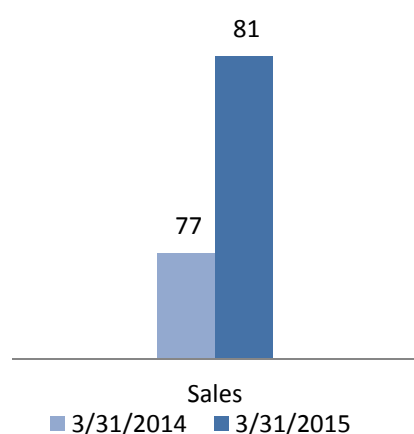
The consolidated net financial position is €181,133 thousand compared to €175,341 thousand at December 31, 2014, increasing €5,792 thousand.

Total equity stands at €100,249 thousand from €96,635 thousand at December 31, 2014, with an increase of €3,614 thousand.

## Report on operations

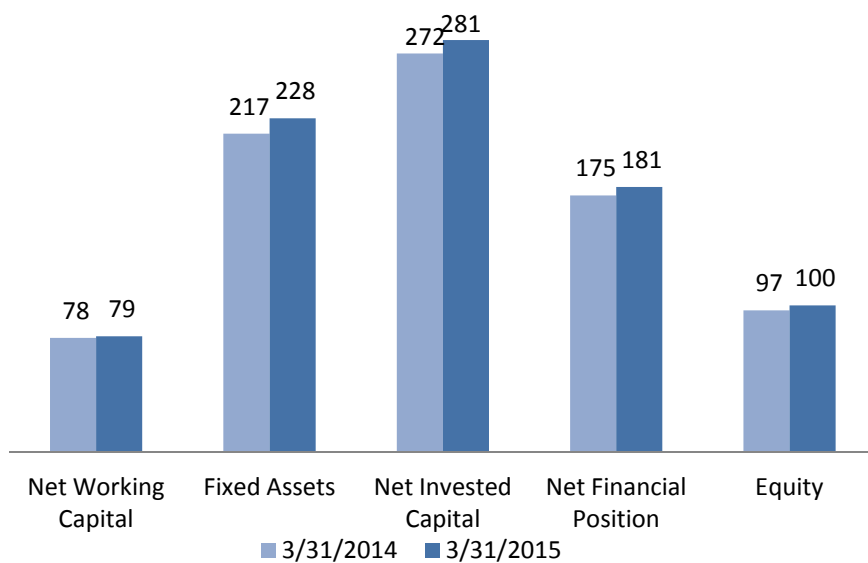
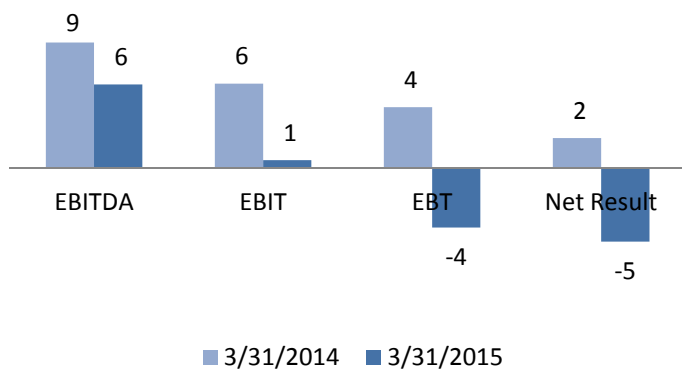
### Sales

*(in € millions)*



## Principal consolidated profit and financial position indicators

(in € millions)



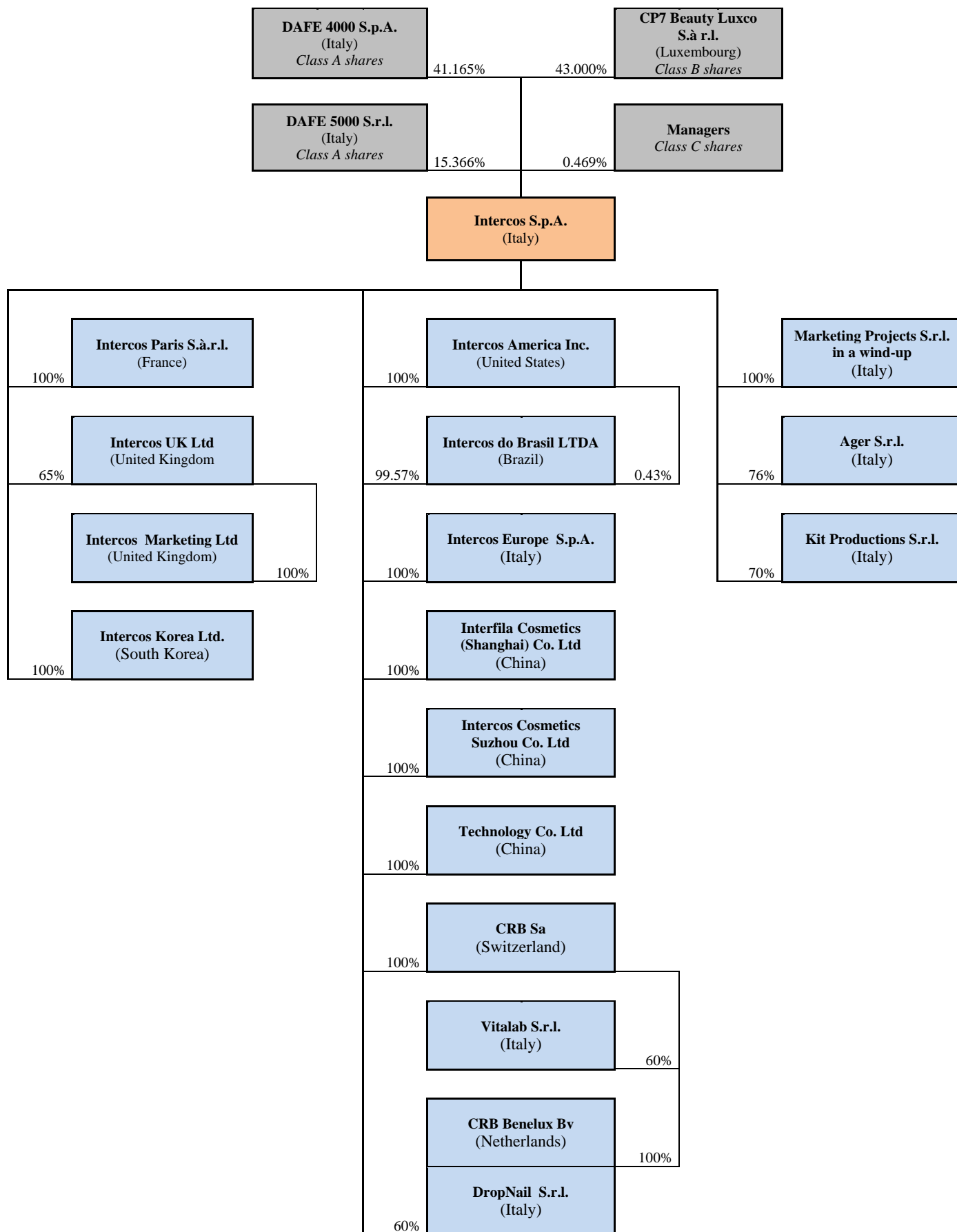
**Group Structure.** Intercos S.p.A. is a corporation organized under the laws of the Republic of Italy, with registered offices in Milan, Piazza Eleonora Duse 2.

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

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

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

The following is an organization chart of the Group showing the operating companies and those in a wind-up, updated to March 31, 2015.





## Review of operations

### COMPOSITION OF THE GROUP

The interim financial statements at March 31, 2015 include the interim financial statements or data of Intercos S.p.A. (group holding company) and the subsidiaries (Italian and foreign) which carry out manufacturing and marketing activities, consolidated line-by-line.

Area of consolidation:

#### **SUBSIDIARIES**

*(consolidated line-by-line)*

| Name                                   | Registered office               | Currency       | Share capital in thousands of currency indicated | Percentage of Control |          |
|--|---------------------------------|----------------|--|-----------------------|----------|
|  |                                 |                |  | Direct                | Indirect |
| Intercos Europe S.p.A.                 | Milan                           | Euro           | 3,000  | 100.00%               |          |
| Kit Productions S.r.l.                 | Pessano con Bornago (Milan)     | Euro           | 10   | 70.00%                |          |
| Marketing Projects S.r.l. in a wind-up | Milan                           | Euro           | 40   | 100.00%               |          |
| Ager S.r.l.                            | Monza                           | Euro           | 31   | 76.00%                |          |
| Drop Nail S.r.l.                       | Milan                           | Euro           | 50   | 60.00%                |          |
| Intercos Korea Ltd                     | Seongnam-Gyeonggi (South Korea) | Euro           | 1,212  | 100.00%               |          |
| Intercos America Inc.                  | Wilmington (USA)                | U.S. dollar    | 10   | 100.00%               |          |
| Intercos do Brasil                     | Atibaia (Brazil)                | Brazilian real | 22,377   | 99.57%                | 0.43%    |
| Intercos Paris Sarl                    | Neuilly-sur-Seine (France)      | Euro           | 14   | 100.00%               |          |
| Intercos UK Ltd                        | Barnstaple (UK)                 | British pound  | 1  | 65.00%                |          |
| Intercos Marketing Ltd                 | South Molton (UK)               | British pound  | 1  |                       | 100.00%  |
| CRB S.a.                               | Puidoux (Switzerland)           | Swiss franc    | 100  | 100.00%               |          |
| Vitalab S.r.l.                         | Milan                           | Euro           | 100  |                       | 60.00%   |
| CRB Benelux BV                         | Maastricht (Netherlands)        | Euro           | 18   |                       | 100.00%  |
| Intercos Technology Co.Ltd.            | Suzhou (P.R.C.)                 | U.S. dollar    | 3,400  | 100.00%               |          |
| Interfila Shanghai                     | Shanghai (P.R.C.)               | U.S. dollar    | 2,700  | 100.00%               |          |
| Intercos Cosmetics Suzhou Co. Ltd.     | Suzhou (P.R.C.)                 | U.S. dollar    | 12,800   | 100.00%               |          |

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

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

|                         | <b>Income Statement<br/>Q1 2015</b> | <b>Income Statement<br/>Q1 2014</b> | <b>Statement of<br/>Financial Position<br/>December 31, 2014</b> | <b>Statement of<br/>Financial Position<br/>March 31, 2015</b> |
|-------------------------|-------------------------------------|-------------------------------------|--|---|
| U.S. dollar             | 1.12696                             | 1.36971                             | 1.21410  | 1.07590   |
| British pound           | 0.74363                             | 0.82785                             | 0.77890  | 0.72730   |
| Swiss franc             | 1.07223                             | 1.22353                             | 1.20240  | 1.04630   |
| Chinese renminbi (yuan) | 7.02840                             | 8.35872                             | 7.53580  | 6.67100   |
| Korean won              | 1.240.87                            | 1.465.48                            | 1.324.80   | 1.192.58  |
| Brazilian real          | 3.22043                             | 3.24018                             | 3.22070  | 3.49580   |

Comments on the Income Statement:

Condensed Interim Consolidated Income Statement

| Q1 2015        | Q1 2014        | Year 2014      |  |
|----------------|----------------|----------------|--|
| 81,326         | 76,569         | 349,965        | Revenues from sales and services   |
| 1,060          | 4,574          | (2,991)        | Change in inventories of raw materials, semifinished and finished products     |
| 696            | 577            | 4,428          | Other revenues and income  |
| <b>83,082</b>  | <b>81,721</b>  | <b>351,401</b> | <b>Production value and other income</b>                                       |
| (30,873)       | (30,328)       | (123,395)      | Purchases of raw materials, semifinished products, consumables and merchandise |
| (18,777)       | (17,820)       | (74,762)       | Costs for services and leases and rents  |
| (26,724)       | (23,571)       | (98,688)       | Employee benefit expenses  |
| 0              | (252)          | (378)          | Accruals   |
| (608)          | (579)          | (2,990)        | Other operating expenses   |
| <b>6,100</b>   | <b>9,172</b>   | <b>51,188</b>  | <b>Gross operating profit (EBITDA)</b>   |
| (5,498)        | (4,718)        | (20,240)       | Depreciation, amortization and impairment reversals (losses)                   |
| (58)           | 1,707          | (4,298)        | Nonrecurring income (expenses)   |
| <b>544</b>     | <b>6,161</b>   | <b>26,650</b>  | <b>Operating profit (EBIT)</b>   |
| <b>(4,385)</b> | <b>4,428</b>   | <b>17,747</b>  | <b>Profit (loss) before taxes (EBT)</b>  |
| <b>(1,034)</b> | <b>(2,257)</b> | <b>(8,396)</b> | <b>Income taxes</b>  |
| <b>(5,420)</b> | <b>2,172</b>   | <b>9,351</b>   | <b>Profit (loss) for the period</b>  |

*Breakdown of revenues:*

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

| <b>Q1 2015</b> | <b>Q1 2014</b> | <b>Year 2014</b> | <b>Company</b>                         |
|----------------|----------------|------------------|--|
| 170            | 291            | 871              | Kit Productions S.r.l.                 |
| 44,130         | 43,222         | 191,608          | Intercos Europe S.p.A.                 |
| (0)            | 0              | (0)              | Intercos S.p.A.                        |
| 169            | 196            | 500              | Drop Nail S.r.l.                       |
| -              | -              | -                | Intercos Korea LTD                     |
| 1,281          | -              | 2,120            | Intercos Do Brasil                     |
| 774            | 1,299          | 5,097            | Intercos UK Ltd.                       |
| 19,257         | 19,515         | 81,523           | Intercos America Inc.                  |
| 1,694          | 1,358          | 12,478           | Intercos Cosmetics Suzhou Co. Ltd      |
| 8,312          | 5,553          | 29,955           | Intercos Technology Co. Ltd            |
| 3,281          | 2,252          | 14,003           | Interfila Cosmetics (Shanghai) Co. Ltd |
| 8,597          | 7,468          | 35,345           | CRB Sa.                                |
| -              | 329            | -                | Ager S.r.l.                            |
| 115            | 171            | 425              | Vitalab S.r.l.                         |
| -              | 99             | -                | CRB Benelux Bv                         |
| <b>87,780</b>  | <b>81,755</b>  | <b>373,924</b>   | <b>Aggregate Total</b>                 |
| (6,454)        | (5,185)        | (23,959)         | Eliminations                           |
| <b>81,326</b>  | <b>76,569</b>  | <b>349,965</b>   | <b>Consolidated Total</b>              |

Sales of the Group in the first quarter of 2015 recorded an increase of 6%, or €4,757 thousand, compared to the same period of the prior year.

*Breakdown of sales by Business Unit:*

| <b>Revenues by Business Unit</b> | <b>Q1 2015</b> | <b>Q1 2014</b> | <b>Change</b> |           |
|----------------------------------|----------------|----------------|---------------|-----------|
| Make-Up                          | 71,743         | 67,139         | 4,603         | 7%        |
| Skin care                        | 9,583          | 9,430          | 153           | 2%        |
| <b>Total</b>                     | <b>81,326</b>  | <b>76,569</b>  | <b>4,756</b>  | <b>6%</b> |

| Revenues by geographical area | Q1 2015       | Q1 2014       | Change       |           |
|-------------------------------|---------------|---------------|--------------|-----------|
| Americas                      | 32,104        | 29,484        | 2,620        | 9%        |
| EMEA                          | 38,741        | 38,580        | 161          | 1%        |
| Asia                          | 10,480        | 8,505         | 1,975        | 23%       |
| <b>Total</b>                  | <b>81,326</b> | <b>76,569</b> | <b>4,756</b> | <b>6%</b> |

The first quarter of 2015 compared to the first quarter of 2014 shows the following differing revenue trends by geographical area:

- The Americas area records an increase in sales due essentially to the appreciation of the U.S. dollar.
- The EMEA area maintains its 2014 positioning thanks partly to the contribution by the Prestige segment which compensated for a slight decline in the Private Label segment.
- The Asia area increased its revenues by €1,975 thousand, or +23%, compared to the first quarter of 2014. This gain, besides the result of a strengthening of its control over the market, was also made possible thanks to the strong change in the exchange rate.

*Operating expenses:*

| Q1 2015         | Q1 2014         | 2014             | Income Statement items   |
|-----------------|-----------------|------------------|--|
| (30,873)        | (30,328)        | (123,616)        | Purchases of raw materials, semifinished products, consumables and merchandise |
| (18,777)        | (17,820)        | (74,762)         | Costs for services and leases and rents  |
| (26,724)        | (23,571)        | (98,688)         | Employee benefit expenses  |
| 0               | (252)           | (378)            | Accruals   |
| (608)           | (579)           | (2,990)          | Other operating expenses   |
| (5,498)         | (4,718)         | (20,240)         | Depreciation, amortization and impairment reversals (losses)                   |
| <b>(82,480)</b> | <b>(77,268)</b> | <b>(320,674)</b> | <b>Total</b>   |

Operating expenses in the first quarter of 2015 increased overall by €5,212 thousand. The increase in costs for services and employee benefit expenses are largely due to a sharp appreciation of the currencies in which the Group operates (USD, RMB and CHF) against the Euro, in addition to further investments in the Asia area and a strengthening of the operating and strategic structures of the Group.

*Gross operating profit (EBITDA):*

| <b>Q1 2015</b> | <b>Q1 2014</b> | <b>2014</b> | <b>Income Statement item</b>    |
|----------------|----------------|-------------|---------------------------------|
| 6,100          | 9,172          | 51,188      | Gross operating profit (EBITDA) |

EBITDA is a positive €6,100 thousand, with a decrease of €3,072 thousand compared to the first quarter of 2014. The reduction is due to a different product and geographical mix, as well as the structural investments made by the Group.

*Operating profit (EBIT):*

| <b>Q1 2015</b> | <b>Q1 2014</b> | <b>2014</b> | <b>Income Statement item</b> |
|----------------|----------------|-------------|------------------------------|
| 544            | 6,161          | 26,650      | Operating profit (EBIT)      |

Operating profit is €544 thousand, down from the first quarter of 2014 owing, as mentioned earlier, to a considerable increase in depreciation and amortization charges relating to the enormous expenditures for property, plant and equipment and intangible assets recorded during 2014. In 2014 the Group also benefited from nonrecurring income of €1,804 thousand as a result of the conclusion of the dispute with Tata.

*Profit (loss) before taxes (EBT):*

| <b>Q1 2015</b> | <b>Q1 2014</b> | <b>2014</b> | <b>Income Statement item</b>     |
|----------------|----------------|-------------|----------------------------------|
| (4,385)        | 4,428          | 17,747      | Profit (loss) before taxes (EBT) |

The loss before taxes (EBT) is €4,385 thousand. It is partly attributable to the release of capitalized expenses to the income statement in accordance with IAS 39. Such expenses relate to the Group's senior loan contract of €181 million, partially replaced by a €120 million bond and a new loan contract of €80 million. Additional details are given in the paragraph "Borrowings from banks and other lenders".

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

*Profit (loss) for the period:*

| <b>Q1 2015</b> | <b>Q1 2014</b> | <b>2014</b> | <b>Income Statement item</b> |
|----------------|----------------|-------------|------------------------------|
| (5,420)        | 2,172          | 9,351       | Profit (loss) for the period |

The loss for the first quarter of 2015 is €5,420 thousand compared to a profit of €2,172 thousand in the first quarter of 2014.

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

| Q1 2015        | Q1 2014      | 2014          | Company                                |
|----------------|--------------|---------------|--|
| 14             | 37           | 7             | Kit Productions S.r.l.                 |
| (2)            | (5)          | 12            | Marketing Projects S.r.l.              |
| 2,253          | 1,342        | 10,602        | Intercos Europe S.p.A.                 |
| (3,611)        | 206          | 2,216         | Intercos S.p.A.                        |
| (62)           | (79)         | (235)         | Drop Nail S.r.l.                       |
| (149)          | 0            | (158)         | Intercos Korea LTD                     |
| (460)          | (330)        | (1,236)       | Intercos Do Brasil                     |
| 12             | 79           | 95            | Intercos UK Ltd.                       |
| 59             | 122          | 549           | Intercos Paris S.à.r.l.                |
| 47             | 24           | 177           | Intercos Marketing Ltd                 |
| (2,620)        | (759)        | (1,420)       | Intercos America Inc.                  |
| (832)          | (781)        | (1,125)       | Intercos Cosmetics Suzhou Co. Ltd      |
| 434            | 389          | 2,045         | Intercos Technology Co. Ltd            |
| (25)           | 510          | 2,314         | Interfila Cosmetics (Shanghai) Co. Ltd |
| 900            | 993          | 5,123         | CRB Sa.                                |
| (55)           | (14)         | (109)         | Ager S.r.l.                            |
| 1              | (40)         | 22            | Vitalab S.r.l.                         |
| 14             | 4            | 20            | CRB Benelux Bv                         |
| <b>(4,081)</b> | <b>1,698</b> | <b>18,900</b> | <b>Aggregate Total</b>                 |
| (1,339)        | 473          | (9,549)       | Eliminations                           |
| <b>(5,420)</b> | <b>2,172</b> | <b>9,351</b>  | <b>Consolidated Total</b>              |

**Intercos Europe S.p.A.:** Intercos Europe is again confirmed as the most important company in the Group in terms of volume, with revenues of €44,130 thousand, with an increase of 2% over the first quarter of 2014.

**Intercos America Inc.:** revenues in the first quarter of 2015 amount to €19,257 thousand and, despite the favorable exchange rate, show a slight decrease compared to the first quarter of 2014 (-1%) as a result of a contraction in the mass-market area.

**CRB SA:** a significant increase in revenues was recorded of €1,129 thousand, growing from €7,468 thousand in the first three months of 2014 to €8,597 thousand in the first quarter of 2015 owing to the combined impact of continual expansion on Asian markets and the significant variation in the CHF/EUR exchange rate.

***Intercos Cosmetics Suzhou Ltd:*** revenues reported are €1,694 thousand, basically in line with the €1,358 thousand recorded in the first quarter of 2014.

***Intercos Technology Ltd:*** the manufacturing facility managed by this company for the Intercos Group sells on Chinese territory. In the first quarter of 2015 a strong increase in revenues was registered of €2,759 thousand, or +50% compared to the first quarter of 2014, owing to the growth of the Asian market.

***Interfila Cosmetics (Shanghai) Ltd:*** the first quarter of 2015 shows a solid increase over the same period of 2014 from €2,252 thousand to €3,281 thousand.



## Equity and financial structure

The equity and financial structure of the Group at March 31, 2015 compared to December 31, 2014 is succinctly represented as follows:

| 3/31/2015       |  | 12/31/2014     |
|-----------------|--|----------------|
| 68,647          | Inventories                              | 64,104         |
| 80,219          | Trade receivables and other receivables  | 90,282         |
| 3,556           | Income taxes receivable                  | 3,325          |
| (73,187)        | Current non-financial liabilities        | (79,731)       |
| <b>79,235</b>   | <b>A. Net working capital</b>            | <b>77,980</b>  |
| 100,107         | Property, plant and machinery            | 95,490         |
| 97,980          | Other intangible assets                  | 94,975         |
| 29,831          | Other non-current assets                 | 26,944         |
| <b>227,917</b>  | <b>B. Fixed assets</b>                   | <b>217,408</b> |
| <b>(10,170)</b> | <b>C. Employee severance indemnities</b> | <b>(9,245)</b> |
| <b>(4,199)</b>  | <b>D. Provisions</b>                     | <b>(4,313)</b> |
| <b>(11,402)</b> | <b>E. Other non-current liabilities</b>  | <b>(9,855)</b> |
| <b>281,382</b>  | <b>F. Net invested capital</b>           | <b>271,975</b> |
|                 | Financed by:                             |                |
| (996)           | Current financial position               | 17,370         |
| 182,129         | Non-current net financial position       | 157,971        |
| <b>181,133</b>  | <b>G. Total net financial position</b>   | <b>175,341</b> |
| 100,249         | <b>H. Equity</b>                         | 96,634         |
| <b>281,382</b>  | <b>I. Total (G+H)</b>                    | <b>271,975</b> |

Inventories amount to €68,647 thousand at March 31, 2015 and show an increase of €4,543 thousand over December 31, 2014. This change is principally due to the seasonal nature of the Group's business which causes a part of its production to be concentrated in the first half of the year to meet sales requirements that are strong in the last months of the year, and the considerable appreciation of the Group's currencies (USD, RMB and CHF) against the Euro.

Trade receivables total €80,219 thousand at March 31, 2015, with a decrease of €10,064 thousand (-11%) compared to December 31, 2014. The reduction is due to the effect of better monitoring activities and also collection reminders.

Current non-financial liabilities decreased by €6,544 thousand principally on account of a decrease in trade payables which fell from €59,858 thousand at December 31, 2014 to €48,223 thousand at March 31, 2015.

Equity increased by €3,615 thousand. This can be explained by the loss for the first quarter of 2015 of €5,417 thousand and the net increase of €9,034 thousand due to a capital contribution payment by the non-controlling shareholders of the company Drop Nail of €83 thousand, positive translation adjustments of €9,467 thousand and actuarial losses of €516 thousand.

*Financial data:*

The net financial position increased from €175,341 thousand at December 31, 2014 to €181,133 thousand at March 31, 2015. This change is substantially due to the seasonal nature of the business which calls for an increase in the purchases of production materials to meet production volumes which are concentrated in the first half of year.

Details of the Group's debt exposure and cash flows from operating activities are presented below.

The net financial position at March 31, 2015 is composed of the following:

| 3/31/2015        |  | 12/31/2014       |
|------------------|--|------------------|
|                  | <b>Current items:</b>  |                  |
| 64,556           | Cash and cash equivalents                                      | 32,727           |
| (63,560)         | Financial payables and Borrowings from banks and other lenders | (50,097)         |
| -                | Financial liabilities for derivative instruments               | -                |
| <b>996</b>       | <b>Total current financial position</b>                        | <b>(17,370)</b>  |
|                  | <b>Non-current items:</b>                                      |                  |
| (182,129)        | Financial payables and Borrowings from banks and other lenders | (157,971)        |
| <b>(182,129)</b> | <b>Non-current financial position</b>                          | <b>(157,971)</b> |
|                  | <b>Total net financial position:</b>                           |                  |
| <b>(181,133)</b> | <b>Cash (indebtedness)</b>                                     | <b>(175,341)</b> |

*Borrowings from banks and other lenders*

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

| March 31, 2015                                | Short-term        | Medium-term       | Long-term          | Total              |
|---|-------------------|-------------------|--------------------|--------------------|
| Intercos S.p.A. bonds                         | -                 | -                 | 117,748,542        | 117,748,542        |
| Medium/long-term bank borrowings (pool)       | 626,445           | 29,546,875        | 18,750,000         | 48,923,320         |
| Medium/long-term bank borrowings (America)    | 1,553,091         | 4,752,913         | 648,153            | 6,954,157          |
| Medium/long-term bank borrowings (CRB S.A.)   | 473,096           | 1,892,383         | 6,513,428          | 8,878,907          |
| Medium/long-term bank borrowings (Technology) | 562,135           | 1,124,269         | 486,226            | 2,172,630          |
| Drop Nail loan                                | 198,218           | 23,483            | -                  | 221,701            |
| Law 46 /Mediocredito                          | 500,528           | -                 | -                  | 500,528            |
| Finance leases payable                        | 202,964           | 642,613           | -                  | 845,577            |
| Fair value of derivatives                     | -                 | -                 | -                  | -                  |
| <b>Medium/long-term debt</b>                  | <b>4,116,476</b>  | <b>37,982,537</b> | <b>144,146,349</b> | <b>186,245,362</b> |
| Revolving credit facility Intercos S.p.A.     | -                 | -                 | -                  | -                  |
| Revolving credit facility Intercos America    | 13,689,934        | -                 | -                  | 13,689,934         |
| Revolving credit facility Intercos China      | 5,469,432         | -                 | -                  | 5,469,432          |
| Bank overdrafts                               | 987,997           | -                 | -                  | 987,997            |
| Advances on invoices                          | 39,295,901        | -                 | -                  | 39,295,901         |
| <b>Short-term debt</b>                        | <b>59,443,263</b> | <b>-</b>          | <b>-</b>           | <b>59,443,263</b>  |
| Borrowings from other lenders                 | -                 | -                 | -                  | -                  |
| Factoring companies payable                   | -                 | -                 | -                  | -                  |
| <b>Total</b>                                  | <b>63,559,739</b> | <b>37,982,537</b> | <b>144,146,349</b> | <b>245,688,625</b> |

Details of medium/long-term debt outstanding at March 31, 2015 are as follows:

| <i>Company</i>         | <i>Bank</i>             | <i>Amount</i>  | <i>Internal rate of return</i> | <i>Description</i>                          |
|------------------------|-------------------------|----------------|--------------------------------|---|
| Intercos S.p.A.        | Banking pool            | 12,491         | 2.15%                          | Tranche EURO                                |
| Intercos S.p.A.        | Banking pool            | 16,732         | 2.42%                          | Tranche \$                                  |
| Intercos S.p.A.        | Institutional Investors | 117,749        | 3.88%                          | Bond  |
| Intercos Europe S.p.A. | Banking pool            | 19,700         | 2.15%                          | Tranche EURO                                |
|                        |                         | <b>166,672</b> |                                |   |
| Intercos S.p.A.        | Other lenders           | 354            | 3.36%                          | Low-rate loan Law 46 grant 11337 (Euro)     |
| Intercos S.p.A.        | Other lenders           | 73             | 3.93%                          | Low-rate loan Law 46 grant 11155 (Euro)     |
| Intercos Europe S.p.A. | Other lenders           | 73             | 3.75%                          | Low-rate loan Law 46 grant 2000-2015 (Euro) |
|                        |                         | <b>500</b>     |                                |   |
| Intercos America Inc   | HSBC Bank               | 3,474          | 0.20%                          | IDA bond (in USD)                           |
| Intercos America Inc   | HSBC Bank               | 3,480          | 2.26%                          | LT HSBC bond (in USD)                       |
|                        |                         | <b>6,954</b>   |                                |   |
| CRB Sa                 | SH Bank                 | 96             | 0.00%                          | Loan guarantee                              |
| CRB Sa                 | BCV Bank                | 1,576          | 1.95%                          | Mortgage (in CHF)                           |
| CRB Sa                 | UBS Bank                | 1,949          | 1.08%                          | Filling Plant loan (in CHF)                 |
| CRB Sa                 | BCV Bank                | 5,257          | 2.18%                          | Batiplus (in CHF)                           |
|                        |                         | <b>8,878</b>   |                                |   |
| Intercos Technology    | HSBC Bank               | 2,172          | 7.20%                          | LT HSBC loan (in RMB)                       |
| Drop Nail              | BPM Bank                | 198            | 3.36%                          | Mortgage (in EUR)                           |
| Drop Nail              | Sparkasse Bank          | 23             | 8.36%                          | Mortgage (in EUR)                           |

At the meeting of the board of directors' held on January 27, 2015, considering the favorable financial market situation, the board illustrated its intention to refinance its principal debt in order to obtain more favorable conditions as compared to the debt renegotiation process in July 2014. Specifically, it endeavored to replace the current senior loan contract of €181 million that was last amended on July 28, 2014 with: (1) a €120 million bond maturing seven years from issue at a fixed rate of 3.875%; and (2) a new loan agreement of €80 million due at the end of 2020 at a lower variable rate than under the old loan agreement (variable rate linked to the 1M, 3M and 6M Euribor/Libor plus a spread of between 2.00% and 2.10%). This operation was finalized on March 27, 2015. The bond is listed on the Irish stock exchange and was subscribed to initially by institutional investors and the new loan contract is with "Banca IMI S.p.A." and "Unicredit".

*Movements in Property, plant and equipment*

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

| <i>(in € thousands)</i>                                 | <i>December 31,<br/>2014</i> | <i>Increases/<br/>Depreciation</i> | <i>Translation<br/>differences<br/>/Reclassifications</i> | <i>Decreases / Uses</i> | <i>March 31,<br/>2015</i> |
|---|------------------------------|------------------------------------|---|-------------------------|---------------------------|
| <b>Historical cost</b>                                  |                              |                                    |   |                         |                           |
| Land and buildings                                      | 120,998                      | 610                                | 4,001   | (2)                     | 125,607                   |
| Plant and machinery                                     | 110,840                      | 454                                | 7,066   | (268)                   | 118,091                   |
| Industrial equipment                                    | 32,805                       | 258                                | 321   | (1)                     | 33,382                    |
| Office furniture and equipment                          | 17,028                       | 280                                | 478   | (3)                     | 17,783                    |
| Motor vehicles and internal<br>transportation equipment | 2,359                        | 23                                 | 37  | (68)                    | 2,352                     |
| Cell phones   | 21                           | 0                                  | 0   | 0                       | 21                        |
| Assets under construction and<br>payments on account    | 1,080                        | 830                                | 114   | (173)                   | 1,850                     |
| <b>Total</b>  | <b>285,130</b>               | <b>2,456</b>                       | <b>12,017</b>   | <b>(516)</b>            | <b>299,087</b>            |
| <b>Accumulated depreciation</b>                         |                              |                                    |   |                         |                           |
| Land and buildings                                      | 58,189                       | 1,309                              | 1,768   | (2)                     | 61,263                    |
| Plant and machinery                                     | 89,007                       | 1,660                              | 3,296   | (187)                   | 93,775                    |
| Industrial equipment                                    | 30,186                       | 381                                | 114   | (0)                     | 30,680                    |
| Office furniture and equipment                          | 10,300                       | 197                                | 777   | 0                       | 11,274                    |
| Motor vehicles and internal<br>transportation equipment | 1,940                        | 59                                 | 25  | (57)                    | 1,967                     |
| Cell phones   | 20                           | 0                                  | 0   | 0                       | 20                        |
| Assets under construction and<br>payments on account    | 0                            | 0                                  | 0   | 0                       | 0                         |
| <b>Total</b>  | <b>189,640</b>               | <b>3,606</b>                       | <b>5,980</b>  | <b>(246)</b>            | <b>198,980</b>            |
| <b>Net carrying amount</b>                              | <b>95,490</b>                | <b>(1,150)</b>                     | <b>6,037</b>  | <b>(270)</b>            | <b>100,107</b>            |

Movements in Intangible assets are as follows:

| <i>(in € thousands)</i>  | <i>December 31, 2014</i> | <i>Increases</i> | <i>Decreases/<br/>Adjustments/<br/>Translation<br/>differences</i> | <i>Reclassifications</i> | <i>Amortization</i> | <i>March 31, 2015</i> |
|--------------------------|--------------------------|------------------|--|--------------------------|---------------------|-----------------------|
| Development costs        | 11,053                   | 171              | 170  | (0)                      | (924)               | 10,471                |
| Patents                  | 3,735                    | 44               | 92   | 37                       | (310)               | 3,599                 |
| Concessions and licenses | 1,045                    | 101              | 97   | (0)                      | (34)                | 1,210                 |
| Assets under development | 3,277                    | 1,145            | 0  | 0                        | 0                   | 4,422                 |
| Other intangible assets  | 932                      | 0                | 20   | (4)                      | (33)                | 915                   |
| <b>TOTAL</b>             | <b>20,042</b>            | <b>1,462</b>     | <b>378</b>   | <b>33</b>                | <b>(1,300)</b>      | <b>20,616</b>         |

#### Other information:

##### *Human resources*

The headcount of the Group is as follows:

| <b>3/31/2015</b> | <b>Company</b>                         | <b>12/31/2014</b> | <b>3/31/2014</b> |
|------------------|--|-------------------|------------------|
| 5                | Kit Productions S.r.l.                 | 5                 | 5                |
| -                | Marketing Projects S.r.l.              | 1                 | 1                |
| 858              | Intercos Europe S.p.A.                 | 838               | 887              |
| 222              | Intercos S.p.A.                        | 210               | 211              |
| 8                | Drop Nail S.r.l.                       | 8                 | 8                |
| -                | Intercos Asia Pacific Sdn Bhd          | 1                 | -                |
| 5                | Intercos Korea LTD                     | 5                 | -                |
| 71               | Intercos Do Brasil                     | 50                | 28               |
| 6                | Intercos UK Ltd.                       | 6                 | 6                |
| 9                | Intercos Paris S.à.r.l.                | 9                 | 8                |
| 5                | Intercos Marketing Ltd                 | 5                 | 5                |
| 704              | Intercos America Inc.                  | 830               | 871              |
| 666              | Intercos Cosmetics Suzhou Co. Ltd      | 545               | 669              |
| 592              | Intercos Technology Co. Ltd            | 412               | 425              |
| 334              | Interfila Cosmetics (Shanghai) Co. Ltd | 317               | 338              |
| 159              | CRB Sa.                                | 147               | 147              |
| 19               | Ager S.r.l.                            | 19                | 20               |
| 1                | Vitalab S.r.l.                         | 1                 | 1                |
| 13               | CRB Benelux Bv                         | 13                | 13               |
| <b>3,677</b>     | <b>Group Total</b>                     | <b>3,422</b>      | <b>3,643</b>     |

## RECONCILIATION

A reclassification of the “Equity and financial structure”, as presented in the “Information on operations”, and the items in the consolidated statement of financial position at March 31, 2015 is as follows:

|  | 3/31/2015        | 12/31/2014       |
|--|------------------|------------------|
| Current non-financial liabilities (reclassified)<br>are composed of: |                  |                  |
| Trade payables and other payables                                    | 72,330           | 79,731           |
| Income taxes payable   | 857              | -                |
| <i>Current non-financial liabilities (reclassified)</i>              | <b>73,187</b>    | <b>79,731</b>    |
| Other non-current assets (reclassified)<br>are composed of:          |                  |                  |
| Deferred tax assets  | 23,569           | 20,537           |
| Non-current security deposits  | 673              | 595              |
| Receivables for indirect taxes                                       | 5,589            | 5,811            |
| <i>Other non-current non-financial assets (reclassified)</i>         | <b>29,831</b>    | <b>26,944</b>    |
| Other non-current liabilities (reclassified)<br>are composed of:     |                  |                  |
| Deferred tax liabilities   | 11,247           | 9,706            |
| Other non-current payables   | 155              | 150              |
| <i>Other non-current non-financial liabilities (reclassified)</i>    | <b>11,402</b>    | <b>9,855</b>     |
| Current net financial position (reclassified)<br>is composed of:     |                  |                  |
| Cash and cash equivalents  | 64,556           | 32,727           |
| Financial liabilities (current portion)                              | (63,560)         | (48,532)         |
| <i>Current financial liabilities (reclassified)</i>                  | <b>996</b>       | <b>(15,804)</b>  |
| Non-current net financial position (reclassified)<br>is composed of: |                  |                  |
| Financial liabilities (non-current portion)                          | (182,129)        | (158,121)        |
| <i>Non-current financial liabilities (reclassified)</i>              | <b>(182,129)</b> | <b>(158,121)</b> |

## BUSINESS OUTLOOK

The second quarter of 2015 is essentially expected to show basically a positive trend, confirming the expectations of the Group, as illustrated in the industrial plan.

## EVENTS SUBSEQUENT TO MARCH 31, 2015

There are no subsequent events to report.

Milan, May 15, 2015

**INTERCOS GROUP**  
**Global Cosmetic Manufacturer**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**at March 31, 2015**



Interim Consolidated Statements of Financial Position at March 31, 2015 and at December 31, 2014

| <i>(in € thousands)</i>                          | March 31,<br>2015 | December 31,<br>2014 |
|--|-------------------|----------------------|
| <b>NON-CURRENT ASSETS</b>                        |                   |                      |
| Property, plant and equipment                    | 100,107           | 95,490               |
| Intangible assets                                | 20,616            | 20,043               |
| Goodwill   | 77,364            | 74,931               |
| Deferred tax assets                              | 23,569            | 20,537               |
| Other non-current receivables                    | 6,262             | 6,406                |
| <b>Non-current assets</b>                        | <b>227,917</b>    | <b>217,408</b>       |
| <b>CURRENT ASSETS</b>                            |                   |                      |
| Inventories                                      | 68,647            | 64,104               |
| Trade receivables                                | 64,434            | 72,893               |
| Other current receivables                        | 19,340            | 20,714               |
| Cash and cash equivalents                        | 64,556            | 32,727               |
| <b>Current assets</b>                            | <b>216,978</b>    | <b>190,439</b>       |
| <b>TOTAL ASSETS</b>                              | <b>444,895</b>    | <b>407,847</b>       |
| <b>EQUITY</b>                                    |                   |                      |
| Share capital                                    | 10,710            | 10,710               |
| Other reserves                                   | 92,739            | 66,005               |
| Retained earnings (Accumulated losses)           | (5,407)           | 17,933               |
| Equity attributable to owners of the parent      | 98,042            | 94,648               |
| Equity attributable to non-controlling interests | 2,207             | 1,987                |
| <b>TOTAL EQUITY</b>                              | <b>100,249</b>    | <b>96,635</b>        |
| <b>LIABILITIES</b>                               |                   |                      |
| <b>NON-CURRENT LIABILITIES</b>                   |                   |                      |
| Borrowings from banks and other lenders          | 182,129           | 157,971              |
| Other financial payables                         | -                 | -                    |
| Provisions                                       | 4,199             | 4,313                |
| Deferred tax liabilities                         | 11,247            | 9,706                |
| Other non-current liabilities                    | 155               | 150                  |
| Employee benefit obligations                     | 10,170            | 9,245                |
| <b>Non-current liabilities</b>                   | <b>207,900</b>    | <b>181,385</b>       |
| <b>CURRENT LIABILITIES</b>                       |                   |                      |
| Borrowings from banks and other lenders          | 62,856            | 48,532               |
| Other financial payables                         | 703               | 1,566                |
| Trade payables                                   | 48,223            | 59,856               |
| Other payables                                   | 24,963            | 19,876               |
| <b>Current liabilities</b>                       | <b>136,747</b>    | <b>129,828</b>       |
| <b>TOTAL EQUITY AND LIABILITIES</b>              | <b>444,895</b>    | <b>407,847</b>       |

Interim Consolidated Statement of Comprehensive Income for the first quarter ended March 31, 2015 and March 31, 2014

| <i>(in € thousands)</i>  | Q1 2015        | Q1 2014      | Chan           |
|--|----------------|--------------|----------------|
| Revenues   | 81,326         | 76,569       | 4,756          |
| Other income   | 696            | 577          | 75             |
| Purchases of raw materials, semifinished products and consumables  | (30,873)       | (30,763)     | (67)           |
| Change in inventories of raw materials, semifinished and finished products   | 1,060          | 4,574        | (3,51)         |
| Costs for services and leases and rents  | (18,777)       | (17,107)     | (1,67)         |
| Employee benefit expenses  | (26,724)       | (23,571)     | (3,15)         |
| Accruals   | 0              | (252)        | 252            |
|  | (608)          | (857)        | 248            |
| <b>Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring expenses</b> | <b>6,100</b>   | <b>9,172</b> | <b>(3,072)</b> |
| Depreciation, amortization and impairment reversals (losses)   | (5,498)        | (4,718)      | (780)          |
| Nonrecurring expenses  | (58)           | 1,707        | (1,76)         |
| <b>Operating profit</b>  | <b>544</b>     | <b>6,161</b> | <b>(5,617)</b> |
| Finance income   | 12,986         | 73           | 12,913         |
| Finance expenses   | (17,915)       | (1,806)      | (16,11)        |
| Income taxes   | (1,034)        | (2,257)      | 1,222          |
| <b>Profit (loss) for the period from continuing operations</b>   | <b>(5,420)</b> | <b>2,172</b> | <b>(7,591)</b> |
| <b>Profit (loss) for the period</b>  | <b>(5,420)</b> | <b>2,172</b> | <b>(7,591)</b> |
| <b>Other components of comprehensive income</b>  |                |              |                |
| <i>Other comprehensive income that will be reclassified subsequently to the income</i>                             |                |              |                |
| <b>Exchange gains (losses) on translating foreign operations</b>   | <b>9,467</b>   | <b>(805)</b> |                |
| <b>Other components of comprehensive income, net of tax</b>  |                |              |                |
| <i>Other comprehensive income that will be reclassified subsequently to the income statement</i>                   |                |              |                |
| <b>Remeasurement of defined benefit plans – actuarial gains (losses)</b>   | <b>(516)</b>   |              |                |
| <b>Total comprehensive income for the period</b>   | <b>3,531</b>   | <b>1,367</b> |                |
| <b>Attributable to:</b>  |                |              |                |
| <b>Group of the parent</b>   | <b>3,544</b>   | <b>1,371</b> |                |
| <b>Noncontrolling interests</b>  | <b>(13)</b>    | <b>(4)</b>   |                |

| <i>(in € thousands)</i>   |               |               |                                | Retained earnings |                              | Non-controlling interests |                              |                |
|---|---------------|---------------|--------------------------------|-------------------|------------------------------|---------------------------|------------------------------|----------------|
| Description   | Share capital | Legal reserve | Other reserves (share premium) | Retained earnings | Profit (loss) for the period | Share capital             | Profit (loss) for the period | Total          |
| <b>Balances at December 31, 2014</b>                                      | <b>10,710</b> | <b>0</b>      | <b>66,005</b>                  | <b>8,633</b>      | <b>9,364</b>                 | <b>1,936</b>              | <b>(14)</b>                  | <b>96,634</b>  |
| Appropriation of profit 2014  |               |               |                                | 9,364             | (9,364)                      | (14)                      | 14                           | -              |
| Exchange gains (losses) on translating foreign operations                 |               |               |                                | 9,390             |                              | 77                        |                              | 9,467          |
| Increase in capital of non-controlling interests                          |               |               |                                |                   |                              | 83                        |                              | 83             |
| Other comprehensive income – (OCI) remeasurement of defined benefit plans |               |               |                                | (511)             |                              | (5)                       |                              | (516)          |
| Loss for the period to March 31, 2015                                     |               |               |                                |                   | (5,407)                      |                           | (13)                         | (5,420)        |
| <b>Balances at March 31, 2015</b>   | <b>10,710</b> | <b>0</b>      | <b>66,005</b>                  | <b>26,874</b>     | <b>(5,407)</b>               | <b>2,076</b>              | <b>(13)</b>                  | <b>100,249</b> |

*Interim Consolidated Statements of Cash Flows for the first quarter ended March 31, 2015 and March 31, 2014*

| <i>( in € thousands)</i>  | Q1 2015        | Q1 2014         |
|---|----------------|-----------------|
| Profit (loss) from operating activities   | (5.420)        | 1,852           |
| Profit (loss) from discontinued operations  | -              | 319             |
| Profit (loss) for the period  | <b>(5.420)</b> | <b>2,171</b>    |
| Depreciation, amortization and impairment reversals (losses)                                  | 5.296          | 4,643           |
| Nonrecurring income (expenses)  | 0              | (1,708)         |
| Change in provisions  | 294            | (239)           |
| Finance income (expenses)   | 4.929          | 1,694           |
| Decrease / (Increase) in inventories  | (4.543)        | (4,500)         |
| Decrease / (Increase) in trade receivables, net   | 8.459          | 10,169          |
| Increase / (Decrease) in trade payables   | (11.632)       | (3,029)         |
| Decrease / (Increase) in other assets   | (505)          | (1,686)         |
| Increase / (Decrease) in other payables   | 6.634          | (1,706)         |
| <b>Cash flows provided by operating activities ( a )</b>                                      | <b>3.512</b>   | <b>5,809</b>    |
| Acquisition of property, plant and equipment, net   | (2.454)        | (1,687)         |
| Acquisition of intangible assets, net   | (1.462)        | (1,169)         |
| Change in assets/liabilities held for sale  | 0              | 0               |
| <b>Cash flows used in investing activities ( b )</b>  | <b>(3.915)</b> | <b>(2,856)</b>  |
| Share capital increase  | 0              | 0               |
| Increase / (Decrease) in borrowings from banks and other lenders                              | 32.148         | (10,050)        |
| Interest paid during the year   | 0              | 0               |
| <b>Cash flows provided by (used in) financing activities ( c )</b>                            | <b>32.148</b>  | <b>(10,050)</b> |
| <b>Change in equity ( d )</b>   | <b>83</b>      | <b>(280)</b>    |
| <b>Net increase (decrease) in cash flows during the period<br/>( a )+( b )+ ( c ) + ( d )</b> | <b>31.828</b>  | <b>(7,377)</b>  |
| Cash and cash equivalents at beginning of the year  | 32.727         | 33,741          |
| Cash and cash equivalents at end of the year  | 64.556         | 26,364          |
| <b>Net change in cash and cash equivalents during the period</b>                              | <b>31.828</b>  | <b>(7,377)</b>  |

Milan, May 15, 2015