

INTERCOS GROUP
Global Cosmetic Manufacturer

HALF-YEAR
CONSOLIDATED REPORT ON OPERATIONS
AT JUNE 30, 2018

PREPARED IN CONFORMITY WITH IFRS
ADOPTED BY THE EUROPEAN UNION

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

Corporate Information

BOARD OF DIRECTORS *

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

BOARD OF STATUTORY AUDITORS *

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

INDEPENDENT AUDITORS

EY S.p.A.

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

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

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

HALF-YEAR CONSOLIDATED REPORT ON OPERATIONS AT JUNE 30, 2018

INTRODUCTION

The Half-Year Consolidated Report on Operations at June 30, 2018 of the Intercos Group is prepared in accordance with the provisions of Art. 154 *ter*, paragraph 5 of Legislative Decree 58/98 – T.U.F., as amended, and drawn up in accordance with IAS 34 – “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB).

The notes to the half-year condensed consolidated financial statements at June 30, 2018, in accordance with IAS 34, are presented in a condensed form and do not include all the information that would be required for annual financial statements, in that they refer solely to those components which, by amount, composition or variation, are necessary for an understanding of the results of operations, cash flows and financial position of the Group as at that date. Therefore, the half-year condensed consolidated financial statements at June 30, 2018 should be read in conjunction with the 2017 consolidated financial statements of Intercos S.p.A.

The accounting policies and basis of preparation of the half-year condensed consolidated financial statements have been applied on basis consistent with those applied in the annual consolidated financial statements at December 31, 2017 of Intercos S.p.A.

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

The preparation of the Half-Year Consolidated Report on Operations has required the use of estimates by management.

With the intention of providing additional disclosure that reflects the parameters for analysis and control used by management to assess the Group’s performance, the following pages present the reclassified consolidated statement of financial position at June 30, 2018 and the reclassified consolidated income statement for the six months then ended, as well as the comparative financial statements at December 31, 2017 and June 30, 2017, respectively, supplemented with non-IFRS alternative performance measures.

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

The non-IFRS 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 those established by IFRS.

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

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

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

The acquisition of Cosmint Group S.p.A. was partly financed by own funds and partly by new credit lines obtained with a modification to the loan contract.

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

During the year, the higher value was allocated as follows:

- €14,947 thousand to property, plant and equipment according to a measurement of their fair value as determined by an independent third-party company. Net of the tax effect, the amount allocated is equal to €10,777 thousand.
- the remaining €32,075 thousand to goodwill, allocated in part to the already-existing individual Make-up and Skin Care CGUs and in part to the new Hair & Body CGU.

The allocation process among the different CGUs was determined based on the internal measurement of the fair value of the assets on which an impairment test will be conducted periodically as set out in IAS 36 and its application by the Group.

HIGHLIGHTS OF THE GROUP

Main highlights of the Group

(in € thousands)	HI 2018	HI 2017	Change
Revenues	334,691	248,532	86,159
EBITDA	44,573	34,481	10,092
Adjusted EBITDA	44,633	34,522	10,112
<i>Adjusted EBITDA margin</i>	13.3%	13.9%	-0.6%
Operating profit (EBIT)	29,563	23,326	6,238
<i>EBIT margin</i>	8.8%	9.4%	-0.6%
Profit before taxes EBT	25,181	17,795	7,386
<i>EBT margin</i>	7.5%	7.2%	0.4%
Profit for the period	15,964	10,614	5,350
<i>Profit margin</i>	4.8%	4.3%	0.5%

(in € thousands)	6/30/2018	12/31/2017	Change
Net working capital	108,099	77,987	30,112
<i>Net working capital turnover</i>	6.26	7.57	-1.31
Net invested capital	401,272	373,770	27,503
Non-current assets	316,142	315,866	276
Net financial position	228,886	217,671	11,215

	6/30/2018	6/30/2017	Change
Headcount (number)	3,495	2,879	616
Earnings per share (basic and diluted) – in Euro	0.17	0.12 [^]	0.06

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

Reclassified Consolidated Statement of Financial Position

(in € thousands)	6/30/2018	12/31/2017
Fixed assets	292,535	290,112
Inventories	127,312	111,870
Trade receivables	135,059	126,578
Trade payables	(114,657)	(123,408)
Operating working capital	147,714	115,039
Other current assets and liabilities, net (*)	(39,615)	(37,052)
Net working capital	108,099	77,987
Other non-current assets and liabilities, net (**)	(2,068)	916
Investments accounted for using the equity method	2,707	4,757
Invested capital	401,272	373,771
Equity	172,386	156,100
Cash and cash equivalents	(74,948)	(68,777)
Financial payables	303,834	286,448
Net financial position	228,886	217,671
Total sources	401,272	373,771

Ratios

Fixed assets / Invested capital	72.90%	77.62%
Net financial position / Equity	1.33	1.39
Invested capital / Equity	2.33	2.39
Operating working capital / Revenues	21.84%	19.49%
Net working capital / Revenues	15.98%	13.21%

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

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

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

Consolidated net financial position - net debt (cash)

(in € thousands)	6/30/2018	12/31/2017
Current net financial position	877	(10,081)
Non-current net financial position	228,009	227,752
Total net financial position	228,886	217,671

Reclassified Consolidated Income Statement by function

(in € thousands)	HI 2018	HI 2017
Revenues	334,691	248,532
Cost of sales	(261,677)	(186,383)
Industrial gross profit	73,014	62,149
<i>Industrial gross margin</i>	<i>21.8%</i>	<i>25.0%</i>
Research & Development and innovation costs	(18,595)	(16,527)
Selling expenses	(12,177)	(11,440)
General and administrative expenses	(13,528)	(12,068)
Other operating income (expenses)	2,887	2,181
Result from investments accounted for using the equity method (operating)	(1,978)	(928)
Nonrecurring income (expenses)	(60)	(41)
Operating profit (EBIT)	29,563	23,326
<i>EBIT margin</i>	<i>8.8%</i>	<i>9.4%</i>
Depreciation, amortization and impairment reversals (losses)	(15,010)	(11,155)
EBITDA (*)	44,573	34,481
Nonrecurring income (expenses)	(60)	(41)
Adjusted EBITDA (*)	44,633	34,522
<i>Adjusted EBITDA margin</i>	<i>13.3%</i>	<i>13.9%</i>
Financial income (expenses), net (**)	(4,382)	(5,667)
Result from investments accounted for using the equity method	-	137
Profit before taxes (EBT)	25,181	17,795
Income taxes	(9,217)	(7,181)
Profit for the period	15,964	10,614
Attributable to:		
- owners of the parent	15,941	10,525
- non-controlling interests	24	89
Earnings per share:		
Basic and diluted in Euro	0.17	0.12 [^]

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

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

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

The breakdown of the Group's headcount at June 30, 2018 is as follows:

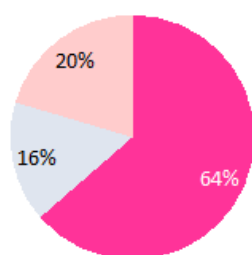
Group headcount	6/30/2018	6/30/2017
Executive and mid-level managers	271	244
White-collars	1,264	1,035
Blue-collars	1,960	1,600
Total	3,495	2,879
Temporary	2,604	2,536
Total	6,099	5,415

At June 30, 2018, total headcount of the Intercos Group (excluding Cosmint) is 5,486, of whom 3,058 are permanent and 2,428 temporary employees. Headcount of Cosmint is 613, of whom 437 are permanent and 176 temporary employees.

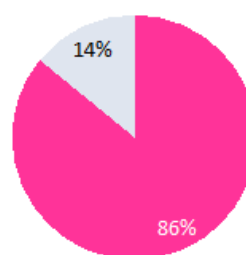
PROFIT AND FINANCIAL PERFORMANCE OF THE GROUP

(in € millions)

Revenue to H1 2018
€334.7MM



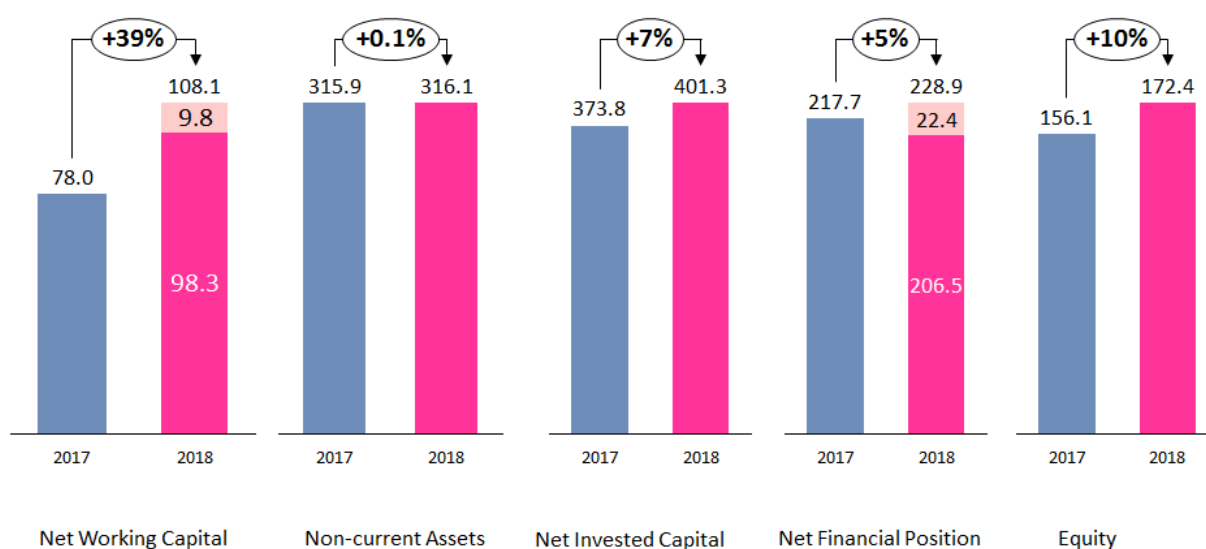
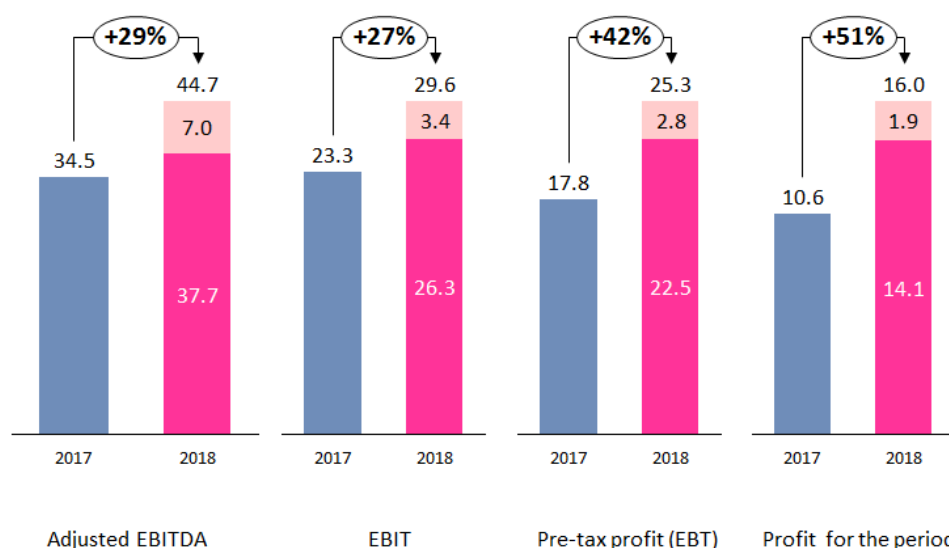
Revenue to H1 2017
€248.5MM



Make-Up
Skin Care
Hair & Body

Main profitability and balance sheet indicators

(in € millions)



Cosmint Intercos

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

In the first six months of 2018, excluding the newly acquired company Cosmint, the Group has continued to grow, reporting revenues from sales during the period totaling €258,647 thousand. Compared to €248,532 thousand in the first six months of 2017, the increase is €10,115 thousand (+4.0%). Considering Cosmint in the scope of consolidation, the overall increase in revenues is €86,159 thousand (+34.7%), bringing total sales to €334,691 thousand.

Adjusted EBITDA, excluding the contribution by Cosmint, increased to €37,648 thousand (+9.1%), with a 14.5% Adjusted EBITDA margin compared to 13.9% in the first six months of 2017 (€34,522 thousand). Total Adjusted EBITDA, taking into account Cosmint, rises to €44,633 thousand, with a 13.3% Adjusted EBITDA margin, recording an increase of €10,112 thousand (+29.3%). The reduction in the total margin is attributable to the Cosmint Group, which generally contributes to a lesser degree than Intercos.

Operating profit (EBIT), excluding Cosmint, is €26,190 thousand, with a 10.1% margin on sales against €23,326 thousand in the first six months of 2017, with a 9.4% margin, (+12.6%). Including Cosmint's EBIT, the global operating profit is €29,563 thousand, with an 8.8% margin, growing €6,238 thousand (+26.7%).

Capital expenditures in property, plant and equipment and intangible assets during the first six months of 2018 total €9,730 thousand and €3,837 thousand, respectively.

The consolidated net financial position is €228,886 thousand vs. €217,671 thousand at December 31, 2017, increasing €11,215 thousand.

Total equity of the Group is €172,386 thousand, with an increase of €16,287 thousand from €156,099 thousand at December 31, 2017.

STRUCTURE OF THE GROUP

Group organization

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

At the end of 2013 the Group's business was reorganized into two areas identified on the basis of the following operating segments:

- ***Make-up Business Unit:*** specialized in the creation, development, manufacture and marketing of powders, emulsions, lipsticks, nail polishes and types of cosmetics using delivery systems in the form of pens/pencils for the face, eyes and lips.

- ***Skin Care Business Unit:*** dedicated to the manufacture and marketing of cosmetic and skin care creams.

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

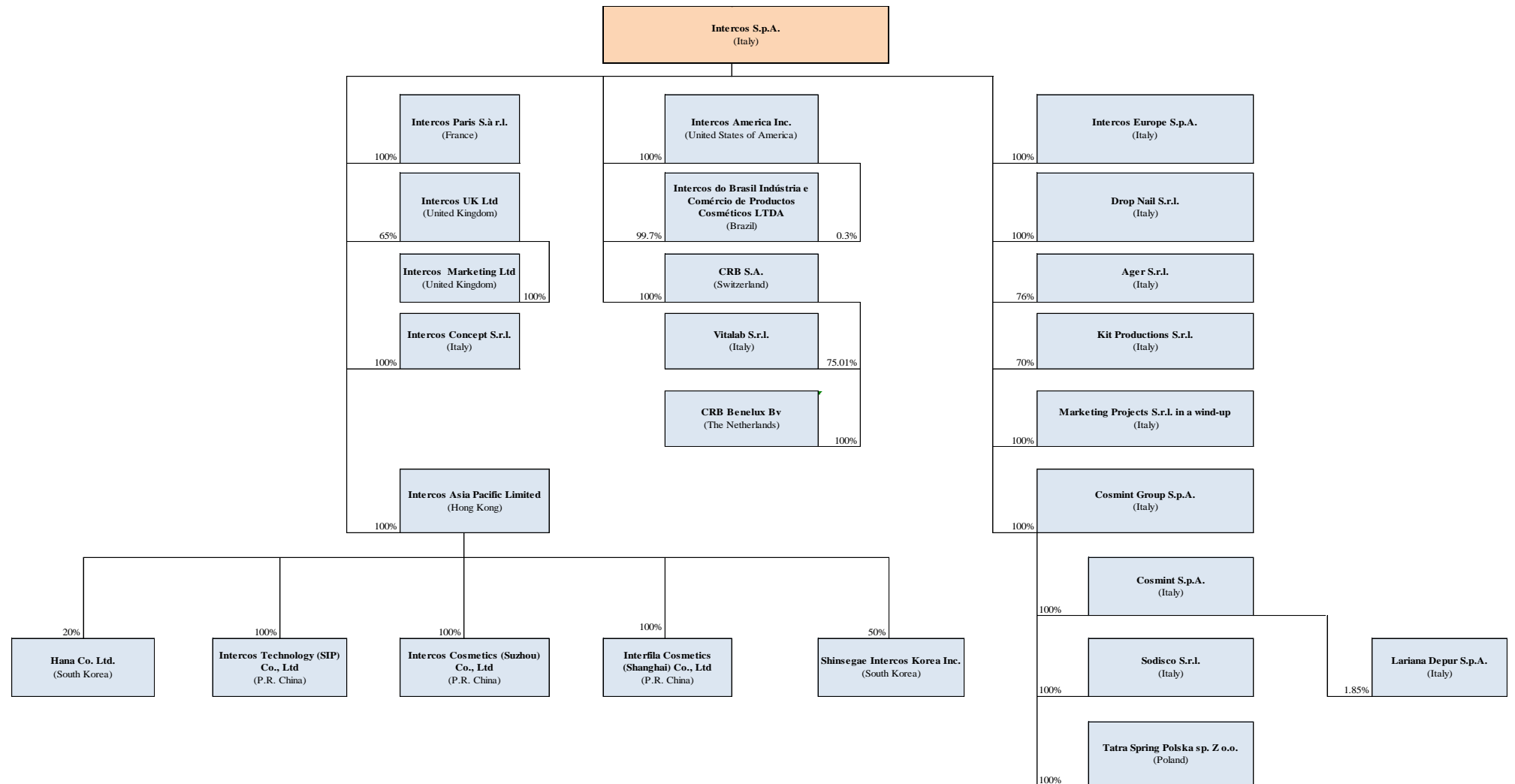
On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector with manufacturing facilities in Italy and Poland.

The operations of Cosmint are organized into various business units, whose flows, at the conclusion of the purchase price allocation process were integrated into Intercos' already-existing BUs to which the following BU was added:

➤ ***Hair & Body Business Unit:*** focused on the manufacture of products for hair and body care.

Additional details are provided in the paragraph on Business Combinations on page 5.

The Group's organization structure is updated to the closing date of the half-year consolidated financial statements at June 30, 2018 and shows operating companies and those in liquidation:



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

HALF-YEAR CONSOLIDATED REPORT ON OPERATIONS

COMPOSITION OF THE GROUP AND RELATED TRANSACTIONS AND INVESTMENTS

The half-year condensed consolidated financial statements at June 30, 2018 include the half-year 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	Headquarters	Currency	Capital in currency/000	Percentage of ownership	
				Direct	Indirect
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Drop Nail S.r.l.	Milan	Euro	50	100.00%	
Intercos America Inc.	Wilmington, New Castle, Delaware (USA)	US dollar	10	100.00%	
Intercos do Brasil Indústria e Comércio de Productos Cosméticos Ltda	Atibaia (Brazil)	Brazilian real	30,377	99.7%	0.3%
Intercos Paris S.ar.l.	Paris (France)	Euro	14	100.00%	
Intercos UK Ltd	Barnstaple (UK)	Pound sterling	0.1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	Pound sterling	0.001		100%
CRB S.A.	Puidoux (Switzerland)	Swiss franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	160		75.01%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (P.R.C.)	US dollar	8,400		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 Asia Pacific Limited	Hong Kong	US dollar	29,104*	100.00%	
Intercos Concept S.r.l.	Milan	Euro	10	100.00%	
Cosmint Group S.p.A. **	Como	Euro	50	100.00%	
Cosmint S.p.A. **	Olgiate Comasco	Euro	1,586		100.00%
Sodisco S.r.l. **	Olgiate Comasco	Euro	10		100.00%
Tatra Spring Polska Spółka zoo **	Garwolin (Poland)	PLN	50		100.00%

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

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

The scope of consolidation has remained unchanged during the first half of the year.

SUBSIDIARIES CONSOLIDATED BY EQUITY METHOD

Company	Headquarters	Type of business conducted	Date of financial statements	Accounting principles applied	Share capital €/000	Total assets €/000	Total liabilities €/000	Currency	% Holding	% Voting rights	Ownership > 50% of voting rights but not control	Ownership < 50% of voting rights but control	Ownership > 20% of voting rights but not significant influence	Ownership < 20% of voting rights but significant influence	Amount €/000
Direct control															
Hana Co.Ltd	Hwasung, South Korea	Packaging	6/30/2018	IFRS	911	19,184	12,749	KRW	20%	20%	N/A	N/A	√	N/A	1,693
Shinsegae Intercos Korea	South Korea	Cosmetics Prod.	6/30/2018	IFRS	11,837	33,739	31,711	KRW	50%	50%	N/A	N/A	√	N/A	1,014

COMPANIES ACCOUNTED FOR AT COST

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

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

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

	Income Statement HI 2018	Statement of Financial Position 6/30/2018	Income Statement HI 2017	Statement of Financial Position 12/31/2017
	<i>HI Average</i>	<i>At 6/30/2018</i>	<i>HI Average</i>	<i>At 12/31/2017</i>
U.S. dollar	1.2108	1.1658	1.0825	1.1993
Pound sterling	0.8797	0.8861	0.8601	0.8872
Swiss franc	1.1697	1.1569	1.0764	1.1702
Chinese renminbi (yuan)	7.7100	7.7170	7.4417	7.8044
Brazilian real	4.1427	4.4876	3.4392	3.9729
South Korean won	1,302.9396	1,296.7200	1,235.5848	1,279.6100
Polish zloty	4.2200	4.3732	n.a.	4.1770

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

SEGMENT REPORTING

At June 30, 2018, the Group's business is aggregated into three areas identified on the basis of the product lines indicated below:

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

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

On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector with manufacturing facilities in Italy and Poland.

The operations of Cosmint are organized into various business units, whose flows, at the conclusion of the purchase price allocation process were integrated into Intercos' already-existing BUs to which the following BU was added:

- ***Hair & Body Business Unit:*** focused on the manufacture of products for hair and body care.

Additional details are provided in the paragraph on Business Combinations on page 5.

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

Detailed information on each identified segment for the six months ended June 30, 2018 and June 30, 2017, with a separate indication of invested capital of the Cosmint Group at December 31, 2017, is presented in the following tables:

Half I 2018 - (in € thousands)	Make-up	Skin Care	Hair & Body	Total
Revenues	213,365	53,583	67,743	334,691
Adjusted EBITDA (*)	31,256	6,443	6,934	44,633
Depreciation, amortization and impairment reversals (losses)	(9,959)	(1,753)	(3,298)	(15,010)
Nonrecurring income (expenses)				(60)
Financial income (expenses)				(4,382)
Income taxes				(9,217)
Result from investments accounted for using the equity method				-
Profit for the period				15,964
Net invested capital at 6/30/2018	269,021	67,570	64,681	401,272

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

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

Half I 2017 - (in € thousands)	Make-up	Skin Care	Cosmint Group	Eliminations	Total
Revenues	213,607	34,925			248,532
Adjusted EBITDA (*)	29,483	5,039			34,522
Depreciation, amortization and impairment reversals (losses)	(9,832)	(1,324)			(11,155)
Nonrecurring income (expenses)					(41)
Financial income (expenses)					(5,667)
Result from investments accounted for using the equity method					137
Income taxes					(7,181)
Profit for the period					10,614
Net invested capital at 12/31/2017	299,020	50,109	94,242**	(69,601)	373,770

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

** The figure included goodwill of €42,852 thousand which was allocated as set out in IFRS 3. For additional details, reference should be made to Business Combinations on page 5.

Make-up BU: including Cosmint, reported revenues total €213,365 thousand, a decrease of €242 thousand, (-0.1%) compared to the corresponding period of the prior year due to a slowdown in the Americas region and different monthly phasing of revenues.

Adjusted EBITDA is €31,256 thousand, an increase of €1,773 thousand (+6.0%) compared to €29,483 thousand in the first half of 2017. The Adjusted EBITDA margin is 14.6% in the first half of 2018 and 13.8% in the first half of 2017.

Skin Care BU: including Cosmint, revenues recorded are €53,583 thousand, with an increase of €18,658 thousand (+53.4%) compared to revenues in the same period of 2017.

Adjusted EBITDA is €6,443 thousand, showing an increase of €1,404 thousand (+27.9%), compared to €5,039 thousand in the first half of 2017. The Adjusted EBITDA margin is 12.0% in the first half of 2018 and 14.4% in the first half of 2017 primarily the result of higher fixed costs and the different margin contribution by the Cosmint Group.

Hair & Body BU: revenues total €67,743 thousand and Adjusted EBITDA is €6,934 thousand, with a 10.2% margin.

(in € thousands)

Sales by Business Unit	HI 2018	HI 2017
Make-up	213,365	213,607
Skin Care	53,583	34,925
Hair & Body	67,743	-
Total	334,691	248,532

Detailed information on sales by geographic region according to the location in which the recipient of the sales invoice has its headquarters is as follows:

Sales by Geographic Region	HI 2018	HI 2017
Americas	89,644	101,474
EMEA	193,444	122,108
Asia	51,603	24,948
Total	334,691	248,532

The different trends in sales by geographic region in the first half of 2018 compared to the first half of 2017 are as follows:

- The Americas region recorded a 12% decrease in sales particularly in the Mass Market and Private Label market segments with “multinational” and “retailer” customers.
- The EMEA region posts sales of €193,444 thousand compared to €122,108 thousand in the same period of last year, recording an increase of €71,336 thousand (+58.4%) originating mostly from the Cosmint Group.
- The Asia region has total sales of €51,603 thousand, up 107% (vs. €24,948 thousand in the corresponding period of the prior year). This increase rewards the Group’s strategy to grow sales volumes with local “emerging brands” and “retailers”. In addition, although to a lesser extent, the region recorded a growth in sales with “multinational” customers.

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2018

1. Property, plant and equipment

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

<i>(in € thousands)</i>	<i>January 1, 2018</i>	<i>Increases / Depreciation</i>	<i>Increases/ Deprec. Immobiliare Cometa</i>	<i>Translation differences / Reclassifications</i>	<i>New acquisitions</i>	<i>Decreases / Utilization</i>	<i>June 30, 2018</i>
Historical cost							
Land and buildings	164,098	330	-	770	7,759	(187)	172,771
Plant and machinery	188,831	3,682	-	2,671	6,281	(1,345)	200,121
Industrial equipment	42,605	1,016	-	417	808	(11)	44,836
Office furniture and equipment	16,042	207	-	124	99	(69)	16,403
Motor vehicles and internal transportation equipment	1,686	-	-	4	-	(143)	1,547
Cell phones	2,333	-	-	(3)	-	-	2,330
Assets under construction and payments on account	6,897	4,494	-	(5,082)	-	(82)	6,227
Total	422,493	9,730	-	(1,098)	14,947	(1,837)	444,235
Accumulated depreciation							
Land and buildings	83,849	3,210	112	442	12	-	87,625
Plant and machinery	140,424	6,310	-	(1,778)	284	(1,302)	143,938
Industrial equipment	37,908	1,273	-	(11)	56	(11)	39,216
Office furniture and equipment	12,047	505	-	82	14	(69)	12,580
Motor vehicles and internal transportation equipment	1,579	39	-	4	-	(143)	1,478
Cell phones	869	139	-	-	-	-	1,008
Total	276,677	11,477	112	(1,261)	366	(1,524)	285,846
Net carrying amount	145,816	(1,747)	(112)	163	14,581	(312)	158,389

2. Intangible assets

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

<i>(in € thousands)</i>	<i>January 1, 2018</i>	<i>Increases</i>	<i>Decreases/ Adjustments/ Translation differences</i>	<i>Reclassifications</i>	<i>Amortization</i>	<i>June 30, 2018</i>
Development costs	12,539	462	33	-	(2,349)	10,684
Patent and software rights	3,705	193	1	133	(735)	3,298
Concessions and licenses	1,999	-	17	327	(220)	2,123
Assets under development	7,014	3,157	-	(557)	-	9,614
Other intangible assets	874	25	(9)	70	(117)	844
Total	26,130	3,837	44	(26)	(3,421)	26,563

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

3. Borrowings from banks and other lenders

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

(in € thousands)

June 30, 2018	Short-term	Medium-term	Long-term	Total
Intercos S.p.A. bonds	1,004	5,022	112,558	118,584
Medium/long-term bank borrowings (syndicate)	13,775	96,668	-	110,443
Medium/long-term bank borrowings (CRB)	332	1,062	3,726	5,120
Mortgages	17	-	-	17
Finance leases payable	1,663	8,972	-	10,636
Other financial payables	26,322	-	-	26,322
Derivatives (liabilities)	53	-	-	53
Medium/long-term debt	43,166	111,725	116,284	271,174
Revolving credit facility Intercos China	21,455	-	-	21,455
Bank overdrafts	3,205	-	-	3,205
Advances on invoices	8,000	-	-	8,000
Short-term debt	32,659	-	-	32,659
Borrowings from other lenders	-	-	-	-
Factoring companies payable	-	-	-	-
Total	75,825	111,725	116,284	303,833

Details of the remaining debt outstanding at June 30, 2018 are as follows:

Company	Bank	Amount	Internal rate of return	Description
Intercos S.p.A.	Bank syndicate	61,858	1.5% - 2.19%	Tranche in EUR
Intercos S.p.A.	Bank syndicate	10,918	3.73%	Tranche in \$
Intercos S.p.A.	Institutional investors	118,584	3.72%	Bonds
Cosmint Group S.p.A.	Bank syndicate	23,834	1.89%	Tranche in EUR
Intercos Europe S.p.A.	Bank syndicate	13,833	1.83%	Tranche in EUR
		229,027		
CRB S.A.	BCV Bank	1,146	1.85%	Mortgage (in CHF)
CRB S.A.	BCV Bank	3,974	2.18%	Batiplus (in CHF)
		5,120		
Drop Nail	BPM Bank	17	1.75%	Mortgage (in EUR)

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

Financial data:

Total equity of the Group is €172,386 thousand compared to €156,099 thousand at December 31, 2017, with an increase of €16,287 thousand.

The net financial position at June 30, 2018 is analyzed as follows:

(in € thousands)	6/30/2018	12/31/2017
Cash and cash equivalents	(74,948)	(68,777)
Borrowings from banks and other lenders	75,825	58,696
Total current financial position	877	(10,081)
Borrowings from banks and other lenders	228,009	227,752
Non-current financial position	228,009	227,752
Debt (cash)	228,886	217,671

4. Financial position data summary

The equity and financial structure of the Group at June 30, 2018 compared to December 31, 2017 is represented as follows:

(in € thousands)	6/30/2018	12/31/2017
Inventories	127,312	111,870
Trade receivables and other receivables	152,868	142,170
Income taxes receivable	2,631	2,735
Current non-financial liabilities (*)	(174,712)	(178,788)
A. Net working capital	108,099	77,987
Property, plant and equipment	158,389	145,816
Other intangible assets (**)	134,121	144,271
Other non-current assets (*)	23,607	25,754
Investments in other companies	24	24
B. Non-current assets	316,142	315,866
C. Non-current assets held for sale	-	-
D. Employee benefit obligations	(9,404)	(9,841)
E. Provisions	(1,986)	(2,147)
F. Other non-current liabilities (*)	(11,578)	(8,095)
G. Net invested capital	401,272	373,770
Financed by:		
Current net financial position (*)	877	(10,081)
Non-current net financial position (*)	228,009	227,752
H. Total consolidated net financial position	228,886	217,671
I. Equity	172,386	156,099
L. Total	401,272	373,770

(*) Details of the composition of these items are provided in the “Reconciliation Schedule” on page 24.

(**) Includes goodwill.

Inventories total €127,312 thousand at June 30, 2018 and increased by €15,442 thousand over December 31, 2017.

Trade receivables amount to €135,059 thousand at June 30, 2018 and the change is €8,481 thousand compared to the prior year-end.

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

Trade payables come to €114,657 thousand at June 30, 2018, with a decrease of €8,752 thousand.

Equity increased by €16,287 thousand mainly on account of the positive change in exchange differences on translating foreign operations of €191 thousand, the positive change in the fair value hedge reserve of €79 thousand, the actuarial gain of €317 thousand, the negative reserve change relating to business combinations of €264 thousand and the net profit of €15,964 thousand.

The consolidated net financial position is €228,886 thousand with an increase of €11,215 thousand compared to €217,671 thousand at December 31, 2017.

5. Reconciliation schedules

The reconciliation between the equity and financial structure presented under the financial position data summary and the items in the half-year condensed consolidated financial statements at June 30, 2018 are as follows:

<i>(in € thousands)</i>	6/30/2018	12/31/2017
are composed of:		
Trade payables and other payables	(160,914)	(171,266)
Taxes payable	(13,798)	(7,522)
Current non-financial liabilities (reclassified format)	(174,712)	(178,788)

<i>(in € thousands)</i>	6/30/2018	12/31/2017
are composed of:		
Deferred tax assets	14,578	14,214
Non-current security deposits	744	748
Investments	2,707	4,757
Receivables for indirect taxes	5,523	5,523
Other non-current assets	56	513
Other non-current assets (reclassified format)	23,607	25,754

<i>(in € thousands)</i>	6/30/2018	12/31/2017
are composed of:		
Deferred tax liabilities	(11,448)	(7,426)
Other non-current liabilities	(130)	(669)
Other non-current liabilities (reclassified format)	(11,578)	(8,095)

<i>(in € thousands)</i>	6/30/2018	12/31/2017
are composed of:		
Cash and cash equivalents	(74,948)	(68,777)
Financial payables (current portion)	75,825	58,696
Current net financial position (reclassified format)	877	(10,081)

<i>(in € thousands)</i>	6/30/2018	12/31/2017
are composed of:		
Financial payables (non-current portion)	228,009	227,752
Non-current net financial liabilities (reclassified format)	228,009	227,752

6. Sales analysis

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

(in € thousands)

Company	HI 2018	HI 2017
Intercos Europe S.p.A.	136,993	124,029
Intercos America Inc.	34,039	60,109
Intercos Cosmetics Suzhou Co. Ltd	9,385	11,603
Intercos Technology Co. Ltd	41,087	22,613
Interfila Cosmetics (Shanghai) Co. Ltd	20,018	14,835
CRB S.A.	23,319	21,340
Cosmint S.p.A.	69,649	-
Tatra Spring Polska SP ZOO	10,621	-
Other companies	7,039	9,988
Aggregate Total	352,149	264,517
Eliminations	(17,458)	(15,985)
Consolidated Total	334,691	248,532

In the first six months of 2018, excluding the newly acquired company Cosmint, the Group has continued to grow, reporting revenues from sales during the period totaling €258,647 thousand. Compared to €248,532 thousand in the first six months of 2017, the increase is €10,115 thousand (+4.0%). Considering Cosmint in the scope of consolidation, the overall increase in revenues is €86,159 thousand (+34.7%), bringing total sales to €334,691 thousand.

7. Income and expenses summary data

(in € thousands)

	Half I 2018	Half I 2017
Cost of sales	(261,677)	(186,383)
Net operating costs and nonrecurring expenses, of which:	(43,450)	(38,823)
Research & Development and innovation	(18,595)	(16,487)
Selling expenses	(12,177)	(11,440)
General & administrative expenses	(13,528)	(12,108)
Other operating income (expenses)	2,887	2,181
Result from investments accounted for using the equity method (operating)	(1,978)	(928)
Nonrecurring income (expenses)	(60)	(41)

Cost of sales, excluding Cosmint, amounts €189,160 thousand, with an increase over the same period of the prior year of €2,777 thousand (+1.4%). As regards fixed costs, management places attention on such costs to substantially contain increases in order to support the investments of the Group.

In total, cost of sales is €261,677 thousand. The increase of €75,294 thousand is due to the effect of the contribution by the newly acquired company Cosmint.

Industrial gross profit

Income statement data (in € thousands)	HI 2018	HI 2017
Industrial gross profit	73,014	62,149

Industrial gross profit, excluding Cosmint, comes to €66,969 thousand, showing an increase of €4,820 thousand compared to the first six months of 2017, with a gross margin of 25.9% vs. 25.0% in the first half of 2017. Including Cosmint, the gross profit is €73,014 thousand and records an increase of €10,865 thousand and an industrial gross margin of 21.8%.

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

Gross operating profit (Adjusted EBITDA):

Income statement data (in € thousands)	HI 2018	HI 2017
Gross operating profit (Adjusted EBITDA)	44,633	34,522

Adjusted EBITDA, excluding the Cosmint Group, is €37,648 thousand, with a 14.5% Adjusted EBITDA margin compared to 13.9% in the first six months of 2017 (€34,522 thousand). Total Adjusted EBITDA, including Cosmint, comes to €44,633 thousand (+29.3%) and a 13.3% total Adjusted EBITDA margin. The margin reduction is attributable to the different impact of the contribution by Cosmint.

Operating profit (EBIT):

Income statement data (in € thousands)	HI 2018	HI 2017
Operating profit (EBIT)	29,563	23,326

Operating profit (EBIT), excluding the Cosmint Group, is €26,191 thousand, with a 10.1% margin compared to €23,326 thousand in the first six months of 2017 and a 9.4% margin. Total Group EBIT stands at €29,563 thousand (+26.7%) and an 8.8% margin.

Profit before taxes (EBT)

Income statement data (in € thousands)	HI 2018	HI 2017
Profit before taxes (EBT)	25,181	17,795

Profit before taxes (EBT), excluding Cosmint, is €22,393 thousand vs. €17,795 thousand in the first half of 2017. The increase of €4,601 thousand (+25.9%) is partly due to lower net financial expenses. Total pre-tax profit, including Cosmint, is €25,181 thousand (+41.5%) compared to the corresponding period of the prior year, with a 7.5% margin against 7.2% in the first six months of 2017.

Profit for the period

Income statement data (in € thousands)	HI 2018	HI 2017
Profit for the period	15,964	10,614

Profit for the period, excluding Cosmint, increased to €14,078 thousand (+32.7%) compared to the first half of 2017. Total profit of the Group increased to €15,964 thousand (+50.4%), with a 4.8% margin compared to 4.3% in the first six months of 2017 and 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 during the period with related parties, including joint ventures, are as follows:

€ thousands	Commodities, consumer goods and cost for service	Personnel cost	Miscellaneous operating income and expenses	Financial charges	Financial income	Trade receivables	Trade payables	Financial payables
Dafe International S.r.l.	(65)	-	-	-	-	1	91	-
Sci Maragia	(27)	-	-	-	-	-	119	-
Je m'en fous	-	-	-	-	-	-	(1)	-
Arterra Bioscience S.r.l.	(272)	-	-	-	-	-	163	340
My Style	-	-	(14)	-	-	-	-	-
Interior	(1)	-	(1)	-	-	-	-	-
Catterton	(12)	-	-	-	-	-	1	-
Vault	(335)	-	-	-	-	-	0	-
Maragia USA Inc	(13)	-	-	-	-	-	39	-
Cornelli Gabelli e associati	(43)	(13)	-	-	-	-	53	-
Family and relatives of Dario Ferrari	-	(77)	-	-	-	-	-	-
Total	(768)	(89)	(15)	-	-	1	465	340

€ thousands	Revenues	Other operating income	Commodities, consumer goods and cost for service	Personnel cost	Miscellaneous operating income and expenses	Financial charges	Financial income	Trade receivables	Trade payables	Financial payables
Intercos Korea Ltd	1,168	37	(259)	10	-	-	-	1,118	169	-
Hana Co Ltd	-	-	-	-	-	-	-	-	-	-
Total	1,168	37	(259)	10	-	-	-	1,118	169	-

OUTLOOK FOR 2018

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

SIGNIFICANT NONRECURRING EVENTS AND TRANSACTIONS

There were no significant nonrecurring events or transactions during the first half of 2018.

IMPORTANT EVENTS DURING THE FIRST HALF AND SUBSEQUENT TO JUNE 30, 2018

There were no significant events during the period or transactions subsequent to June 30, 2018.

INTERCOS GROUP
Global Cosmetic Manufacturer

HALF-YEAR CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
AT JUNE 30, 2018

Consolidated Statement of Financial Position – unaudited

<i>(in € thousands)</i>	<i>Note</i>	June 30, 2018	December 31, 2017
NON-CURRENT ASSETS			
Property, plant and equipment	1	158,389	145,816
Intangible assets	2	26,563	26,130
Goodwill		107,557	118,140
Investments	5	2,731	4,781
Deferred tax assets	5	14,578	14,214
Other non-current assets	5	6,322	6,783
Non-current assets		316,142	315,866
CURRENT ASSETS			
Inventories	4	127,312	111,870
Trade receivables	4	135,059	126,578
Other current assets		20,436	18,327
Derivatives		4	-
Cash and cash equivalents	5	74,948	68,777
Current assets		357,759	325,552
TOTAL ASSETS		673,900	641,417
EQUITY			
Share capital		10,818	10,818
Other reserves		66,005	66,005
Retained earnings		93,072	76,813
Equity attributable to owners of the parent		169,895	153,636
Equity attributable to non-controlling interests		2,491	2,463
TOTAL EQUITY	4	172,386	156,099
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	228,009	227,752
Provisions	4	1,986	2,147
Deferred tax liabilities	5	11,448	7,426
Other non-current liabilities	5	130	669
Employee benefit obligations	4	9,404	9,841
Non-current liabilities		250,977	247,835
CURRENT LIABILITIES			
Borrowings from banks and other lenders	3	47,787	30,386
Other financial payables	3	28,038	28,310
Trade payables	5	114,657	123,408
Other payables	5	60,056	55,379
Current liabilities		250,537	237,484
TOTAL EQUITY AND LIABILITIES		673,900	641,417

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

Consolidated Income Statement – unaudited

<i>(in € thousands)</i>	Note	HI 2018	HI 2017
Revenues	6	334,691	248,532
Cost of sales	7	(261,677)	(186,383)
Industrial gross profit		73,014	62,149
Research & Development and innovation costs		(18,595)	(16,487)
Selling expenses		(12,177)	(11,440)
General and administrative expenses		(13,528)	(12,108)
Other operating income (expenses)		2,887	2,181
Result from investments accounted for using the equity method (operating)		(1,978)	(928)
Nonrecurring income (expenses)		(60)	(41)
Operating profit (EBIT)	7	29,563	23,326
Financial income		4,220	3,260
Financial expenses		(8,602)	(8,927)
Result from investments accounted for using the equity method		-	137
Profit before taxes (EBT)	7	25,181	17,795
Income taxes		(9,217)	(7,181)
Profit for the period	7	15,964	10,614
Attributable to:			
- owners of the parent		15,941	10,525
- non-controlling interests		24	89

Earnings per share:

Basic and diluted in Euro

0.17

0.12[^]

* Restated earnings per share with entry of the Canadian shareholder "The Innovation Trust".

Consolidated Statement of Comprehensive Income – unaudited

<i>(in € thousands)</i>		HI 2018	HI 2017
Profit	7	15,964	10,614
<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		325	(114)
- Tax effect		(8)	8
Actuarial gains (losses) net of tax effect		317	(106)
<i>Other comprehensive income that will be reclassified subsequently to the income statement, net of tax effect</i>			
- Exchange differences on translating foreign operations		191	(4,485)
Exchange differences on translating foreign operations		191	(4,485)
- Cash flow hedge		104	(288)
- Tax effect		(25)	69
Cash flow hedge, net of tax effect		79	(219)
Comprehensive income for the period		16,551	5,804
Attributable to:			
- owners of the parent		16,520	5,747

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

Statement of Changes in Consolidated Equity in the first half ended June 30, 2018 – unaudited

<i>(in € thousands)</i>	Equity attributable to owners of the parent				Equity attributable to non-controlling interests i		Total
	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit for the period	Share capital	Profit for the period	
Balances at January 1, 2018	10,818	66,005	58,219	18,594	2,282	181	156,099
Appropriation of 2017 profit	-	-	18,594	(18,594)	181	(181)	-
Share capital increase	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	189	-	2	191
Other comprehensive income, net of tax effect	-	-	-	390	-	6	396
Consolidation reserve	-	-	3	-	(3)	-	-
Business combinations reserve	-	-	(264)	-	-	-	(264)
Profit for the period	-	-	-	15,941	-	24	15,964
Balances at June 30, 2018	10,818	66,005	76,552	16,520	2,460	31	172,386

Statement of Changes in Consolidated Equity in the first half ended June 30, 2017 – unaudited

<i>(in € thousands)</i>	Equity attributable to owners of the parent				Equity attributable to non-controlling interests		Total
	Share capital	Other reserves (Share premium reserve)	Reserves and retained earnings	Profit for the period	Share capital	Profit for the period	
Balances at January 1, 2017	10,710	66,005	38,366	20,058	2,193	161	137,493
Appropriation of 2016 profit	-	-	20,058	(20,058)	161	(161)	-
Share capital increase	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	(4,453)	-	(32)	(4,485)
Other comprehensive income, net of tax effect	-	-	-	(325)	-	-	(325)
Consolidation reserve	-	-	-	-	(72)	-	(72)
Profit for the period	-	-	-	10,525	-	89	10,614
Balances at June 30, 2017	10,710	66,005	58,424	5,747	2,282	57	143,227

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

Consolidated Statement of Cash Flows in the First Half ended June 30, 2018 - unaudited

<i>(in € thousands)</i>	HI 2018	HI 2017
Profit from continuing operations	15,964	10,614
Profit for the period attributable to owners of the parent	15,964	10,614
Depreciation, amortization and impairment reversals (losses)	15,010	11,155
Nonrecurring income (expenses)	60	41
Change in provisions	(341)	(285)
Financial income (expenses)	4,382	5,667
Decrease / (Increase) in inventories	(15,160)	(21,299)
Decrease / (Increase) in trade receivables, net	(7,885)	(3,248)
Increase / (Decrease) in trade payables	(9,045)	4,937
Decrease / (Increase) in other assets	(2,905)	(583)
Increase / (Decrease) in other payables	4,069	12,906
Cash flows provided by operating activities (a)	4,149	19,905
Acquisition of property, plant and equipment, net	(9,730)	(7,493)
Acquisition of intangible assets, net	(3,837)	(3,478)
Disposal of property, plant and equipment and intangible assets	312	484
Acquisitions of investments	2,050	(1,040)
Cash flows (used in) investing activities (b)	(11,205)	(11,526)
Increase / (Decrease) in borrowings from banks and other lenders	18,181	(2,288)
Interest paid during the period	(5,406)	(4,878)
Cash flows provided by (used in) financing activities (c)	12,775	(7,165)
Change in equity (d)	-	(72)
Net increase in cash and cash equivalents (a)+(b)+ (c) + (d)	5,718	1,141
Cash and cash equivalents, at beginning of the period	68,777	64,525
Translation exchange differences	(452)	1,002
Cash and cash equivalents, at end of the period	74,947	64,664
Net increase in cash and cash equivalents during the period	5,718	1,141

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