

INTERCOS GROUP
Global Cosmetic Manufacturer

INTERIM REPORT
AT MARCH 31, 2017

PREPARED IN ACCORDANCE WITH IFRS
ENDORSED BY THE EUROPEAN UNION

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

Corporate Information

BOARD OF DIRECTORS *

Name	Position
Dario Gianandrea Ferrari	Chairman and Chief Executive Officer
Ludovica Arabella Ferrari	Director
Gianandrea Ferrari	Director
Nikhil Thukral Kumar	Director
James Michael Chu	Director
Ciro Piero Cornelli **	Director
Renato Semerari	Director

BOARD OF STATUTORY AUDITORS *

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

INDEPENDENT AUDITORS

EY S.p.A.

* The Board of Directors and the Board of Statutory Auditors currently in office, appointed by the shareholders' meeting held on April 27, 2017, will remain in office until the shareholders' meeting called to approve the financial statements for the year ended December 31, 2019.

** Ciro Piero Cornelli holds the office of director as from April 27, 2017. For the period October 21, 2016 to April 25, 2017, the position was held by Paolo Valsecchi.

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INTERIM REPORT ON OPERATIONS FOR THE FIRST QUARTER ENDED MARCH 31, 2017

Introduction

The Interim Report at March 31, 2017 of the Intercos Group is prepared in accordance with the provisions of art. 154 *ter*, paragraph 5 of Legislative Decree 58/98 – T.U.F., and subsequent modifications and additions, and drawn up in accordance with IAS 34 – “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB).

The notes to the interim consolidated financial statements at March 31, 2017, pursuant to IAS 34, are presented in a condensed form and do not include all the information required for annual financial statements, in that they refer solely to those components which, by amount, composition or variation, are necessary for an understanding of the results of operations, cash flows and financial position of the Group as of that date. Therefore, the Interim Report at March 31, 2017 should be read in conjunction with the 2016 consolidated financial statements of Intercos S.p.A.

The accounting policies and basis of preparation of the Interim Report have been applied on basis consistent with those applied in the annual consolidated financial statements at December 31, 2016.

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

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

With the intention of providing additional information that reflects the parameters for analysis and control used by management to assess the Group’s performance, the following pages present the reclassified consolidated statement of financial position at March 31, 2017 and reclassified consolidated income statement for the first quarter then ended, as well as the comparative statements at December 31, 2016 and March 31, 2016, respectively, supplemented with non-GAAP alternative performance measures.

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

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

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

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

Highlights of the Group

(in € thousand)	Q1 2017	Q1 2016	Change
Revenues	119,480	98,761	20,719
EBITDA	14,066	10,317	3,749
Adjusted EBITDA	14,148	10,030	4,117
<i>Adjusted EBITDA margin</i>	11.8%	10.2%	1.7%
Operating Profit (EBIT)	8,480	5,235	3,245
<i>EBIT margin</i>	7.1%	5.3%	1.8%
EBT	6,353	1,345	5,007
<i>EBT margin</i>	5.3%	1.4%	4.0%
Profit (loss) for the period	2,856	(849)	3,705
<i>Profit margin</i>	2.4%	-0.9%	3.3%

(in € thousand)	3/31/2017	12/31/2016	Change
Net working capital	74,395	61,882	12,514
<i>Net working capital turnover</i>	1.61	7.25	-5.64
Net invested capital	283,136	270,328	12,807
Non-current assets	226,983	226,788	195
Net financial position	143,022	132,835	10,187

	3/31/2017	3/31/2016	Change
Headcount (number)	2,801	2,469	332
Earnings per share (basic and diluted) - in Euro	0.03	(0.01)	0.04

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Reclassified Consolidated Statement of Financial Position

(in € thousand)	3/31/2017	12/31/2016
Fixed assets	196,973	198,081
Inventories	89,624	83,296
Trade receivables	87,429	92,834
Trade payables	(74,999)	(89,846)
Operating working capital	102,055	86,284
Other current assets and liabilities, net (*)	(27,660)	(24,402)
Net working capital	74,395	61,882
Other non-current assets and liabilities, net (**)	5,128	5,669
Investments accounted for using the equity method	6,640	4,697
Net invested capital	283,136	270,328
Equity	140,114	137,493
Cash and cash equivalents	(67,610)	(64,525)
Financial payables	210,632	197,360
Net financial position	143,022	132,835
Total sources	283,136	270,328

The reconciliation schedules between the items in the Reclassified Consolidated Statement of Financial Position and the Consolidated Financial Position Structure:

(*) include Other current assets and Other current liabilities.

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

Consolidated Net Financial Position

(in € thousand)	3/31/2017	12/31/2016
Current net financial position	(32,482)	(30,227)
Non-current net financial position	175,505	163,063
Total net financial position	143,022	132,835

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Reclassified Consolidated Income Statement by function

(in € thousand)	Q1 2017	Q1 2016
Revenues	119,480	98,761
Cost of sales	(90,881)	(77,359)
Industrial gross margin	28,599	21,402
<i>Gross margin</i>	<i>23.9%</i>	<i>21.7%</i>
Research & Development and innovation costs	(8,395)	(7,015)
Selling expenses	(5,816)	(4,648)
General and administrative expenses	(5,995)	(5,625)
Other operating income (expenses), net	671	1,033
Result from investments (operating)	(502)	(198)
Nonrecurring income (expenses)	(82)	286
Operating profit (EBIT)	8,480	5,235
<i>EBIT margin</i>	<i>7.1%</i>	<i>5.3%</i>
Depreciation, amortization and impairment reversals (losses)	(5,586)	(5,082)
EBITDA (*)	14,066	10,317
Nonrecurring income (expenses)	(82)	286
Adjusted EBITDA (*)	14,148	10,030
<i>Adjusted EBITDA margin</i>	<i>11.8%</i>	<i>10.2%</i>
Financial income (expenses), net (**)	(2,196)	(3,890)
Result from investments (non-operating)	69	-
Profit before taxes (EBT)	6,353	1,345
Income taxes	(3,497)	(2,195)
Profit (loss) for the period	2,856	(849)
Of which:		
- attributable to the parent	2,807	(951)
- attributable to non-controlling interests	49	101
Earnings per share: basic and diluted	0.03	(0.01)

(*) For additional details on the non-GAAP alternative performance measures, please page 4.

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

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The Group headcount at March 31, 2017 is the following:

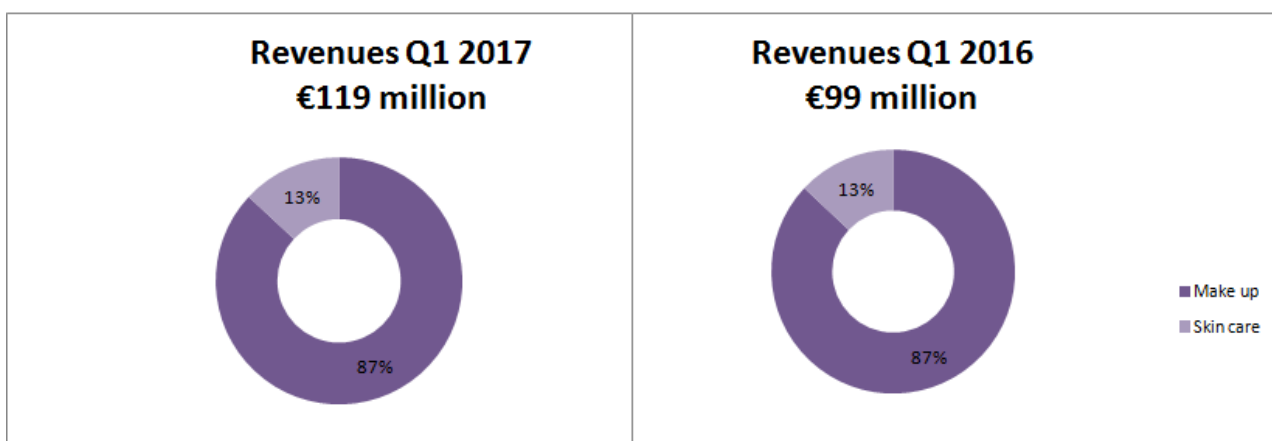
Group Headcount	3/31/2017	3/31/2016
Executives and mid-level managers	241	227
White-collars	965	846
Blue-collars	1,595	1,396
Total	2,801	2,469
Temporary	1,976	1,407
Total	4,777	3,876

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Operating Performance

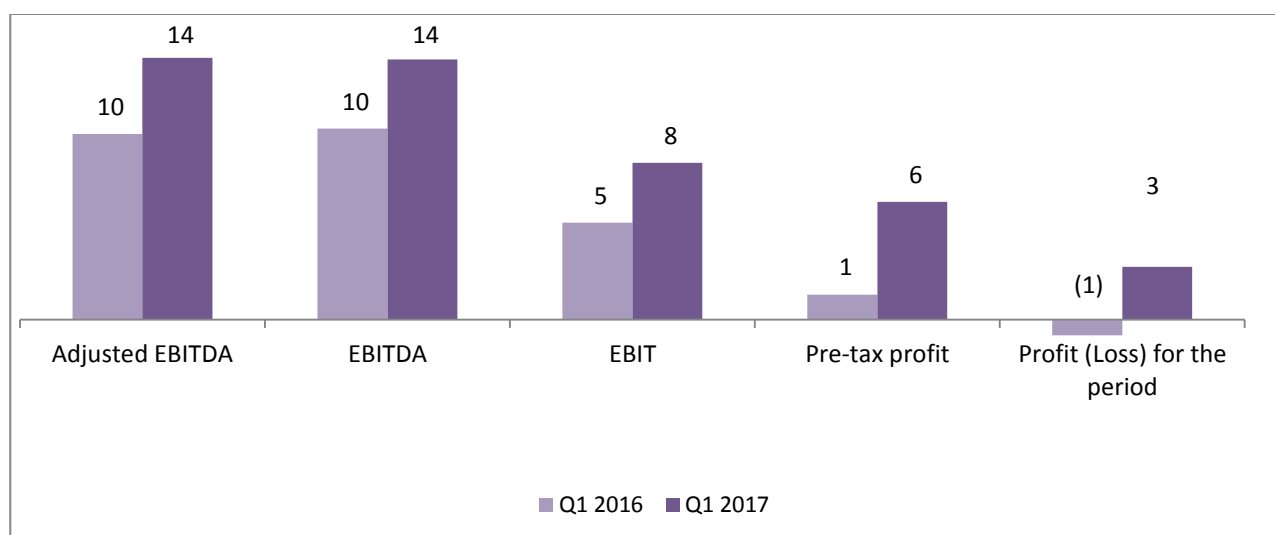
Revenues

(in € million)

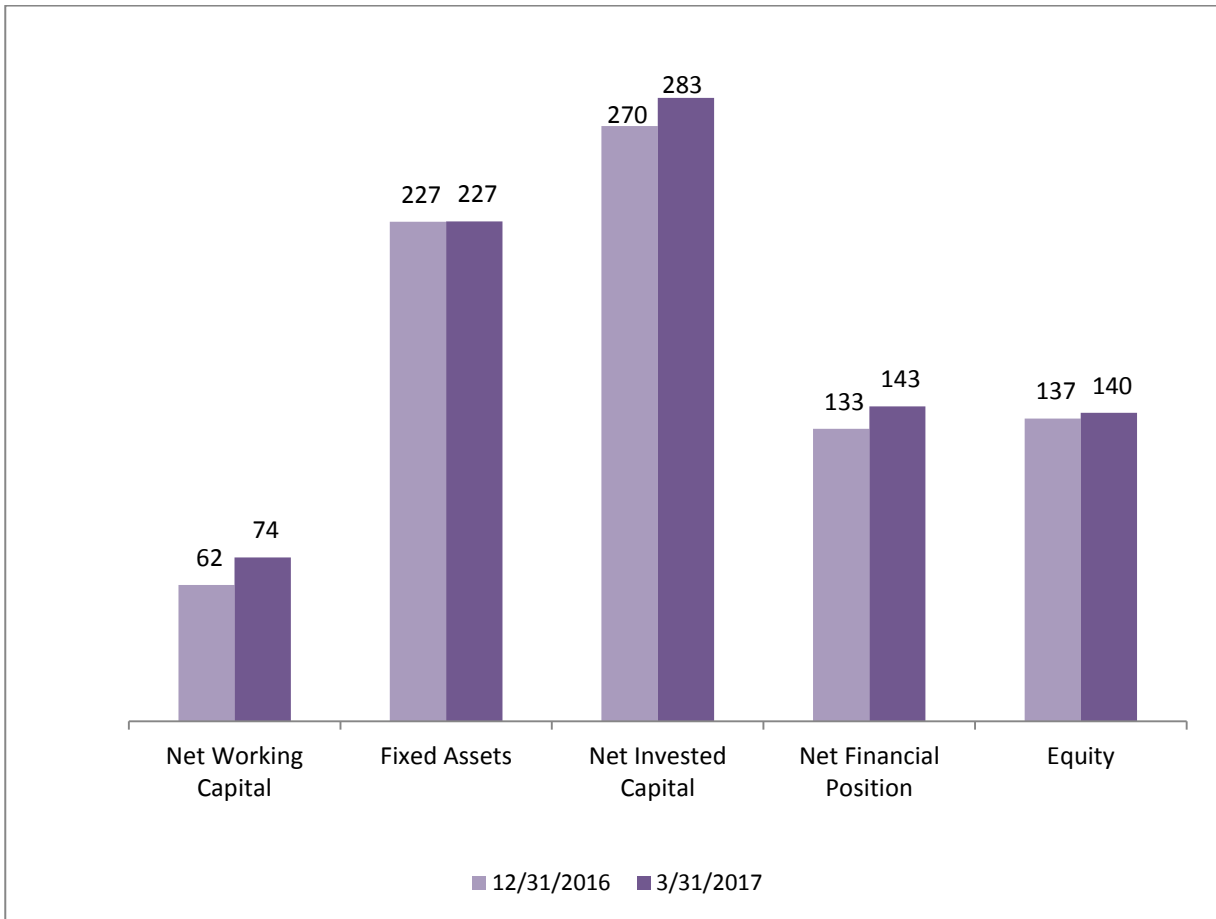


Principal consolidated economic and financial measures

(in € million)



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Profit and Financial Performance

In the first three months of 2017, the Group reported revenues from sales of €119,480 thousand compared to €98,761 thousand in the first three months of 2016, with an increase of €20,719 thousand, or 21%.

Adjusted EBITDA is a positive €14,148 thousand, or 11.8% margin, compared to 10.2% in the first quarter of 2016 (€10,030 thousand).

Operating profit in the first quarter of 2017 is €8,480 thousand (7.1% margin) against €5,235 thousand for the first quarter of 2016 (5.3% margin).

Capital expenditures in property, plant and equipment and intangible assets during the first three months of 2017 total €3,186 thousand and €1,564 thousand, respectively.

The consolidated net financial position is a debt position of €143,022 thousand compared to the debt position of €132,835 thousand at December 31, 2016, with an increase of €10,187 thousand, recording the best intermediate result of late by the Group.

Total equity is €140,114 thousand compared to €137,493 thousand at December 31, 2016, with an increase of €2,621 thousand.

Structure of the Group

Group organization

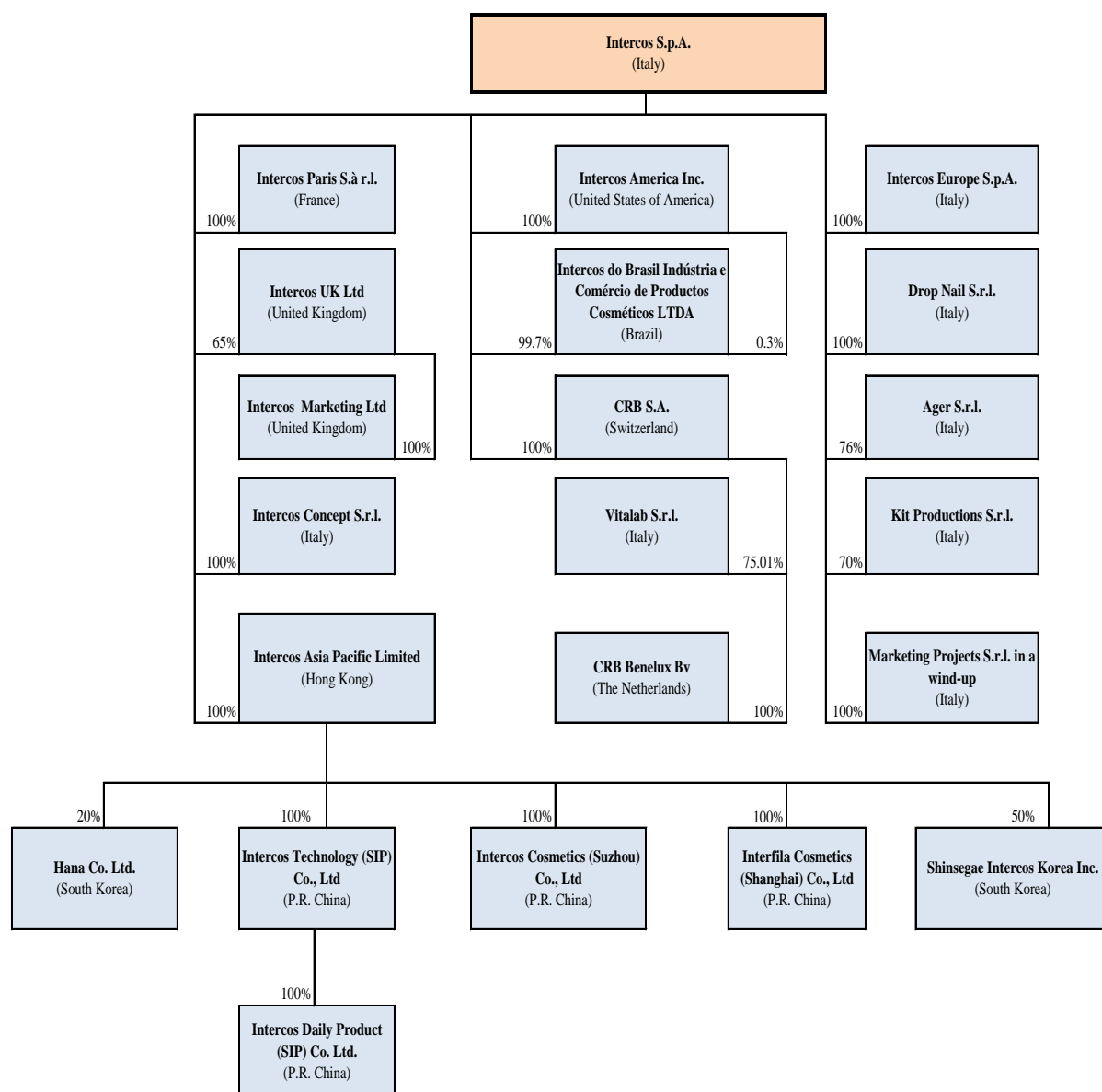
Intercos S.p.A. is a corporation organized under the laws of the Republic of Italy, with its registered office in Milan, Piazza Generale Armando Diaz 1.

Since the end of 2013, the Group's business is organized and into two areas identified on the basis of the following business units:

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

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

The Group's organization structure is updated to the reporting date of the interim consolidated financial statements at March 31, 2017 and shows the operating companies and those in liquidation.



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**COMPOSITION OF THE GROUP
AND RELATED TRANSACTIONS AND INVESTMENTS**

The interim consolidated financial statements at March 30, 2017 include the interim financial statements and/or accounting data of Intercos S.p.A. (group holding company) and the subsidiaries and other companies (Italian and foreign) that carry out manufacturing and marketing activities consolidated line-by-line or accounted for using the equity method

Scope of consolidation

SUBSIDIARIES*(consolidated line-by-line)*

Name	Registered office	Currency	Share capital in thousands of currency indicated	Percentage of control	
				Direct	Indirect
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Drop Nail S.r.l.	Milan	Euro	50	100.00%	
Intercos America Inc.	Wilmington, New Castle, Delaware (USA)	US dollar	10	100.00%	
Intercos do Brasil Indústria e Comércio de Produtos Cosméticos Ltda	Atibaia (Brazil)	Brazilian real	30,377	99.7%	0.3%
Intercos Paris S.ar.l.	Paris (France)	Euro	14	100.00%	
Intercos UK Ltd	Barnstaple (UK)	British pound	0,1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	British pound	0.001		100%
CRB S.A.	Puidoux (Switzerland)	Swiss franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	160		75.01%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co. Ltd.	Suzhou (P.R.C.)	US dollar	3,400		100.00%
Interfila Cosmetics (Shanghai) Co. Ltd	Shanghai (P.R.C)	US dollar	2,700		100.00%
Intercos Cosmetics Suzhou Co. Ltd.	Suzhou (P.R.C.)	US dollar	12,800		100.00%
Intercos Daily Product (SIP) Co. Ltd **	Suzhou (P.R.C.)	RMB	5,000		100.00%
Intercos Asia Pacific Limited	Hong Kong	US dollar	29,104*	100.00%	
Intercos Concept S.r.l	Milan	Euro	10	100.00%	

In January 2017, Intercos S.p.A. increased its investment in the subsidiary Asia Pacific Limited by USD 2,100 thousand. This transaction had no effect on Intercos S.p.A.'s 100% direct investment.

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

** Intercos Daily Product (SIP) Co. Ltd, at the date of this report, is not yet operational.

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COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Headquarters	Type of business conducted	Date of financial statements	Accounting principles applied	Share capital €/000	Total assets €/000	Total liabilities €/000	Currency	% Holding	% Voting rights	Ownership > 50% of voting rights but not control	Ownership < 50% of voting rights but control	Ownership > 20% of voting rights but not significant influence	Ownership < 20% of voting rights but significant influence	Amount €/000
Direct control															
Hana Co. Ltd	Hwasung, South Korea	Packaging	3/31/2017	IFRS	989	17,264	10,563	KRW	20.00%	20.00%	N/A	N/A	✓	N/A	1,863
Shinsegae Intercos Korea	South Korea	Cosmetic Products	3/31/2017	IFRS	12,910	31,414	21,861	KRW	50.00%	50.00%	N/A	N/A	✓	N/A	4,777

In February 2017, Intercos Asia Pacific increased its investment in the share capital of the subsidiary Shinsegae Intercos Korea by Korean Won 2,500,000 thousand. The shareholder Shinsegae also increased its investment in the company's share capital so that its percentage investment in capital would remain unchanged.

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

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

	Income Statement Q1 2017	Income Statement Q1 2016	Statement of Financial Position 3/31/2017	Statement of Financial Position 31/12/2016
	<i>Q1 Average</i>	<i>Q1 Average</i>	<i>At period-end date</i>	<i>At period-end date</i>
U.S. dollar	1.0647	1.1017	1.0691	1.0541
Pound sterling	0.8598	0.7701	0.8555	0.8562
Swiss franc	1.0693	1.0960	1.0696	1.0739
Chinese renminbi (yuan)	7.3341	7.2090	7.3642	7.3202
South Korean won	1227.1877	1324.0700	1194.5400	1269.3600
Brazilian real	3.3453	4.3056	3.3800	3.4305

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SEGMENT REPORTING

At March 31, 2017, the Group's business is organized and into two Business Units identified on the basis of the following product lines:

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

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

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

Detailed information on each identified segment for the first quarters ended March 31, 2017 and March 31, 2016 is presented in the following tables.

Q1 2017 - (in € thousand)	Make-up	Skin Care	Total
Revenues	103,847	15,633	119,480
Adjusted EBITDA	12,388	1,759	14,148
Depreciation, amortization and impairment reversals (losses)	(4,967)	(619)	(5,586)
Nonrecurring income (expenses)			(82)
Financial income (expenses)			(2,196)
Result from investments accounting for using the equity method			69
Income taxes			(3,497)
Profit for the period			2,856

Net invested capital at March 31, 2017	237,508	45,628	283,136
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Q1 2016 - (in € thousand)	Make-up	Skin Care	Total
Revenues	85,910	12,851	98,761
Adjusted EBITDA	8,297	1,734	10,030
Depreciation, amortization and impairment reversals (losses)	(4,514)	(567)	(5,082)
Nonrecurring income (expenses)			286
Finance income (expenses)			(3,890)
Result from investments accounting for using the equity method			0
Income taxes			(2,195)
Loss for the period			(851)

Net invested capital at December 31, 2016	228,896	41,432	270,328
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Make-up B. U.: revenues total €103,847 thousand for the first quarter of 2017, with an increase of €17,937 thousand (+20.9%) compared to the same period of the prior year, and mainly covers the entire family of products.

Adjusted EBITDA is €12,388 thousand, with an increase over the first quarter of the prior year of €4,091 thousand, or +49.3% (€8,297 thousand in the three months ended March 31, 2016).

Skin Care B.U.: revenues total €15,633 thousand in the first quarter of 2017, with an increase of €2,782 thousand, or +21.6%, compared to the same period of 2016.

Adjusted EBITDA is €1,759 thousand and mainly in line with €1,734 thousand recorded in the first quarter of 2016.

The increase in volumes is not reflected as an increase in adjusted EBITDA due to a different product mix and higher fixed costs.

Detailed information relating to the geographical regions contributing to revenues is reported according to the location in which the recipient of the invoice has its headquarters.

(in € thousand)

Sales by Business Unit	3 months ended	
	3/31/2017	3/31/2016
Make-Up	103,847	85,910
Skin Care	15,633	12,851
Total	119,480	98,761

(in € thousand)

Sales by Geographical Region	3 months ended	
	3/31/2017	3/31/2016
Americas	48,796	31,293
EMEA	59,278	56,361
Asia	11,405	11,106
Total	119,480	98,761

The differing trends in sales by geographical area in the first quarter of 2017 compared to the same period of 2016 are as follows:

- Americas: this region recorded a decrease in sales of 56%, mainly in the Prestige market.
- EMEA: posted sales of €59,278 thousand versus €56,361 thousand in the first quarter of 2016, recording an increase of €2,917 thousand (+5%).
- Asia: reports total sales basically in line with the first quarter of 2016, or €11,405 thousand compared to €11,106 thousand in the corresponding period of the prior year).

1. Movements in Property, plant and equipment

Movements in Property, plant and equipment during the first quarter of 2017 are as follows:

<i>(in € thousand)</i>	<i>January 1, 2017</i>	<i>Increases / Depreciation</i>	<i>Translation differences / Reclassifications</i>	<i>Change in consolidation area</i>	<i>Decreases / Utilization</i>	<i>March 31, 2017</i>
Historical cost						
Land and buildings	132,464	197	(331)	0	0	132,330
Plant and machinery	128,618	997	267	0	0	129,882
Industrial equipment	36,519	409	18	0	0	36,946
Office furniture and equipment	14,621	248	(12)	0	0	14,858
Motor vehicles and internal transportation equipment	2,188	0	(1)	0	(21)	2,165
Cell phones	21	0	0	0	0	21
Assets under construction and payments on account	4,860	1,336	(613)	0	(64)	5,519
Total	319,293	3,186	(672)	0	(85)	321,722
Accumulated depreciation						
Land and buildings	74,764	1,498	(188)	0	0	76,073
Plant and machinery	102,777	1,614	(164)	0	0	104,227
Industrial equipment	32,974	402	(5)	0	0	33,370
Office furniture and equipment	9,978	209	(22)	0	0	10,165
Motor vehicles and internal transportation equipment	1,974	34	(1)	0	(15)	1,991
Cell phones	20	0	0	0	0	21
Assets under construction and payments on account	-	0	0	0	0	0
Total	222,486	3,757	(380)	0	(15)	225,848
Net carrying amount	96,806	(571)	(291)	(0)	(69)	95,874

2. Movements in Intangible Assets

Movements in Intangible assets during the first quarter of 2017 are the following:

<i>(in € thousand)</i>	<i>January 1, 2017</i>	<i>Increases</i>	<i>Decreases/ Adjustments/ Translation differences</i>	<i>Reclassifications</i>	<i>Amortization</i>	<i>March 31, 2017</i>
Development costs	15,425	184	(11)	0	(1,292)	14,306
Patent rights	4,111	93	(1)	56	(434)	3,824
Concessions and licenses	2,163	36	(11)	0	(102)	2,085
Assets under development	2,701	1,250	0	0	0	3,951
Other intangible assets	111	0	0	0	(2)	109
TOTAL	24,509	1,564	(23)	56	(1,829)	24,276

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3. Borrowings from banks and other lenders

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

(in € thousand)

March 31, 2017	Short-term	Medium-term	Long-term	Total
Intecos S.p.A. bond	32	160	116,883	117,075
Medium/long-term bank borrowings (syndicate)	6,962	51,891	-	58,853
Medium/long-term bank borrowings (CRB)	363	1,513	4,203	6,080
Medium/long-term bank borrowings (Technology)	246	-	-	246
Drop Nail mortgage	62	-	-	62
Finance leases payable	237	854	-	1,090
Other financial payables	438	-	-	438
Medium/long-term debt (with indication of amount due within 12 months)	8,339	54,419	121,086	183,843

March 31, 2017	Short-term	Medium-term	Long-term	Total
Revolving credit facility Intecos S.p.A.	-	-	-	-
Revolving credit facility Intecos America	-	-	-	-
Revolving credit facility Intecos China	13,982	-	-	13,982
Bank overdrafts	2,735	-	-	2,735
Advances on invoices	10,000	-	-	10,000
Short-term debt	26,716	-	-	26,716
Borrowings from other lenders	72	-	-	72
Factoring companies payable	-	-	-	-
Total	35,127	54,419	121,086	210,632

Details of medium/long-term debt outstanding at March 31, 2017 are as follows:

Company	Bank	Amount	Internal rate of return	Description
Intecos S.p.A.	Bank pool	10,485	1.715%	Tranche in EUR
Intecos S.p.A.	Bank pool	16,944	1.453%	Tranche B in EUR
Intecos S.p.A.	Bank pool	14,534	2,850%	Tranche in USD
Intecos S.p.A.	Institutional investors	117,075	3.716%	Bond
Intecos Europe S.p.A.	Bank syndicate	16,890	1.782%	Tranche in EUR
		175,928		
Intecos S.p.A.	Other lenders	122	3.36%	Low-rate loan Law 46 grant 11337 (EUR)
		122		
CRB S.A.	SH Bank	93	0.00%	Loan guarantee
CRB S.A.	BCV Bank	1,356	1.85%	Mortgage loan (in CHF)
CRB S.A.	BCV Bank	4,631	2.18%	Batiplus (in CHF)
		6,080		
Intecos Technology	HSBC Bank	246	5.22%	HSBC LT loan (in RMB)
Drop Nail	BPM Bank	62	1,505%	Mortgage (in EUR)

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Financial data

The net financial position went from €132,835 thousand at December 31, 2016 to €143,022 thousand at March 31, 2017. The increase of €10,187 thousand is attributable to the change in operating working capital, which shows cash absorption caused by the seasonal nature of the Group's business due to the concentration of production in the first part of the year.

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

The net financial position at March 31, 2017 is analyzed as follows:

(in € thousand)	3/31/2017	12/31/2016
Cash and cash equivalents	(67,610)	(64,525)
Borrowings from banks and other lenders	35,127	34,298
Current net financial position	(32,482)	(30,227)
Borrowings from banks and other lenders	175,505	163,063
Non-current net financial position	175,505	163,063
Net debt (cash)	143,022	132,835

4. Comments on the Interim Consolidated Statement of Financial Position

The equity and financial structure (reclassified) at March 31, 2017 of the Group is presented below with a comparison at December 31, 2016:

(in € thousand)	3/31/2017	12/31/2016
Inventories	89,624	83,296
Trade receivables and other receivables	100,382	100,639
Income taxes receivable	1,013	1,497
Current non-financial liabilities (*)	(116,623)	(123,550)
A. Net working capital	74,395	61,882
Property, plant and equipment	95,874	96,806
Other intangible assets (**)	101,099	101,274
Other non-current assets (*)	30,010	28,707
B. Fixed assets	226,983	226,788
C. Non-current assets held for sale	-	-
D. Employee severance indemnities	(8,869)	(8,621)
E. Provisions	(1,061)	(1,079)
F. Other non-current liabilities (*)	(8,312)	(8,641)
G. Net invested capital	283,136	270,328
Financed by:		
Current net financial position (*)	(32,482)	(30,227)
Non-current net financial position (*)	175,505	163,063
H. Total net financial position	143,022	132,835
I. Equity	140,114	137,493
L. Total (H+I)	283,136	270,328

(*) Details of the composition of this item are provided in the "Reconciliation Schedules" on page 22.

(**) Includes goodwill.

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Inventories amount to €89,624 thousand at March 31, 2017, up €6,328 thousand compared to December 31, 2016. The increase is connected with higher volumes produced during the quarter in addition to the seasonal nature of the Group's business which causes a part of its production to be concentrated in the first half of the year to meet sales requirements that are higher in the subsequent quarters.

Trade receivables are €87,429 thousand at March 31, 2017, with a reduction of €5,405 thousand from December 31, 2016, or -6%, owing to the effects of greater efficiency in the management of receivables, especially in Europe.

Equity increased by €2,621 thousand as a result of the positive change in exchange differences on translating foreign operations of €5 thousand, the profit for the quarter of €2,856 thousand, the actuarial loss of €168 thousand and the negative consolidation reserve of €72 thousand which includes the effect of the payment of dividends to non-controlling interests.

The net financial position increased by €10,187 thousand compared to December 31, 2016.

5. Reconciliation schedules

The reconciliation between the “Equity and Financial Structure (reclassified)”, as presented under “Comments on Operations of the Group for the First Quarter 2017” and the items included in the Interim Consolidated Statement of Financial Position at March 31, 2017, are as follows:

<i>(in € thousand)</i>	3/31/2017	31/12/2016
Current non-financial liabilities (reclassified format)		
are composed of:		
Trade payables and other payables	(106,078)	(114,906)
Taxes payable	(10,545)	(8,644)
Total	(116,623)	(123,550)

<i>(in € thousand)</i>	3/31/2017	31/12/2016
Other non-current assets (reclassified format):		
are composed of:		
Deferred tax assets	16,133	16,768
Non-current security deposits	806	809
Investments	6,640	4,697
Receivables from the tax authorities for indirect taxes	5,525	5,525
Other non-current assets	907	907
Total	30,010	28,707

<i>(in € thousand)</i>	3/31/2017	31/12/2016
Other non-current liabilities (reclassified format)		
are composed of:		
Deferred tax liabilities	(8,135)	(8,459)
Other non-current liabilities	(177)	(182)
Total	(8,312)	(8,641)

<i>(in € thousand)</i>	3/31/2017	31/12/2016
Current net financial position (reclassified format)		
are composed of:		
Cash and cash equivalents	(67,610)	(64,525)
Financial payables (current portion)	35,127	34,298
Total	(32,482)	(30,227)

<i>(in € thousand)</i>	3/31/2017	31/12/2016
Non-current net financial position (reclassified format)		
are composed of:		
Financial payables (non-current portion)	175,505	163,063
Total	175,505	163,063

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6. Sales analysis

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

(in € thousand)

Company	Q1 2017	Q1 2016
Intercos Europe S.p.A.	60,106	55,495
Intercos America Inc.	27,534	20,321
Intercos Cosmetics Suzhou Co. Ltd	5,150	3,547
Intercos Technology Co. Ltd	10,054	8,873
Interfila Cosmetics (Shanghai) Co. Ltd	7,687	3,539
CRB S.A.	10,334	9,494
Other companies	5,486	4,204
Aggregate Total	126,352	105,472
Eliminations	(6,873)	(6,711)
Consolidated Total	119,480	98,761

Revenues of the company for the three months to March 31, 2017 recorded an increase of 21%, or €20,719 thousand, compared to the corresponding period of the prior year.

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

Intercos Europe S.p.A.: in terms of volumes, Intercos Europe is the most important company in the Group with revenues of €60,106 thousand for the first quarter of 2017 and an increase of 8% over the corresponding period of 2016.

Intercos America Inc.: revenues to March 31, 2017 total €27,534 thousand. In percentage terms, the company recorded an increase of 35% compared to the same period of 2016.

Intercos Cosmetics Suzhou Co. Ltd.: sales stand at €5,150 thousand against €3,547 thousand in the first quarter of 2016, or +45%.

Intercos Technology Co. Ltd.: this company runs the manufacturing facility of the Intercos Group for sales on Chinese territory. Revenues for the first three months of 2017 register a positive increase of €1,181 thousand, or 13%, compared to the first quarter of 2016.

Interfila Cosmetics (Shanghai) Co. Ltd.: revenues record an increase in the first quarter of 2017 of 117%, from €3,539 thousand in the first quarter of 2016 to €7,687 thousand in the first quarter of 2017.

CRB S.A.: sales are up €840 thousand, from €9,494 thousand in the first quarter of 2016 to €10,334 thousand in the first quarter of 2017, or +9%.

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7. Comments on the Interim Consolidated Income Statement

(in € thousand)	Q1 2017	Q1 2016
Cost of sales	(90,881)	(77,359)
Net operating costs and nonrecurring expenses, of which:	(20,119)	(16,167)
Research & Development and innovation costs	(8,395)	(7,015)
Sales & marketing	(5,816)	(4,648)
General & administrative expenses	(5,995)	(5,625)
Other operating income and expenses	671	1,033
Result from investments (operating)	(502)	(198)
Nonrecurring income (expenses)	(82)	286

Cost of sales is €90,881 thousand, with an increase of €13,522 thousand largely due to higher direct manufacturing costs sustained as a result of higher volumes manufactured during the first quarter.

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

Gross operating profit (Adjusted EBITDA):

Income statement data (in € thousand)	Q1 2017	Q1 2016
Gross operating profit (Adjusted EBITDA)	14,148	10,030

The increase in sales and the containment of fixed costs produced a positive impact on adjusted EBITDA which amounts to €14,148 thousand in the first quarter of 2017, up by €4,117 thousand in the first quarter of 2016, with an adjusted EBITDA margin of 11.8% (10.2% in the first quarter of 2016).

Operating profit (EBIT):

Income statement data (in € thousand)	Q1 2017	Q1 2016
Operating profit (EBIT)	8,480	5,235

Operating profit is €8,480 thousand, showing an increase compared to the first quarter of 2016 reflecting the improvement in adjusted EBITDA, in addition to depreciation/amortization and nonrecurring expenses basically in line with the first quarter of 2016.

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Profit before taxes (EBT):

Income statement data (in € thousand)	Q1 2017	Q1 2016
Profit before taxes (EBT)	6,353	1,345

Profit before taxes (EBT) is €6,353 thousand, with an increase of €5,008 thousand compared to the corresponding period of 2016, owing also to lower net financial expenses.

Profit (Loss) for the period:

Income statement data (in € thousand)	Q1 2017	Q1 2016
Profit (Loss) for the period	2,856	(849)

The profit for the period is €2,856 thousand, with an improvement compared to the loss of €849 thousand in the first quarter of 2016, which is reflected in the EPS.

Related party transactions:

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

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

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

(in € thousand)	Cost for services and leases and rent	Employee benefit expenses	Other revenues and costs	Financial expenses	Financial income	Trade receivables	Trade payables	Financial payables
Dafe International S.r.l.	(33)	-	-	-	-	-	51	-
Sci Maragia	(19)	-	-	-	-	-	81	-
Je m'en fous	-	-	(5)	-	-	-	22	-
Arterra Bioscience S.r.l	(154)	-	-	-	-	-	498	120
My Style	-	-	-	-	-	-	-	-
Interior	-	-	(18)	-	-	-	-	-
Catterton	(2)	-	-	-	-	-	-	-
Vault	(155)	-	-	-	-	-	-	-
Maragia USA Inc	-	-	-	-	-	-	-	-
Family and relatives of Dario Ferrari	-	(43)	-	-	-	-	-	-
Total	(362)	(43)	22	-	-	-	652	120

(in € thousands)	Cost for services and leases and rent	Employee benefit expenses	Other revenues and costs	Financial expenses	Financial income	Trade receivables	Trade payables	Financial payables
Intercos Korea LTD	(297)	-	-	-	-	1,008	296	-
Hana Co Ltd	(3)	-	-	-	-	-	3	-
Total	(299)	-	-	-	-	1,008	299	-

OUTLOOK

A substantially positive outlook is expected for the year 2017, in effect confirming the Group's expectations as illustrated in its Business Plan.

NONRECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

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

SIGNIFICANT EVENTS DURING THE FIRST QUARTER AND SUBSEQUENT TO MARCH 31, 2017

- **In January and February 2017**, the parent negotiated, with a syndicate of banks composed of “Banca IMI S.p.A.”, “Intesa Sanpaolo S.p.A.”, “Unicredit S.p.A.”, “BNL S.p.A.” and “ICBC (Europe) SA – Milan Branch”, certain amendments to the loan contract signed on March 24, 2015 by the company, Intercos Europe S.p.A., Banca IMI S.p.A. and Unicredit S.p.A., the total amount of which, after such amendments, will nevertheless remain at €80,000,000. More specifically, the amendments refer to: **a)** an increase in the amount of the Term Facility from €50,000,000 to €60,000,000, with BNL S.p.A. entering the loan contract as a lender of such Term Facility, with a commitment of €20,000,000; **b)** a reduction in the amount of the Revolving Facility from €30,000,000 to €20,000,000, with ICBC (Europe) SA – Milan Branch entering the loan contract as the sole lender of such Revolving Facility, with a commitment of €20,000,000; **c)** an amendment to move the due date on the Term Facility to December 31, 2021; **d)** a new interest rate per year for the Term Facility, equal to the 6-month Euribor (and 6-month Libor for the tranche in U.S. dollars), plus 150 basis points; **e)** a new interest rate per year for the Revolving Facility, equal to the 6-month Euribor or the 3-month Euribor, plus 100 basis points; **f)** a commitment fee of the Revolving Facility equal to 25 basis points; and **g)** an amendment to the definition of Permitted Indebtedness.
- **Also in January and February 2017**, the parent negotiated the amendments to certain terms and conditions of the €120,000,000 non-convertible bonds due March 28, 2022 with a 3.875% fixed rate per year, the issue of which was approved by the board of directors on February 19, 2015. More specifically, the amendments refer to: **a)** the reduction in the interest rate from 3.875% to 3.25% per year; **b)** the amendment to move the maturity date to March 28, 2023; **c)** the extension of the period – from March 28, 2018 to March 28, 2020 (excluded) – in which the bonds can be repaid in advance

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by paying only the so-called “Make Whole Amount”; and **d)** the recalculation of the bond reimbursement cost, establishing that, in the event of repayment between March 28, 2020 and March 27, 2021 (included), the cost will be 101% of the face value of the bonds (instead of 100% as currently established for the same period) whereas in the event of repayment between March 28, 2021 and the new maturity date of the bonds, the cost will be equal to the face value of the bonds as currently established.

- **In February 2017**, Intercos Asia Pacific increased its investment in the share capital of the subsidiary Shinsegae Intercos Korea by Korean Won 2,500,000 thousand. The shareholder Shinsegae also increased its investment in the company’s share capital so that its percentage investment in capital would remain unchanged.

INTERCOS GROUP
Global Cosmetic Manufacturer

INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AT MARCH 31, 2017

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Interim Consolidated Statement of Financial Position at March 31, 2017 – unaudited

<i>(in € thousand)</i>	<i>Note</i>	March 31, 2017	December 31, 2016
NON-CURRENT ASSETS			
Property, plant and equipment	1	95,874	96,806
Intangible assets	2	24,276	24,509
Goodwill		76,823	76,765
Investments	5	6,640	4,697
Deferred tax assets	5	16,133	16,768
Other non-current assets	5	7,238	7,241
<i>Non-current assets</i>		226,983	226,788
CURRENT ASSETS			
Inventories	4	89,624	83,296
Trade receivables	4	87,429	92,834
Other current receivables		13,965	9,301
Cash and cash equivalents	5	67,610	64,525
<i>Current assets</i>		258,628	249,957
TOTAL ASSETS		485,611	476,745
EQUITY			
Share capital		10,710	10,710
Other reserves		66,005	66,005
Retained earnings		61,068	58,424
Equity attributable to owners of the parent		137,783	135,139
Equity attributable to non-controlling interests		2,331	2,354
TOTAL EQUITY	4	140,114	137,493
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	175,505	163,063
Provisions	4	1,061	1,079
Deferred tax liabilities	5	8,135	8,459
Other non-current liabilities	5	177	182
Employee benefit obligations	4	8,869	8,621
<i>Non-current liabilities</i>		193,747	181,403
CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	34,381	33,667
Other financial payables	3	746	631
Trade payables	5	74,999	89,846
Other current liabilities	5	41,625	33,704
<i>Current liabilities</i>		151,751	157,848
TOTAL EQUITY AND LIABILITIES		485,611	476,745

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Interim Consolidated Income Statement for the First Quarter ended March 31, 2017 – unaudited

<i>(in € thousand)</i>	Note	Q1 2017	Q1 2016
Revenues	6	119,480	98,761
Cost of sales	7	(90,881)	(77,359)
Gross industrial margin		28,599	21,402
Research & Development and innovation costs		(8,395)	(7,015)
Selling expenses		(5,816)	(4,648)
General and administrative expenses		(5,995)	(5,625)
Other operating income (expenses)		671	1,033
Result from investments (operating)		(502)	(198)
Nonrecurring income (expenses)		(82)	286
Operating profit (EBIT)	7	8,480	5,236
Financial income		561	83
Financial expenses		(2,757)	(3,973)
Result from investments (non-operating)		69	-
Profit before tax (EBT)	7	6,353	1,346
Income taxes		(3,497)	(2,195)
Profit (loss) for the period	7	2,856	(849)
Attributable to			
- owners of the parent		2,807	(950)
- non-controlling interests		49	101
Earnings per share:			
Basic and diluted		0.03	-0.01

Interim Statement of Comprehensive Income for the First Quarter ended March 31, 2017 - (unaudited)

<i>(in € thousand)</i>		Q1 2017	Q1 2016
Profit/(loss) for the period	7	2,856	(849)
<i>Other comprehensive income that will not be reclassified subsequently to the income statement, net of tax effect</i>			
- Actuarial gains (losses) on remeasurement of employee defined benefit plans		(193)	(838)
- Tax effect		26	311
Total	4	(168)	(527)
<i>Other comprehensive income that will be reclassified subsequently to the income statement, net of tax effect</i>			
- Exchange differences on translating foreign operations	4	5	(2,153)
Total		5	(2,153)
Total comprehensive income for the period		2,692	(3,529)
Attributable to:			
- owners of the parent		2,692	(3,563)
- non-controlling interests		49	34

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

<i>(in € thousand)</i>		RETAINED EARNINGS			EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
Description	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit (loss) for the period	Share capital	Profit (loss) for the period	Total
Balances at 12/31/2016	10,710	66,005	38,366	20,058	2,193	161	137,493
Appropriation of 2016 profit			20,058	(20,058)	161	(161)	-
Exchange differences on translating foreign operations				4		1	5
Remeasurement of defined benefit plans (OCI)				(167)		(1)	(168)
Consolidation reserve					(72)		(72)
Profit for the quarter ended March 31, 2017				2,807		49	2,856
Balances at 3/31/2017	10,710	66,005	58,424	2,644	2,282	49	140,114

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Interim Consolidated Statement of Cash Flows for the first quarter ended March 31, 2017 – (unaudited)

<i>(in € thousand)</i>	Q1 2017	Q1 2016
Profit (loss) from continuing operations	2,856	(849)
Profit (loss) for the period attributable to owners of the parent	2,856	(849)
Depreciation, amortization and impairment reversals (losses)	5,586	5,082
Nonrecurring income (expenses)	82	(321)
Change in provisions	(19)	318
Financial income (expenses)	2,196	3,890
Decrease / (Increase) in inventories	(6,702)	(5,006)
Decrease / (Increase) in trade receivables, net	5,092	2,138
Increase / (Decrease) in trade payables	(14,525)	(12,106)
Decrease / (Increase) in other assets	(3,496)	3,114
Increase / (Decrease) in other payables	7,632	930
Cash flows (used in) operating activities (a)	(1,297)	(2,810)
Acquisition of property, plant and equipment, net	(3,185)	(4,854)
Acquisition of intangible assets, net	(1,564)	(1,507)
Disposals of property, plant and equipment	69	362
Acquisitions of investments	(1,942)	(3,758)
Cash flows (used in) investing activities (b)	(6,621)	(9,757)
Share capital increase	-	-
Increase / (Decrease) in borrowings from banks and other lenders	17,170	8,271
Interest paid during the year	(6,008)	(5,104)
Cash flows provided by financing activities (c)	11,163	3,167
Change in equity (d)	(72)	(1,174)
Net increase (decrease) in cash and cash equivalents (a)+(b)+(c)+(d)	3,171	(10,576)
Cash and cash equivalents at beginning of the year	64,525	50,683
Translation exchange differences	86	656
Cash and cash equivalents at end of the year	67,610	39,451
Net increase (decrease) in cash and cash equivalents during the year	3,171	(10,576)

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