

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

**018**

**PREPARED IN ACCORDANCE WITH IFRS**  
**ENDORSED 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 SpA

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\* The current board of directors and the 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.

## INTRODUCTION

The Interim Consolidated Report on Operations at September 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 interim consolidated financial statements at September 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 interim consolidated financial statements at September 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 interim consolidated financial statements have been applied on basis consistent with those adopted 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 Interim Consolidated Report on Operations has required the use of estimates by management.

The comparative consolidated income statement for the two periods include the Cosmint Group and, regarding 2017 only, the carrying amounts of the transactions recorded and estimated beginning from the acquisition date, as described in detail under Business Combinations on page 5.

With the intention of providing disclosure in line with the analysis and control criteria used by management to assess the Group’s performance, the following pages present the reclassified consolidated statement of financial position at September 30, 2018 and the reclassified consolidated income statement for the nine months then ended, as well as the comparative financial statements at December 31, 2017 and September 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 interim 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 at directly from 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 management of unconsolidated companies and securities, as well as gains or losses on disposal of consolidated equity 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 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 by the Group as set out in IAS 36.

The comparative consolidated income statement for the two periods includes the figures of the Cosmint Group starting from the acquisition date for 2017 and from January 1 for 2018.

## HIGHLIGHTS OF THE GROUP

Main highlights of the Group:

| <i>(in € thousands)</i>          | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 | Change |
|----------------------------------|-----------------------------|-----------------------------|--------|
| <b>Revenues</b>                  | 508,818                     | 418,616                     | 90,202 |
| <b>EBITDA</b>                    | 68,649                      | 58,461                      | 10,188 |
| <b>Adjusted EBITDA</b>           | <b>68,811</b>               | 59,959                      | 8,852  |
| <i>Adjusted EBITDA margin</i>    | <b>13.5%</b>                | 14.3%                       | -0.8%  |
| <b>Operating profit (EBIT)</b>   | 45,873                      | 40,813                      | 5,060  |
| <i>EBIT margin</i>               | 9.0%                        | 9.7%                        | -0.7%  |
| <b>Profit before taxes (EBT)</b> | 39,102                      | 32,077                      | 7,025  |
| <i>EBT margin</i>                | 7.7%                        | 7.7%                        | 0.0%   |
| <b>Profit for the period</b>     | 28,340                      | 20,600                      | 7,740  |
| <i>Profit margin</i>             | 5.6%                        | 4.9%                        | 0.6%   |

| <i>(in € thousands)</i>             | 9/30/2018 | 12/31/2017 | Change |
|-------------------------------------|-----------|------------|--------|
| <b>Net working capital</b>          | 108,197   | 77,987     | 30,210 |
| <i>Net working capital turnover</i> | 6.29      | 7.57       | -1.28  |
| <b>Net invested capital</b>         | 404,092   | 373,770    | 30,322 |
| <b>Non-current assets</b>           | 318,468   | 315,866    | 2,602  |
| <b>Net financial position</b>       | 219,224   | 217,671    | 1,553  |

|                                                         | 9/30/2018 | 9/30/2017 | Change |
|---------------------------------------------------------|-----------|-----------|--------|
| <b>Headcount (number)</b>                               | 3,485     | 3,275     | 210    |
| <b>Earnings per share (basic and diluted) – in Euro</b> | 0.31      | 0.22^     | 0.08   |

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

# RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS

## Reclassified Consolidated Statement of Financial Position

| <i>(in € thousands)</i>                            | 9/30/2018      | 12/31/2017     |
|----------------------------------------------------|----------------|----------------|
| <b>Fixed assets</b>                                | <b>290,748</b> | <b>290,112</b> |
| Inventories                                        | 122,060        | 111,870        |
| Trade receivables                                  | 121,117        | 126,578        |
| Trade payables                                     | (99,744)       | (123,408)      |
| <b>Operating working capital</b>                   | <b>143,433</b> | <b>115,039</b> |
| Other current assets and liabilities, net (*)      | (35,236)       | (37,052)       |
| <b>Net working capital</b>                         | <b>108,197</b> | <b>77,987</b>  |
| Other non-current assets and liabilities, net (**) | (1,197)        | 915            |
| Investments accounted for using the equity method  | 6,345          | 4,757          |
| <b>Invested capital</b>                            | <b>404,092</b> | <b>373,770</b> |
| <b>Equity</b>                                      | <b>184,868</b> | <b>156,099</b> |
| Cash and cash equivalents                          | (84,188)       | (68,777)       |
| Financial payables                                 | 303,412        | 286,448        |
| <b>Net financial position</b>                      | <b>219,224</b> | <b>217,671</b> |
| <b>Total sources</b>                               | <b>404,092</b> | <b>373,770</b> |

### Ratios

|                                      |        |        |
|--------------------------------------|--------|--------|
| Fixed assets / Invested capital      | 71.95% | 77.62% |
| Net financial position / Equity      | 1.19   | 1.39   |
| Invested capital / Equity            | 2.19   | 2.39   |
| Operating working capital / Revenues | 21.08% | 19.49% |
| Net working capital / Revenues       | 15.90% | 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)

| <i>(in € thousands)</i>             | 9/30/2018      | 12/31/2017     |
|-------------------------------------|----------------|----------------|
| Current net financial position      | (8,501)        | (10,081)       |
| Non-current net financial position  | 227,725        | 227,752        |
| <b>Total net financial position</b> | <b>219,224</b> | <b>217,671</b> |

# Reclassified Consolidated Income Statement by function

(in € thousands)

|                                                                           | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|---------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Revenues</b>                                                           | <b>508,818</b>              | <b>418,616</b>              |
| Cost of sales                                                             | (399,138)                   | (318,541)                   |
| <b>Industrial gross profit</b>                                            | <b>109,680</b>              | <b>100,075</b>              |
| <i>Industrial gross margin</i>                                            | <i>21.6%</i>                | <i>23.9%</i>                |
| Research & Development and innovation costs                               | (26,736)                    | (23,872)                    |
| Selling expenses                                                          | (17,683)                    | (17,353)                    |
| General and administrative expenses                                       | (21,092)                    | (18,781)                    |
| Other operating income (expenses)                                         | 4,805                       | 3,435                       |
| Result from investments accounted for using the equity method (operating) | (2,940)                     | (1,193)                     |
| Nonrecurring income (expenses)                                            | (161)                       | (1,498)                     |
| <b>Operating profit (EBIT)</b>                                            | <b>45,873</b>               | <b>40,813</b>               |
| <i>EBIT margin</i>                                                        | <i>9.0%</i>                 | <i>9.7%</i>                 |
| Depreciation, amortization and impairment reversals (losses)              | (22,776)                    | (17,648)                    |
| <b>EBITDA (*)</b>                                                         | <b>68,649</b>               | <b>58,461</b>               |
| Nonrecurring income (expenses)                                            | (161)                       | (1,498)                     |
| <b>Adjusted EBITDA (*)</b>                                                | <b>68,811</b>               | <b>59,959</b>               |
| <i>Adjusted EBITDA margin</i>                                             | <i>13.5%</i>                | <i>14.3%</i>                |
| Financial income (expenses) (**)                                          | (6,788)                     | (8,771)                     |
| Result from investments accounted for using the equity method             | 18                          | 35                          |
| <b>Profit before taxes (EBT)</b>                                          | <b>39,102</b>               | <b>32,077</b>               |
| Income taxes                                                              | (10,762)                    | (11,478)                    |
| <b>Profit for the period</b>                                              | <b>28,340</b>               | <b>20,600</b>               |
| Attributable to:                                                          |                             |                             |
| - owners of the parent                                                    | 28,247                      | 20,479                      |
| - non-controlling interests                                               | 93                          | 121                         |
| Earnings per share:                                                       |                             |                             |
| Basic and diluted in Euro                                                 | 0.31                        | 0.22 <sup>^</sup>           |

(\*) 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.

<sup>^</sup> Figure restated after the entry of the Canadian shareholder "The Innovation Trust".

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

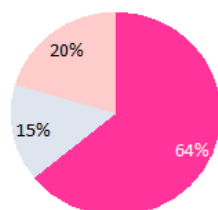
| <b>Group headcount</b>           | <b>9/30/2018</b> | <b>9/30/2017</b> |
|----------------------------------|------------------|------------------|
| Executive and mid-level managers | 271              | 265              |
| White-collars                    | 1,278            | 1,176            |
| Blue-collars                     | 1,936            | 1,834            |
| <b>Total</b>                     | <b>3,485</b>     | <b>3,275</b>     |
| Temporary                        | 1,912            | 2,511            |
| <b>Total</b>                     | <b>5,397</b>     | <b>5,786</b>     |

At , total headcount of the Intercos Group (on a same consolidation basis) is 5,397, of whom 3,485 are permanent and 1,912 temporary employees.

## PROFIT AND FINANCIAL PERFORMANCE OF THE GROUP

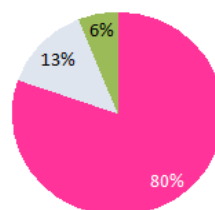
(million di Euro)

**Revenue to Q3 2018**  
**€508,8MM**



**Revenue to Q3 2017**  
**€418,6MM**

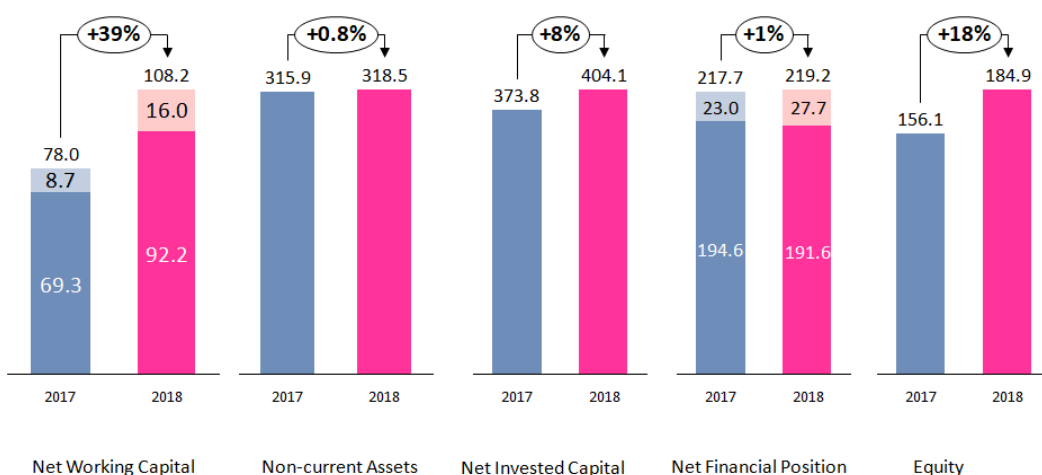
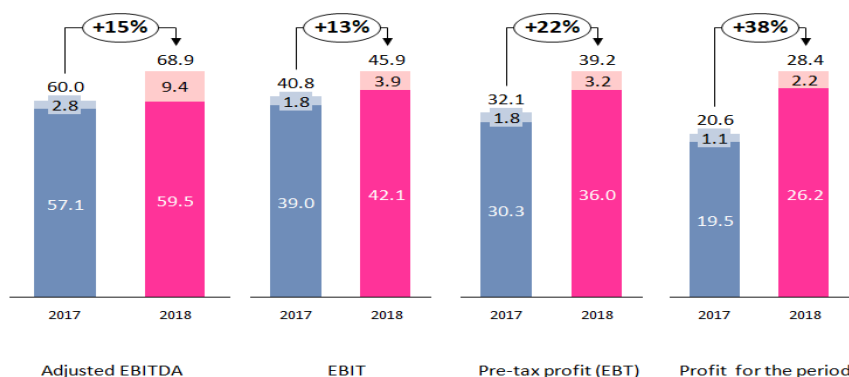
Make-Up  
Skin Care  
Hair & Body  
Cosmint \*



\* Revenues for the first nine months of 2017 are consistent with the figure reported in the , 2017 prior to drawing up the new Group BU organizational structure. During 2018, in fact, at the conclusion of the PPA (Purchase Price Allocation) process of the Cosmint Group, management structured the business activities of the acquired group into different business units, which in part were integrated into the already-existing BUs (Make-up and Skin Care) and in part to the new Hair & Body BU.

## Main consolidated profitability and balance sheet indicators

(million di Euro)



Cosmint Intercos

In the first nine months of 2018, excluding Cosmint, the Group reported revenues from sales of €393,469 thousand compared to €392,890 thousand in the same period of 2017, basically unchanged at €579 thousand (+0.15%). Considering Cosmint in the scope of consolidation, the overall increase in revenues is €90,202 thousand (+21.5%), bringing total sales to €508,818 thousand.

Adjusted EBITDA, excluding the Cosmint Group, increased from €57,149 thousand to €59,445 thousand (+4.0%), with an Adjusted EBITDA margin of 15.1% compared to 14.5% in the first nine months of 2017. Total Adjusted EBITDA, including the Cosmint Group, is €68,811 thousand (+14.8%) with a 13.5% Adjusted EBITDA margin. The margin is lower overall owing to the impact of a different margin contribution by Cosmint's business activities.

Operating profit (EBIT), excluding the Cosmint Group, is €42,005 thousand, with a 10.7% operating margin versus €39,013 thousand in the first nine months of 2017, with a 9.9% operating margin. In total, EBIT of the Group is €45,873 thousand (+12.4%), with a 9.0% operating margin.

Capital expenditures in property, plant and equipment and intangible assets during the first nine months of 2018 total €14,081 thousand and €5,921 thousand, respectively.

The consolidated net financial position is €219,224 thousand compared to €217,671 thousand at December 31, 2017, increasing €1,553 thousand. The leverage ratio is 2.34 based on the Adjusted EBITDA of the last 12 months (2.56 at December 31, 2017).

Total equity of the Group is €184,868 thousand compared to €156,099 thousand at December 31, 2017. The increase of €28,769 thousand to a large extent reflects the net profit for the period.

### 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.

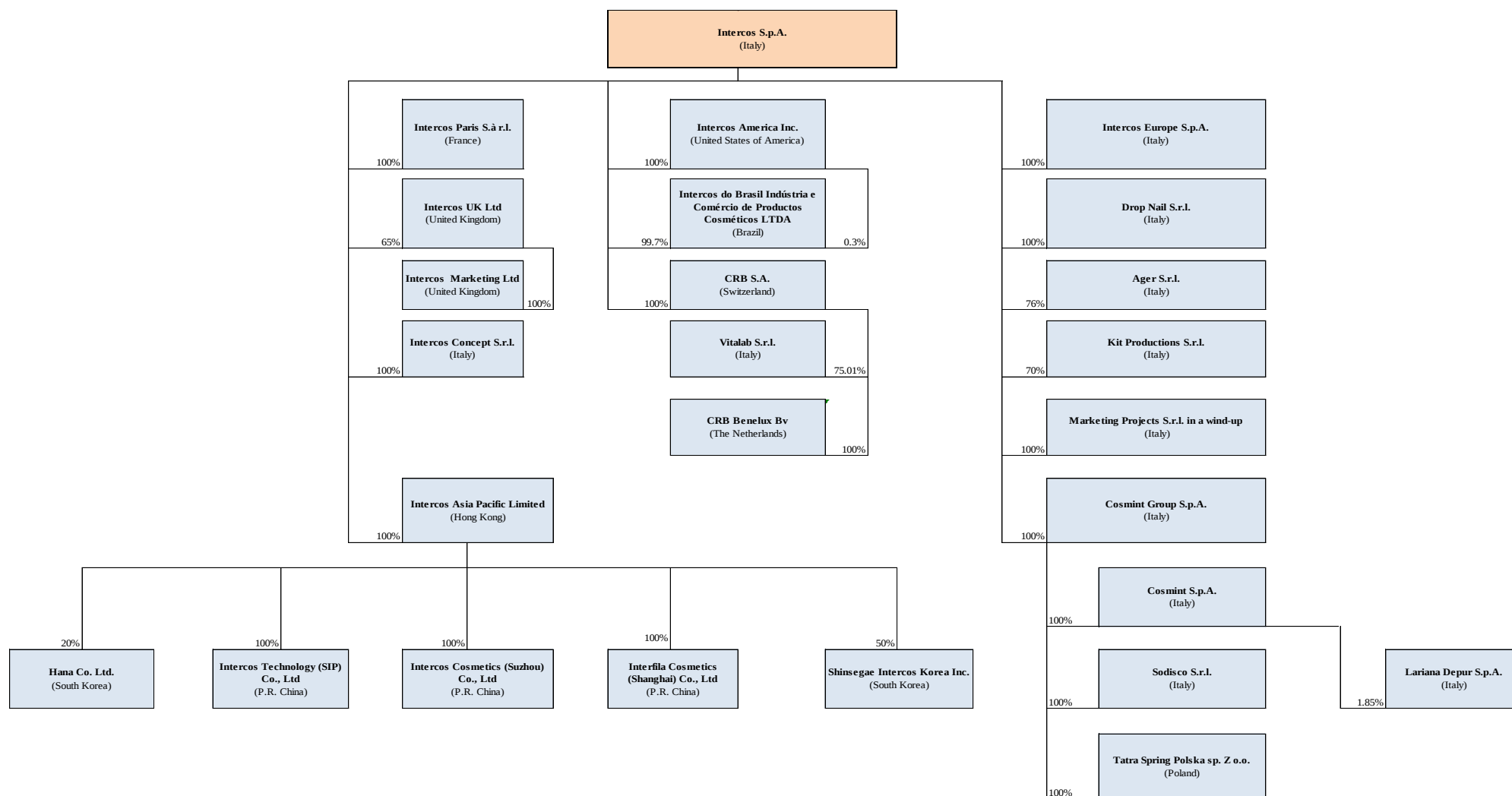
On August 3, 2017, Intercos S.p.A. completed the 100% acquisition of Cosmint Group S.p.A., a company operating in the B2B cosmetic sector with manufacturing facilities in Italy and Poland.

The operations of Cosmint are organized into various business units, whose flows, at the conclusion of the PPA process have been 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 interim consolidated financial statements at September 30, 2018 and shows the operating companies and companies in liquidation:



## INTERIM REPORT ON OPERATING PERFORMANCE

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

The interim consolidated financial statements at September 30, 2018 include the 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<br>currency/000 | Percentage of<br>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<br>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 B.V.                                                        | 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.

\*\* The company 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 nine months of the year.

**SUBSIDIARIES CONSOLIDATED BY EQUITY METHOD**

| Company                  | Headquarters         | Type of business conducted | Date of financial statements | Accounting principles applied | Share capital<br>€/000 | Total assets<br>€/000 | Total liabilities<br>€/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<br>€/000 |
|--------------------------|----------------------|----------------------------|------------------------------|-------------------------------|------------------------|-----------------------|----------------------------|----------|-----------|-----------------|--------------------------------------------------|----------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|-----------------|
| <b>Direct control</b>    |                      |                            |                              |                               |                        |                       |                            |          |           |                 |                                                  |                                              |                                                                |                                                            |                 |
| Hana Co.Ltd              | Hwasung, South Korea | Packaging                  | 9/30/2018                    | IFRS                          | 919                    | 19,137                | 12,675                     | KRW      | 20%       | 20%             | N/A                                              | N/A                                          | √                                                              | N/A                                                        | 1,702           |
| Shinsegae Intercos Korea | South Korea          | Cosmetics Prod.            | 9/30/2018                    | IFRS                          | 21,132                 | 37,944                | 28,658                     | KRW      | 50%       | 50%             | N/A                                              | N/A                                          | √                                                              | N/A                                                        | 4,643           |

The share capital of the Shinsegae Intercos Korea joint venture was increased during the period by Intercos and by the other shareholder Shinsegae each by an amount of €4,608 thousand (KRW 6,000,000 thousand), thus not modifying the 50% interest held by each shareholder.

**COMPANIES STATED AT COST**

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

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

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

|                         | Income Statement<br>9 months ended<br>9/30/2018 | Statement of<br>Financial Position<br>9/30/2018 | Income Statement<br>9 months ended<br>9/30/2017 | Statement of<br>Financial Position<br>12/31/2017 |
|-------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
|                         | <i>Average for period</i>                       |                                                 | <i>Average for period</i>                       | <i>At December 31, 2017</i>                      |
| U.S. dollar             | 1.1949                                          | 1.1576                                          | 1.1132                                          | 1.1993                                           |
| Pound sterling          | 0.8839                                          | 0.8873                                          | 0.8725                                          | 0.8872                                           |
| Swiss franc             | 1.1611                                          | 1.1576                                          | 1.0946                                          | 1.1702                                           |
| Chinese renminbi (yuan) | 7.7791                                          | 7.9662                                          | 7.5721                                          | 7.8044                                           |
| Brazilian real          | 4.2966                                          | 4.6535                                          | 3.5311                                          | 3.9729                                           |
| South Korean won        | 1,303.55                                        | 1,285.7500                                      | 1,267.0597                                      | 1,279.6100                                       |
| Polish zloty            | 4.2478                                          | 4.2774                                          | 4.3042                                          | 4.1770                                           |

## SEGMENT REPORTING

At September 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 PPA process have been 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 nine months ended September 30, 2018 and September 30, 2017, with a separate indication of invested capital of the Cosmint Group at December 31, 2017, is presented in the following tables.

| 9 months ended 9/30/2018 - (in € thousands)                   | Make-up  | Skin Care | Hair & Body | Total    |
|---------------------------------------------------------------|----------|-----------|-------------|----------|
| Revenues                                                      | 327,141  | 78,667    | 103,010     | 508,818  |
| Adjusted EBITDA (*)                                           | 48,992   | 10,363    | 9,456       | 68,811   |
| Depreciation, amortization and impairment reversals (losses)  | (15,010) | (2,620)   | (5,146)     | (22,777) |
| Nonrecurring income (expenses)                                |          |           |             | (161)    |
| Financial income (expenses)                                   |          |           |             | (6,788)  |
| Result from investments accounted for using the equity method |          |           |             | 18       |
| Income taxes                                                  |          |           |             | (10,762) |
| Profit for the period                                         |          |           |             | 28,340   |
| Net invested capital at 9/30/2018                             | 263,311  | 68,266    | 72,515      | 404,092  |

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

| 9 months ended 9/30/2017 - (in € thousands)                   | Make-up  | Skin Care | Cosmint Group | Eliminations | Total    |
|---------------------------------------------------------------|----------|-----------|---------------|--------------|----------|
| Revenues                                                      | 336,560  | 56,331    | 25,726        |              | 418,616  |
| Adjusted EBITDA (*)                                           | 49,253   | 7,896     | 2,810         |              | 59,959   |
| Depreciation, amortization and impairment reversals (losses)  | (14,501) | (2,137)   | (1,011)       |              | (17,648) |
| Nonrecurring income (expenses)                                |          |           |               |              | (1,498)  |
| Financial income (expenses)                                   |          |           |               |              | (8,771)  |
| Result from investments accounted for using the equity method |          |           |               |              | 35       |
| Income taxes                                                  |          |           |               |              | (11,478) |
| Profit for the period                                         |          |           |               |              | 20,600   |
| Net invested capital at 12/31/2017                            | 299,020  | 50,109    | 94,242**      | (69,601)     | 373,770  |

\*\* 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 €327,141 thousand. This is a decrease of €9,419 thousand (-2.8%) compared to the corresponding period of the prior year due mostly to a slowdown in the Americas region.

Adjusted EBITDA is €48,992 thousand, despite the reduction in revenues, and basically in line with €49,253 thousand reported in the first nine months of 2017 (-0.5%). The Adjusted EBITDA margin of 15.0% in the first nine months of 2018 shows an improvement over 14.6% in the same period of 2017.

**Skin Care BU:** including Cosmint, revenues increased by €22,336 thousand (+39.7%) from the first nine months of 2017 to €78,667 thousand in the first nine months of 2018, mainly in Asia.

Adjusted EBITDA is €10,363 thousand, recording an increase of €2,466 thousand (+31.2%) over €7,896 thousand in the first nine months of the prior year. The Adjusted EBITDA margin is 13.2% to September 30, 2018 (14% to September 30, 2017). The decrease is primarily due to higher fixed costs and the impact of a different margin contribution by the Cosmint Group and Intercos Technology Co. LTD.

**Hair & Body BU:** revenues total €103,010 thousand and Adjusted EBITDA is €9,456 thousand, with a 9.2% margin.

(in € thousands)

| <i>Sales by Business Unit</i> | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|-------------------------------|-----------------------------|-----------------------------|
| Make-up                       | 327,141                     | 336,560                     |
| Skin Care                     | 78,667                      | 56,331                      |
| Hair & Body                   | 103,010                     | -                           |
| Cosmint                       | -                           | 25,726                      |
| <b>Total</b>                  | <b>508,818</b>              | <b>418,616</b>              |

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:

(in € thousands)

| <i>Sales by Geographic Region</i> | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|-----------------------------------|-----------------------------|-----------------------------|
| Americas                          | 134,481                     | 151,333                     |
| EMEA                              | 297,116                     | 194,520                     |
| Asia                              | 77,221                      | 47,037                      |
| Cosmint Group                     | -                           | 25,726                      |
| <b>Total</b>                      | <b>508,818</b>              | <b>418,616</b>              |

The different trends in sales by geographic region in the first nine months of 2018 compared to the corresponding period of the prior year are as follows:

- The Americas region reported an 11% reduction in sales mainly in the Mass Market and Private Label market segments with “multinational” and “retail” customers.
- The EMEA region posts sales of €297,116 thousand compared to €194,520 thousand in the same period of the prior year. The increase of €89,234 thousand (+52.7%) is for the most part due to the change in the scope of consolidation which includes the Cosmint Group for the entire nine months of 2018.
- The Asia region has overall sales of €77,221 thousand, with an increase of 64.1% from €47,037 thousand over the first nine months 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Property, plant and equipment

Changes in property, plant and equipment during the first nine months of 2018 are as follows:

| <i>(in € thousands)</i>                              | <i>January 1,<br/>2018</i> | <i>Increases /<br/>Depreciation</i> | <i>Increases/Deprec.<br/>Immobiiliare<br/>Cometa</i> | <i>Translation<br/>differences /<br/>Reclassifications</i> | <i>Business<br/>Combinations</i> | <i>Decreases /<br/>Utilization</i> | <i>2018</i>    |
|------------------------------------------------------|----------------------------|-------------------------------------|------------------------------------------------------|------------------------------------------------------------|----------------------------------|------------------------------------|----------------|
| <b>Historical cost</b>                               |                            |                                     |                                                      |                                                            |                                  |                                    |                |
| Land and buildings                                   | 164,098                    | 488                                 | -                                                    | 469                                                        | 7,759                            | (187)                              | 172,628        |
| Plant and machinery                                  | 188,831                    | 5,468                               | -                                                    | 3,768                                                      | 6,281                            | (1,447)                            | 202,901        |
| Industrial equipment                                 | 42,605                     | 1,364                               | -                                                    | 659                                                        | 808                              | (11)                               | 45,425         |
| Office furniture and equipment                       | 16,042                     | 362                                 | -                                                    | 261                                                        | 99                               | (72)                               | 16,692         |
| Motor vehicles and internal transportation equipment | 1,686                      | -                                   | -                                                    | 7                                                          | -                                | (202)                              | 1,490          |
| Cell phones                                          | 2,333                      | 1                                   | -                                                    | (5)                                                        | -                                | -                                  | 2,329          |
| Assets under construction and payments on account    | 6,897                      | 6,398                               | -                                                    | (7,071)                                                    | -                                | (290)                              | 5,934          |
| <b>Total</b>                                         | <b>422,493</b>             | <b>14,081</b>                       | <b>-</b>                                             | <b>(1,913)</b>                                             | <b>14,947</b>                    | <b>(2,208)</b>                     | <b>447,401</b> |
| <b>Accumulated depreciation</b>                      |                            |                                     |                                                      |                                                            |                                  |                                    |                |
| Land and buildings                                   | 83,849                     | 4,809                               | 167                                                  | 233                                                        | 12                               | -                                  | 89,071         |
| Plant and machinery                                  | 140,424                    | 9,598                               | -                                                    | (1,899)                                                    | 284                              | (1,414)                            | 146,993        |
| Industrial equipment                                 | 37,908                     | 1,961                               | -                                                    | (35)                                                       | 56                               | (11)                               | 39,879         |
| Office furniture and equipment                       | 12,047                     | 780                                 | -                                                    | 107                                                        | 14                               | (71)                               | 12,878         |
| Motor vehicles and internal transportation equipment | 1,579                      | 57                                  | -                                                    | 6                                                          | -                                | (202)                              | 1,440          |
| Cell phones                                          | 869                        | 210                                 | -                                                    | (1)                                                        | -                                | -                                  | 1,078          |
| <b>Total</b>                                         | <b>276,677</b>             | <b>17,416</b>                       | <b>167</b>                                           | <b>(1,589)</b>                                             | <b>366</b>                       | <b>(1,697)</b>                     | <b>291,339</b> |
| <b>Net carrying amount</b>                           | <b>145,816</b>             | <b>(3,335)</b>                      | <b>(167)</b>                                         | <b>(323)</b>                                               | <b>14,581</b>                    | <b>(511)</b>                       | <b>156,062</b> |

### 2. Intangible assets

Changes in Intangible Assets during the first nine months of 2018 are as follows.

| <i>(in € thousands)</i>    | <i>January 1,<br/>2017</i> | <i>Increases</i> | <i>Decreases/<br/>Adjustments/<br/>Translation differences</i> | <i>Reclassifications</i> | <i>Amortization</i> | <i>2018</i>   |
|----------------------------|----------------------------|------------------|----------------------------------------------------------------|--------------------------|---------------------|---------------|
| Development costs          | 12,539                     | 942              | 52                                                             | -                        | (3,568)             | 9,965         |
| Patent and software rights | 3,705                      | 381              | 4                                                              | 403                      | (1,106)             | 3,388         |
| Concessions and licenses   | 1,999                      | -                | (1)                                                            | 328                      | (344)               | 1,982         |
| Assets under development   | 7,014                      | 4,668            | (15)                                                           | (1,249)                  | -                   | 10,418        |
| Other intangible assets    | 874                        | (69)             | (4)                                                            | 428                      | (175)               | 1,054         |
| <b>Total</b>               | <b>26,130</b>              | <b>5,921</b>     | <b>36</b>                                                      | <b>(90)</b>              | <b>(5,194)</b>      | <b>26,805</b> |

### 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)

|                                              | Short-term    | Medium-term    | Long-term      | Total          |
|----------------------------------------------|---------------|----------------|----------------|----------------|
| Intercos S.p.A. bonds                        | 1,987         | 9,937          | 107,481        | 119,405        |
| Medium/long-term bank borrowings (syndicate) | 14,082        | 96,534         | -              | 110,616        |
| Medium/long-term bank borrowings (CRB)       | 339           | 1,086          | 3,724          | 5,149          |
| Mortgages                                    | 7             | -              | -              | 7              |
| Finance leases payable                       | 1,244         | 8,963          | -              | 10,207         |
| Other financial payables                     | 26,487        | -              | -              | 26,487         |
| Derivatives (liabilities)                    | (3)           | -              | -              | (3)            |
| <b>Medium/long-term debt</b>                 | <b>44,143</b> | <b>116,520</b> | <b>111,205</b> | <b>271,868</b> |
| Revolving credit facility Intercos China     | 16,224        | -              | -              | 16,224         |
| Bank overdrafts                              | 7,320         | -              | -              | 7,320          |
| Advances on invoices                         | 8,000         | -              | -              | 8,000          |
| <b>Short-term debt</b>                       | <b>31,544</b> | <b>-</b>       | <b>-</b>       | <b>31,544</b>  |
| <b>Total</b>                                 | <b>75,687</b> | <b>116,520</b> | <b>111,205</b> | <b>303,412</b> |

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

| <i>Company</i>         | <i>Bank</i>             | <i>Amount</i>  | <i>Internal rate of return</i> | <i>Description</i> |
|------------------------|-------------------------|----------------|--------------------------------|--------------------|
| Intercos S.p.A.        | Bank syndicate          | 62,013         | 1.5% - 2.5%                    | Tranche in EUR     |
| Intercos S.p.A.        | Bank syndicate          | 10,979         | 4.84%                          | Tranche in \$      |
| Intercos S.p.A.        | Institutional investors | 119,405        | 3.77%                          | Bonds              |
| Cosmint Group S.p.A.   | Bank syndicate          | 23,947         | 1.89%                          | Tranche in EUR     |
| Intercos Europe S.p.A. | Bank syndicate          | 13,679         | 2.58%                          | Tranche in EUR     |
|                        |                         | <b>230,021</b> |                                |                    |
| CRB S.A.               | BCV Bank                | 1,149          | 1.85%                          | Mortgage (in CHF)  |
| CRB S.A.               | BCV Bank                | 4,000          | 2.18%                          | Batiplus (in CHF)  |
|                        |                         | <b>5,149</b>   |                                |                    |
| Drop Nail              | BPM Bank                | 7              | 1.75%                          | Mortgage (in EUR)  |

The internal rate of return is the rate used for IFRS 9 measurements on the loans shown in the table.

Financial data:

Total equity of the Group is €184,868 thousand compared to €156,099 thousand at December 31, 2017, with an increase of €28,769 thousand.

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

| <i>(in € thousands)</i>                 | <b>9/30/2018</b> | 12/31/2017      |
|-----------------------------------------|------------------|-----------------|
| Cash and cash equivalents               | (84,188)         | (68,777)        |
| Borrowings from banks and other lenders | 75,687           | 58,696          |
| <b>Total current financial position</b> | <b>(8,501)</b>   | <b>(10,081)</b> |
| Borrowings from banks and other lenders | 227,725          | 227,752         |
| <b>Non-current financial position</b>   | <b>227,725</b>   | <b>227,752</b>  |
| <b>Debt (cash)</b>                      | <b>219,224</b>   | <b>217,671</b>  |

#### 4. Financial position data summary

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

| <i>(in € thousands)</i>                             | 9/30/2018       | 12/31/2017     |
|-----------------------------------------------------|-----------------|----------------|
| Inventories                                         | 122,060         | 111,870        |
| Trade receivables and other receivables             | 139,834         | 142,170        |
| Income taxes receivable                             | 5,312           | 2,735          |
| Current non-financial liabilities (*)               | (159,010)       | (178,788)      |
| <b>A. Net working capital</b>                       | <b>108,196</b>  | <b>77,987</b>  |
| Property, plant and equipment                       | 156,062         | 145,816        |
| Other intangible assets (**)                        | 134,662         | 144,271        |
| Other non-current assets (*)                        | 27,720          | 25,754         |
| Investments in other companies                      | 24              | 24             |
| <b>B. Non-current assets</b>                        | <b>318,468</b>  | <b>315,866</b> |
| <b>C. Non-current assets held for sale</b>          | <b>-</b>        | <b>-</b>       |
| <b>D. Employee benefit obligations</b>              | <b>(9,246)</b>  | <b>(9,841)</b> |
| <b>E. Provisions</b>                                | <b>(1,988)</b>  | <b>(2,147)</b> |
| <b>F. Other non-current liabilities (*)</b>         | <b>(11,338)</b> | <b>(8,095)</b> |
| <b>G. Net invested capital</b>                      | <b>404,092</b>  | <b>373,770</b> |
| Financed by:                                        |                 |                |
| Current net financial position (*)                  | (8,501)         | (10,081)       |
| Non-current net financial position (*)              | 227,725         | 227,752        |
| <b>H. Total consolidated net financial position</b> | <b>219,224</b>  | <b>217,671</b> |
| <b>I. Equity</b>                                    | <b>184,868</b>  | <b>156,099</b> |
| <b>L. Total</b>                                     | <b>404,092</b>  | <b>373,770</b> |

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

(\*\*) Includes goodwill.

Inventories total €122,060 thousand at 018 and increased by €10,190 thousand over December 31, 2017, mainly in reference to the Cosmint Group.

Trade receivables amount to €121,117 thousand at 018, with a reduction of €5,461 thousand.

Trade payables come to €99,744 thousand at 018. The reduction of €23,664 thousand refers mainly to Intercos Europe S.p.A. and the Asian subsidiaries.

Equity increased by €28,769 thousand principally due to the net profit reported for the period of €28,340 thousand, the positive change in the fair value hedge reserve of €150 thousand, the negative change in exchange differences on translating foreign operations of €873 thousand, the actuarial gain of €518 thousand, the change in the negative reserve relating to business combinations of €264 thousand and the positive change in the consolidation reserve of €897 thousand.

The consolidated net financial position is €219,224 thousand with an increase of €1,553 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 interim consolidated financial statements at September 30, 2018 are as follows:

| <i>(in € thousands)</i>                                        | 9/30/2018        | 12/31/2017       |
|----------------------------------------------------------------|------------------|------------------|
| are composed of:                                               |                  |                  |
| Trade payables and other payables                              | (148,795)        | (171,266)        |
| Taxes payable                                                  | (10,215)         | (7,522)          |
| <b>Current non-financial liabilities (reclassified format)</b> | <b>(159,010)</b> | <b>(178,788)</b> |

| <i>(in € thousands)</i>                               | 9/30/2018     | 12/31/2017    |
|-------------------------------------------------------|---------------|---------------|
| are composed of:                                      |               |               |
| Deferred tax assets                                   | 14,504        | 14,214        |
| Non-current security deposits                         | 780           | 748           |
| Investments                                           | 6,369         | 4,757         |
| Receivables for indirect taxes                        | 5,523         | 5,523         |
| Other non-current assets                              | 569           | 513           |
| <b>Other non-current assets (reclassified format)</b> | <b>27,720</b> | <b>25,754</b> |

| <i>(in € thousands)</i>                                    | 9/30/2018       | 12/31/2017     |
|------------------------------------------------------------|-----------------|----------------|
| are composed of:                                           |                 |                |
| Deferred tax liabilities                                   | (11,225)        | (7,426)        |
| Other non-current liabilities                              | (113)           | (669)          |
| <b>Other non-current liabilities (reclassified format)</b> | <b>(11,338)</b> | <b>(8,095)</b> |

| <i>(in € thousands)</i>                                     | 9/30/2018      | 12/31/2017      |
|-------------------------------------------------------------|----------------|-----------------|
| are composed of:                                            |                |                 |
| Cash and cash equivalents                                   | (84,188)       | (68,777)        |
| Financial payables (current portion)                        | 75,687         | 58,696          |
| <b>Current net financial position (reclassified format)</b> | <b>(8,501)</b> | <b>(10,081)</b> |

| <i>(in € thousands)</i>                                            | 9/30/2018      | 12/31/2017     |
|--------------------------------------------------------------------|----------------|----------------|
| are composed of:                                                   |                |                |
| Financial payables (non-current portion)                           | 227,725        | 227,752        |
| <b>Non-current net financial liabilities (reclassified format)</b> | <b>227,725</b> | <b>227,752</b> |

## 6. Sales analysis

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

(in € thousands)

| Company                                | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|----------------------------------------|-----------------------------|-----------------------------|
| Intercos Europe S.p.A.                 | 208,638                     | 189,009                     |
| Intercos America Inc.                  | 50,627                      | 86,885                      |
| Intercos Cosmetics Suzhou Co. Ltd      | 21,008                      | 29,791                      |
| Intercos Technology Co. Ltd            | 59,788                      | 41,251                      |
| Interfila Cosmetics (Shanghai) Co. Ltd | 29,587                      | 24,614                      |
| CRB S.A.                               | 34,491                      | 31,768                      |
| Cosmint S.p.A.                         | 102,625                     | 23,629                      |
| Tatra Spring Polska SP ZOO             | 17,806                      | 2,001                       |
| Other companies                        | 9,517                       | 13,861                      |
| <b>Aggregate Total</b>                 | <b>534,087</b>              | <b>442,810</b>              |
| Eliminations                           | (25,269)                    | (24,194)                    |
| <b>Consolidated Total</b>              | <b>508,818</b>              | <b>418,616</b>              |

In the first nine months of 2018, excluding Cosmint, the Group reported revenues from sales during the period totaling €393,469 thousand. Compared to €392,890 thousand in the nine months ended September 30, 2017, revenues are basically in line with the same period of the prior year, with an increase of €579 thousand (+0.15%). Considering Cosmint in the scope of consolidation, the overall increase in revenues is €90,201 thousand (+21.5%), bringing total sales to €508,818 thousand.

## 7. Income and expenses summary data

(in € thousands)

|                                                                           | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2018 |
|---------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Cost of sales</b>                                                      | <b>(399,138)</b>            | <b>(318,533)</b>            |
| <b>Net operating costs and nonrecurring expenses, of which:</b>           | <b>(63,807)</b>             | <b>(59,270)</b>             |
| Research & Development and innovation                                     | (26,736)                    | (23,871)                    |
| Selling expenses                                                          | (17,683)                    | (17,353)                    |
| General & administrative expenses                                         | (21,092)                    | (18,791)                    |
| Other operating income (expenses)                                         | 4,805                       | 3,435                       |
| Result from investments accounted for using the equity method (operating) | (2,940)                     | (1,193)                     |
| Nonrecurring income (expenses)                                            | (161)                       | (1,498)                     |

Cost of sales, excluding Cosmint, amounts to €291,862 thousand with a decrease from the same period of the prior year of €3,817 thousand (-1.3%), on a same consolidation basis.

The attention placed by management on fixed costs made it possible to substantially contain the increase in these costs, notwithstanding the Group's continual investments.

In total, cost of sales is €399,138 thousand. The increase of €80,605 thousand is due to the impact of a different margin contribution by Cosmint.

*Industrial gross profit*

| Income statement data (in € thousands) | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|----------------------------------------|-----------------------------|-----------------------------|
| Industrial gross profit                | 109,680                     | 100,083                     |

Industrial gross profit, excluding Cosmint, comes to €101,606 thousand, showing an increase €3,938 thousand compared to the first nine months of 2017 with the gross margin stable at 25.8%.

Including Cosmint, the gross profit is €109,680 thousand, recording an increase of €9,597 thousand with an industrial gross margin of 21.6%.

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

*Gross operating profit (Adjusted EBITDA)*

| Income statement data (in € thousands)   | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|------------------------------------------|-----------------------------|-----------------------------|
| Gross operating profit (Adjusted EBITDA) | 68,811                      | 59,959                      |

Adjusted EBITDA, excluding the Cosmint Group, is €59,445 thousand, with a 15.1% Adjusted EBITDA margin compared to 14.5% in the first nine months of 2017 (€57,149 thousand). Total Adjusted EBITDA, including the Cosmint Group, comes to €68,811 thousand (+14.8%) and a 13.5% total Adjusted EBITDA margin. The margin reduction is attributable to the impact of the different contribution of the Cosmint business.

*Operating profit (EBIT)*

| Income statement data (in € thousands) | 9 months ended<br>9/30/2018 | 9 months ended<br>9/30/2017 |
|----------------------------------------|-----------------------------|-----------------------------|
| Operating profit (EBIT)                | 45,873                      | 40,813                      |

Operating profit (EBIT), excluding the Cosmint Group, is €42,005 thousand, with a 10.7% margin compared to €39,013 thousand in the first nine months of 2017 and a 9.9% margin. Total Group EBIT stands at €45,873 thousand (+12.4%) and a 9.0% margin.

*Profit before taxes (EBT)*

| <b>Income statement data</b> <i>(in € thousands)</i> | <b>9 months ended<br/>9/30/2018</b> | <b>9 months ended<br/>9/30/2017</b> |
|------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit before taxes (EBT)                            | 39,102                              | 32,077                              |

Profit before taxes (EBT), excluding Cosmint, is €35,935 thousand vs. €30,304 thousand in the first nine months of 2017. The increase of €5,631 thousand (+18.5%) is partly due to lower net financial expenses. Total pre-tax profit is €39,102 thousand (+21.9%) compared to the corresponding period of the prior year.

*Profit for the period:*

| <b>Income statement data</b> <i>(in € thousands)</i> | <b>9 months ended<br/>9/30/2018</b> | <b>9 months ended<br/>9/30/2017</b> |
|------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit for the period                                | 28,340                              | 20,600                              |

Profit for the period of Intercos, excluding Cosmint, is €26,128 thousand, with an increase over the corresponding period of 2017 (+33.7%). Total profit of the Group is €28,340 thousand (+37.6%) with a 5.6% margin compared to 4.9% for the period ending September 30, 2017. The positive effect is reflected in 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,<br>consumer goods<br>and cost for<br>service | Personnel cost | Miscellaneous<br>operating<br>income and<br>expenses | Financial<br>charges | Financial<br>income | Trade<br>receivables | Trade<br>payables | Financial<br>payables |
|-------------------------------------|-----------------------------------------------------------|----------------|------------------------------------------------------|----------------------|---------------------|----------------------|-------------------|-----------------------|
| Dafe International Srl              | (98)                                                      | -              | -                                                    | -                    | -                   | -                    | 45                | -                     |
| Sci Maragia                         | (38)                                                      | -              | -                                                    | -                    | -                   | -                    | 131               | -                     |
| Je m'en fous                        | -                                                         | -              | -                                                    | -                    | -                   | -                    | (1)               | -                     |
| Arterra Bioscience Srl              | (437)                                                     | -              | (0)                                                  | (6)                  | -                   | -                    | 331               | 340                   |
| My Style                            | -                                                         | -              | (14)                                                 | -                    | -                   | -                    | -                 | -                     |
| Interior                            | (2)                                                       | -              | (2)                                                  | -                    | -                   | -                    | 1                 | -                     |
| Catterton                           | (365)                                                     | -              | -                                                    | -                    | -                   | -                    | 3                 | -                     |
| Vault                               | (159)                                                     | -              | -                                                    | -                    | -                   | -                    | -                 | -                     |
| Maragia USA Inc                     | (19)                                                      | -              | -                                                    | -                    | -                   | -                    | (6)               | -                     |
| Cornelli Gabelli e associati        | (113)                                                     | (19)           | -                                                    | -                    | -                   | -                    | 41                | -                     |
| Familiari e affini di Dario Ferrari | -                                                         | (117)          | -                                                    | -                    | -                   | -                    | -                 | -                     |
| <b>Total</b>                        | <b>(1.233)</b>                                            | <b>(135)</b>   | <b>(16)</b>                                          | <b>(6)</b>           | <b>-</b>            | <b>-</b>             | <b>545</b>        | <b>340</b>            |

| € thousands        | Revenues     | Other<br>operating<br>income | Commodities,<br>consumer<br>goods and cost<br>for service | Personnel cost | Miscellaneous<br>operating<br>income and<br>expenses | Financial<br>charges | Financial<br>income | Trade<br>receivable<br>s | Trade<br>payables | Financial<br>payables |
|--------------------|--------------|------------------------------|-----------------------------------------------------------|----------------|------------------------------------------------------|----------------------|---------------------|--------------------------|-------------------|-----------------------|
| Intercos Korea LTI | 2.323        | 199                          | (443)                                                     | 10             | -                                                    | -                    | -                   | 1.415                    | 199               | -                     |
| Hana Co Ltd        | -            | -                            | -                                                         | -              | -                                                    | -                    | -                   | -                        | -                 | -                     |
| <b>Total</b>       | <b>2.323</b> | <b>199</b>                   | <b>(443)</b>                                              | <b>10</b>      | <b>-</b>                                             | <b>-</b>             | <b>-</b>            | <b>1.415</b>             | <b>199</b>        | <b>-</b>              |

## OUTLOOK FOR 2018

A substantially positive performance 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 nine months of 2018.

## IMPORTANT EVENTS DURING THE THIRD QUARTER AND TRANSACTIONS SUBSEQUENT TO

Important events during the third quarter and transactions subsequent to September 30, 2018 are reported as follows:

- On July 6, 2018, to complete the acquisition of the entire capital of Cosmint Group S.r.l. (now Cosmint Group S.p.A.), the board of directors of Intercos S.p.A. approved the payment of the deferred price to Futura Società Semplice.
- In July 2018, the shareholders' meeting approved and consequently began the process for the merger of the companies Cosmint Group S.p.A. and Sodisco S.r.l. with and into the company Cosmint S.p.A. The purpose of the merger is to bring Sodisco's real estate assets into Cosmint in order to acquire ownership of the properties used in its production and commercial activities as well as, through the merger of Cosmint Group, to achieve: (1) a simplification and rationalization of the company's organization, resulting in a shortening of the chain of control reporting to the Company aimed at facilitating decisional and operational processes within the Intercos Group, (ii) a greater and better utilization of the potential synergies, particularly production and commercial synergies, in addition to (iii) a reduction in total operating and administrative costs, all with a view toward an overall improvement in terms of operating efficiency. The Cosmint merger will become effective under the Italian Civil Code on November 1, 2018. The accounting effects on the consolidated and separate financial statements will become effective on January 1, 2018.
- On July 31, 2018, the board of directors of Intercos S.p.A. approved a long-term share incentive plan, named Management Long-Term Incentive Plan, intended for certain Intercos key managers.  
In line with what is envisaged by this Plan, on October 11, 2018, the Intercos S.p.A. extraordinary shareholders' meeting approved an increase in the multiple coefficient of the supermajority voting rights in shareholders' meetings to which the companies Dafe 3000 S.r.l., Dafe 4000 S.p.A. and Dafe 5000 S.r.l. are entitled as holders of Class A shares, such as to ensure that these same Dafe companies continue to have control of the group holding company, Intercos S.p.A., also after the issue of shares pursuant to the share incentive plan.
- On September 7, 2018, Intercos Europe S.p.A. and Drop Nail S.r.l. held their respective shareholders' meetings which approved the project for the merger of Drop Nail S.r.l. with and into Intercos Europe S.p.A. in order to simplify and rationalize the organization of the corporate structures within the Intercos

Group and with a view to reduce the operating and administrative costs and, therefore achieve an overall improvement in terms of operating efficiency. The Drop Nail merger will become effective under the Italian Civil Code on December 1, 2018. The accounting effects on the consolidated and separate financial statements will become effective on January 1, 2018.

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

**INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**2018**

| <i>(in € thousands)</i>                          | <i>Note</i> | <b>2018</b>    | <b>December 31,<br/>2017</b> |
|--------------------------------------------------|-------------|----------------|------------------------------|
| <b>NON-CURRENT ASSETS</b>                        |             |                |                              |
| Property, plant and equipment                    | 1           | 156,062        | 145,816                      |
| Intangible assets                                | 2           | 26,805         | 26,130                       |
| Goodwill                                         |             | 107,857        | 118,140                      |
| Investments                                      | 5           | 6,369          | 4,781                        |
| Deferred tax assets                              | 5           | 14,504         | 14,214                       |
| Other non-current assets                         | 5           | 6,872          | 6,783                        |
| <b>Non-current assets</b>                        |             | <b>318,468</b> | <b>315,866</b>               |
| <b>CURRENT ASSETS</b>                            |             |                |                              |
| Inventories                                      | 4           | 122,060        | 111,870                      |
| Trade receivables                                | 4           | 121,117        | 126,578                      |
| Other current assets                             |             | 24,030         | 18,327                       |
| Derivatives                                      |             | -              | -                            |
| Cash and cash equivalents                        | 5           | 84,188         | 68,777                       |
| <b>Current assets</b>                            |             | <b>351,394</b> | <b>325,552</b>               |
| <b>TOTAL ASSETS</b>                              |             | <b>669,862</b> | <b>641,417</b>               |
| <b>EQUITY</b>                                    |             |                |                              |
| Share capital                                    |             | 10,818         | 10,818                       |
| Other reserves                                   |             | 66,005         | 66,005                       |
| Retained earnings                                |             | 105,484        | 76,813                       |
| Equity attributable to owners of the parent      |             | 182,308        | 153,636                      |
| Equity attributable to non-controlling interests |             | 2,560          | 2,463                        |
| <b>TOTAL EQUITY</b>                              | 4           | <b>184,868</b> | <b>156,099</b>               |
| <b>LIABILITIES</b>                               |             |                |                              |
| <b>NON-CURRENT LIABILITIES</b>                   |             |                |                              |
| Borrowings from banks and other lenders          | 3           | 227,725        | 227,752                      |
| Provisions                                       | 4           | 1,988          | 2,147                        |
| Deferred tax liabilities                         | 5           | 11,225         | 7,426                        |
| Other non-current liabilities                    | 5           | 113            | 669                          |
| Employee benefit obligations                     | 4           | 9,246          | 9,841                        |
| <b>Non-current liabilities</b>                   |             | <b>250,297</b> | <b>247,835</b>               |
| <b>CURRENT LIABILITIES</b>                       |             |                |                              |
| Borrowings from banks and other lenders          | 3           | 47,960         | 30,386                       |
| Other financial payables                         | 3           | 27,727         | 28,310                       |
| Trade payables                                   | 5           | 99,744         | 123,408                      |
| Other payables                                   | 5           | 59,266         | 55,379                       |
| <b>Current liabilities</b>                       |             | <b>234,697</b> | <b>237,484</b>               |
| <b>TOTAL EQUITY AND LIABILITIES</b>              |             | <b>669,862</b> | <b>641,417</b>               |

*Interim Consolidated Income Statement for the nine months ended September 30, 2018 – unaudited*

| <i>(in € thousands)</i>                                                   | <i>Note</i> | <b>9 months ended<br/>2018</b> | <b>9 months ended<br/>2017</b> |
|---------------------------------------------------------------------------|-------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                                           | 6           | <b>508,818</b>                 | <b>418,616</b>                 |
| Cost of sales                                                             | 7           | (399,138)                      | (318,533)                      |
| <b>Industrial gross profit</b>                                            |             | <b>109,680</b>                 | <b>100,083</b>                 |
| Research & Development and innovation costs                               |             | (26,736)                       | (23,871)                       |
| Selling expenses                                                          |             | (17,683)                       | (17,353)                       |
| General and administrative expenses                                       |             | (21,092)                       | (18,789)                       |
| Other operating income (expenses)                                         |             | 4,805                          | 3,435                          |
| Result from investments accounted for using the equity method (operating) |             | (2,940)                        | (1,193)                        |
| Nonrecurring income (expenses)                                            |             | (161)                          | (1,498)                        |
| <b>Operating profit (EBIT)</b>                                            | 7           | <b>45,873</b>                  | <b>40,813</b>                  |
| Financial income                                                          |             | 6,021                          | 3,401                          |
| Financial expenses                                                        |             | (12,810)                       | (12,171)                       |
| Result from investments accounted for using the equity method             |             | 18                             | 35                             |
| <b>Profit before taxes (EBT)</b>                                          | 7           | <b>39,102</b>                  | <b>32,077</b>                  |
| Income taxes                                                              |             | (10,762)                       | (11,478)                       |
| <b>Profit for the period</b>                                              | 7           | <b>28,340</b>                  | <b>20,600</b>                  |
| <b>Attributable to:</b>                                                   |             |                                |                                |
| - owners of the parent                                                    |             | 28,247                         | 20,479                         |
| - non-controlling interests                                               |             | 93                             | 121                            |

Earnings per share:

Basic and diluted EPS in Euro

0.31

0.22^

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

*Consolidated Statement of Comprehensive Income – unaudited*

| <i>(in € thousands)</i>                                                                                                 |   | <b>9 months ended<br/>2018</b> | <b>9 months ended<br/>2017</b> |
|-------------------------------------------------------------------------------------------------------------------------|---|--------------------------------|--------------------------------|
| <b>Profit for the period</b>                                                                                            | 7 | <b>28,340</b>                  | <b>20,600</b>                  |
| <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                                           |   | 561                            | (16)                           |
| - Tax effect                                                                                                            |   | (43)                           | (13)                           |
| <b>Actuarial gains (losses) net of tax effect</b>                                                                       |   | <b>518</b>                     | <b>(29)</b>                    |
| <i>Other comprehensive income that will be reclassified subsequently to the income statement, net of tax effect</i>     |   |                                |                                |
| - Exchange differences on translating foreign operations                                                                |   | (873)                          | (7,037)                        |
| <b>Exchange differences on translating foreign operations</b>                                                           |   | <b>(873)</b>                   | <b>(7,037)</b>                 |
| - Cash flow hedge                                                                                                       |   | 197                            | (366)                          |
| - Tax effect                                                                                                            |   | (47)                           | 88                             |
| <b>Cash flow hedge, net of tax effect</b>                                                                               |   | <b>150</b>                     | <b>(278)</b>                   |
| <b>Comprehensive income for the period</b>                                                                              |   | <b>28,136</b>                  | <b>13,256</b>                  |
| <b>Attributable to:</b>                                                                                                 |   |                                |                                |
| - owners of the parent                                                                                                  |   | 28,036                         | 13,171                         |
| - non-controlling interests                                                                                             |   | 100                            | 85                             |

*Interim Consolidated Statement of Changes in Equity at September 30, 2018– unaudited*

| <i>(in € thousands)</i>                                | Equity attributable to owners of the parent |                                        |                                |                       | Equity attributable to non-controlling interests |                       | Total          |
|--------------------------------------------------------|---------------------------------------------|----------------------------------------|--------------------------------|-----------------------|--------------------------------------------------|-----------------------|----------------|
| Description                                            | Share capital                               | Other reserves (Share premium reserve) | Reserves and retained earnings | Profit for the period | Share capital                                    | Profit for the period |                |
| <b>Balances at January 1, 2018</b>                     | <b>10,818</b>                               | <b>66,005</b>                          | <b>58,219</b>                  | <b>18,594</b>         | <b>2,282</b>                                     | <b>181</b>            | <b>156,099</b> |
| Appropriation of 2017 profit                           | -                                           | -                                      | 18,594                         | (18,594)              | 181                                              | (181)                 | -              |
| Share capital increase                                 | -                                           | -                                      | -                              | -                     | -                                                | -                     | -              |
| Exchange differences on translating foreign operations | -                                           | -                                      | -                              | (873)                 | -                                                | -                     | (873)          |
| Other comprehensive income, net of tax effect          | -                                           | -                                      | -                              | 661                   | -                                                | 7                     | 668            |
| Consolidation reserve                                  | -                                           | -                                      | 900                            | -                     | (3)                                              | -                     | 897            |
| Business combinations reserve                          | -                                           | -                                      | (264)                          | -                     | -                                                | -                     | (264)          |
| Profit for the period                                  | -                                           | -                                      | -                              | 28,247                | -                                                | 93                    | 28,340         |
| <b>Balances at , 2018</b>                              | <b>10,818</b>                               | <b>66,005</b>                          | <b>77,448</b>                  | <b>28,036</b>         | <b>2,460</b>                                     | <b>100</b>            | <b>184,868</b> |

*Statement of Changes in Consolidated Equity at September 30, 2017 – unaudited*

| <i>(in € thousands)</i>                                | Equity attributable to owners of the parent |                                        |                                |                       | Equity attributable to non-controlling interests |                       | Total          |
|--------------------------------------------------------|---------------------------------------------|----------------------------------------|--------------------------------|-----------------------|--------------------------------------------------|-----------------------|----------------|
| Description                                            | Share capital                               | Other reserves (Share premium reserve) | Reserves and retained earnings | Profit for the period | Share capital                                    | Profit for the period |                |
| <b>Balances at January 1, 2017</b>                     | <b>10,710</b>                               | <b>66,005</b>                          | <b>38,366</b>                  | <b>20,058</b>         | <b>2,193</b>                                     | <b>161</b>            | <b>137,493</b> |
| Appropriation of 2016 profit                           | -                                           | -                                      | 20,058                         | (20,058)              | 161                                              | (161)                 | -              |
| Share capital increase                                 | 108                                         | -                                      | -                              | -                     | -                                                | -                     | 108            |
| Exchange differences on translating foreign operations | -                                           | -                                      | -                              | (7,003)               | -                                                | (34)                  | (7,037)        |
| Other comprehensive income, net of tax effect          | -                                           | -                                      | -                              | (305)                 | -                                                | (2)                   | (307)          |
| Consolidation reserve                                  | -                                           | -                                      | (81)                           | -                     | (72)                                             | -                     | (153)          |
| Profit for the period                                  | -                                           | -                                      | -                              | 20,479                | -                                                | 121                   | 20,600         |
| <b>Balances at September 30, 2017</b>                  | <b>10,818</b>                               | <b>66,005</b>                          | <b>58,343</b>                  | <b>13,171</b>         | <b>2,282</b>                                     | <b>85</b>             | <b>150,704</b> |

*Interim Consolidated Statement of Cash Flows for the nine months ended September 30, 2018 - unaudited*

| <i>(in € thousands)</i>                                                                 | <b>9 months ended</b> | <b>9 months ended<br/>September 30, 2017</b> |
|-----------------------------------------------------------------------------------------|-----------------------|----------------------------------------------|
| Profit from continuing operations                                                       | 28,341                | 20,600                                       |
| Profit for the period                                                                   | <b>28,340</b>         | <b>20,600</b>                                |
| Depreciation, amortization and impairment reversals (losses)                            | 22,776                | 17,646                                       |
| Nonrecurring income (expenses)                                                          | 161                   | 1,498                                        |
| Change in provisions                                                                    | (396)                 | (1,613)                                      |
| Financial income (expenses)                                                             | 6,788                 | 8,771                                        |
| Decrease / (Increase) in inventories                                                    | (10,616)              | (18,069)                                     |
| Decrease / (Increase) in trade receivables, net                                         | 5,289                 | (22,070)                                     |
| Increase / (Decrease) in trade payables                                                 | (23,536)              | (5,632)                                      |
| Decrease / (Increase) in other assets                                                   | (7,192)               | 9,705                                        |
| Increase / (Decrease) in other payables                                                 | 3,360                 | (1,917)                                      |
| <b>Cash flows provided by operating activities ( a )</b>                                | <b>24,977</b>         | <b>8,919</b>                                 |
| Acquisition of property, plant and equipment, net                                       | (14,081)              | (12,146)                                     |
| Acquisition of intangible assets, net                                                   | (5,921)               | (5,613)                                      |
| Disposal of property, plant and equipment and intangible assets                         | 513                   | 261                                          |
| Acquisition of investments                                                              | (1,588)               | (456)                                        |
| <b>Cash flows (used in) investing activities ( b )</b>                                  | <b>(21,078)</b>       | <b>(86,716)</b>                              |
| Increase / (Decrease) in borrowings from banks and other lenders                        | 16,111                | 69,656                                       |
| Interest paid during the period                                                         | (5,700)               | (5,310)                                      |
| <b>Cash flows provided by financing activities ( c )</b>                                | <b>10,411</b>         | <b>64,348</b>                                |
| <b>Change in equity ( d )</b>                                                           | 897                   | (45)                                         |
| <b>Net increase (decrease) in cash and cash equivalents<br/>( a )+( b )+( c )+( d )</b> | <b>15,207</b>         | <b>(13,497)</b>                              |
| Cash and cash equivalents, at beginning of the year                                     | 68,777                | 64,525                                       |
| Translation exchange differences                                                        | (204)                 | 1,491                                        |
| Cash and cash equivalents acquired                                                      | -                     | 959                                          |
| Cash and cash equivalents, at end of the period                                         | 84,188                | 50,496                                       |
| <b>Net increase (decrease) in cash and cash equivalents during the period</b>           | <b>15,207</b>         | <b>(13,497)</b>                              |