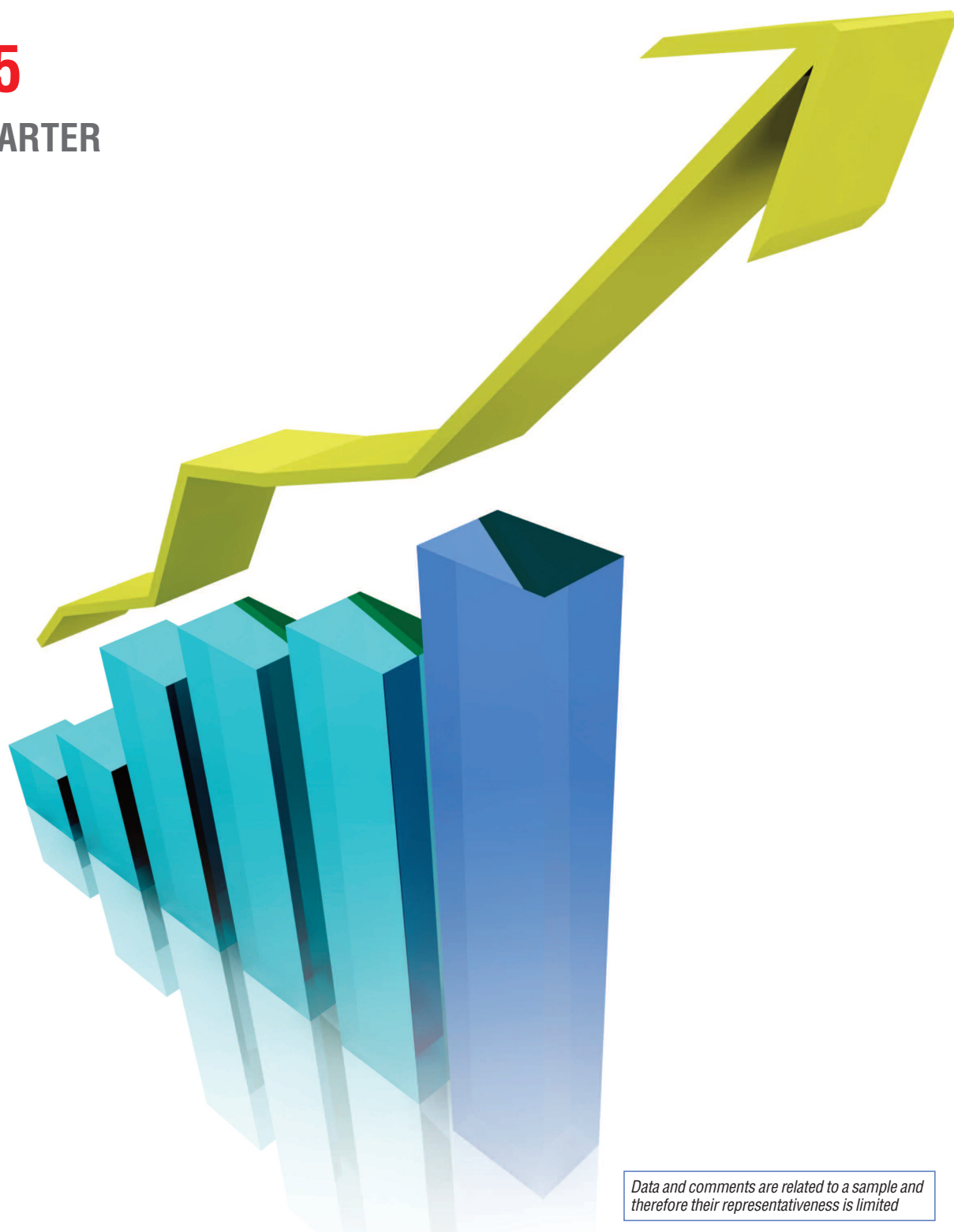


LEATHER MARKET OVERVIEW

LINEAPELLE
Economic Department

2015

1ST QUARTER



*Data and comments are related to a sample and
therefore their representativeness is limited*



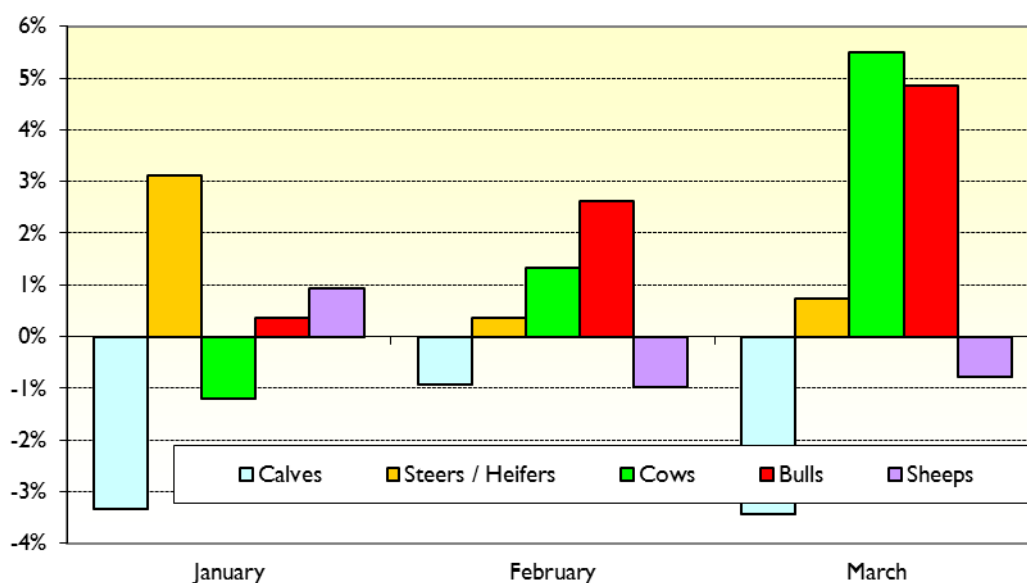
▶ RAW MATERIAL ◀

PRICES

Prices during the first quarter of the year show a generally different trend between small skins (declining) and medium to large-sized skins (increasing). For medium to large-sized **raw bovine hides**, the increases since January 1st appear to be in proportion with the weight scale (bull calves 4%, cows 6%, bulls 8%) and are all of European origin (USA and Oceanian countries against the trend).

In the light of the decline also on the **wet blue** price index (mainly related to non-EU suppliers), the main reasons behind the rising trend appear to be due to both market dynamics (strong demand for leather in the automotive sector) and exchange rates (weaker euro vis-à-vis the dollar).

FIG. I - PRICE CHANGES, MONTH ON MONTH, FOR RAW HIDES AND SKINS BY ANIMAL TYPE IN THE QUARTER

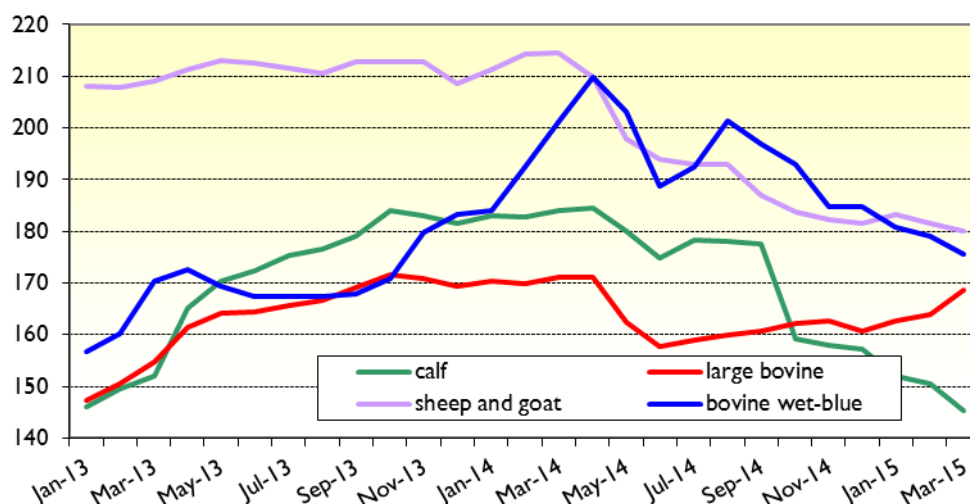


In the small skins sectors, Spanish calves grew and **sheep** prices continue to remain weak; prices in Iran and Europe remained stable, while those in New Zealand declined.

TABLE I - PRICE CHANGES FOR RAW HIDES AND SKINS BY ANIMAL TYPE AND ORIGIN SINCE JANUARY 1ST

Calves	-8%	Steers, bull calves, heifers	+4%	Cows	+6%	Bulls	+8%	Sheep	-1%
Italy	=	Italy (bull calves)	=	Italy	+2%	France	+9%	Iran	=
France	-12%	Germany (heifers)	=	France	+2%	Netherlands	+6%	New Zealand	-9%
Netherlands	-6%	United Kingdom (mixed)	+4%	Netherlands	+14%	Germany	+2%	Spain	=
Spain	+8%	Spain (bull calves)	+7%	Germany	+8%	New Zealand	-7%		
Australia	-3%	Unites States (mixed)	-6%	Spain	+2%	Denmark	=		
		Australia (mixed)	-3%	United States	-1%				
		Sweden (mixed)	+3%	Sweden	+11%				
		New Zealand (steers)	-8%	New Zealand	-6%				
				Denmark	+11%				

FIG. 2 - PRICE CHANGES FOR RAW HIDES AND SKINS BY ANIMAL TYPE



SLAUGHTERING

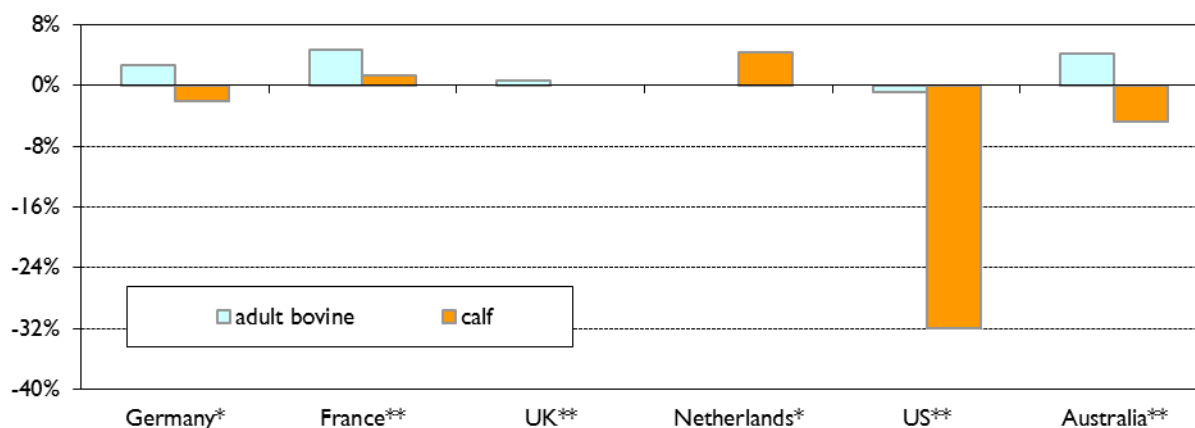
During the early months of 2015, the number of **adult cattle** slaughtered in the main countries monitored posted an increase (+2%) compared with the same period last year. The most important manufactures in Europe experienced growth (with Spain and Poland achieving double-digit growth) except for Italy (-4%) and Ireland (-1%).

The situation continues to be weak for **calves**, which on all of the markets analysed posted a slight drop (-2% year on year). In the EU, France (+1%), Belgium (+3%) and the Netherlands (+4%) posted increases, while Italy, Germany, Spain and Poland posted decreases.

Outside of the EU, the USA started off the year with a slight downturn for adult cattle (-1%), even more so for calves (-32%) compared to the same period in 2014. Slaughtering of adult cattle (+4%) grew and calves fell (-5%) in Australia. Both types experienced growth in New Zealand.

As far as **sheep** slaughtering is concerned, the overall situation remains stagnant: declines in Spain (-13%), Australia and New Zealand, increases in France, the U.K., Ireland, Italy and Greece.

FIG. 3 - CHANGES IN BOVINE SLAUGHTERING FOR THE QUARTER YEAR ON YEAR



+ excluding figures for British calves and Dutch adult cattle as the figures there were insignificant

* quarter ended in February

** quarter ended in March

▶ TANNING SECTOR ◀

ITALY

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - Sales slowing down (- 6% year on year).
- ▶ SMALL BOVINE - Downward trend, with about the same intensity as adult and mid-sized bovine (-9%).
- ▶ SHEEP & GOAT - Essentially stable due to sheep (+1%), but goats continue to decline (-3%).

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - Available data shows a sharp drop from the end of 2014 (-18%).
- ▶ SMALL BOVINE - This area also posted a double-digit slowdown (more than 20% less).
- ▶ SHEEP & GOAT - Not immune to industry downturn (-25%), little difference between sheep and goat leather.

OBSERVATIONS AND FORECASTS

The demand for luxury goods suffered a slowdown during the beginning of the year (mainly caused by the disposal of stocks). Leather goods experienced a hiccup, footwear remained at a standstill, the automotive sector was good for this quarter. The outlook for the coming months is not very optimistic.

REST OF EUROPE

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - Mixed situation. Austria (+6%), U.K. (+13%) and Portugal (+10%) posted growth. Spain (- 20%), France (-8%), Germany (-8%) and Poland (-5%) posted declines.
- ▶ SMALL BOVINE - Significant declines in France (-11%) and Spain (-17%), Germany bucked the trend
- ▶ SHEEP & GOAT - The leading EU manufacturers posted losses here too (Spain -18%, France -7%).

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - General downturn (France -23%, Spain -15%, Germany -6%, Poland -18%, Portugal -9%), except for Austria (stable) and the U.K. (+8%).
- ▶ SMALL BOVINE - Downturn continues (France -10%, Spain -14%, Germany -9%).
- ▶ SHEEP & GOAT - Heavy losses continue for Spain (-30%), less so for France (-6%).

OBSERVATIONS AND FORECASTS

Situation largely negative. Fashion and furnishing are at a standstill; only the automotive holds its ground.

REST OF THE WORLD

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ BOVINE - Substantial gains in India due to international sales (+15%), positive figures for Mexico and Pakistan too (+2%), export losses of 4% for Argentina and Brazil, decreasing production in Turkey (-10% approx.)
- ▶ SHEEP & GOAT - Double-digit drops for Turkish and Chinese production and for Indian and Pakistani exports.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ BOVINE - Exports grow for Argentina, India and Pakistan, declines of over 10% for Brazil, Mexico, Turkey.
- ▶ SHEEP & GOAT - Pakistan substantially stable, India, China and Turkey experiencing further slowing

OBSERVATIONS AND FORECASTS

Great uncertainty surrounding bovines, fear of further declines in the sheep segment

► ACCESSORIES, COMPONENTS, SYNTHETICS ◄

RAW MATERIALS

PRICES - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

The main commodities started off the year with a marked overall decline, with very few exceptions.

Compared with the first quarter of last year, oil prices (in US dollars) halved, cotton posted a decline of 27%, wool lost 17% on average. Double-digit declines continue to be posted for natural rubber and metals, in particular steel which has slumped by about half of its market value (-48%); as an exception, aluminium (+5.4%) and zinc (+2.6%) increased. Slight decline in nickel: -1.8%.

PRICES - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

The QoQ trend shows a strong downward trend in oil prices. The price of cotton is stable; declines in wool (down between -15% and -18%). Natural rubber prices bucked the downward trend (+7%). Metals show consistent performance, with all types recording a significant downtrend.

TEXTILES, SYNTHETICS AND ALTERNATIVES

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

The general trend for the first quarter of the year in the textiles, synthetics and alternative materials segment posted a drop with respect to the first quarter of 2014. The performance of all of the leading EU producers appears to be negative, except for the Iberian Peninsula: Portugal +15% and Spain stable. In breakdown by type, regenerated leather fibres is the best performing segment thanks to the excellent performance of Portugal and Romania.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

Over the short term, there are some signs of general recovery; the only significant exception is Italy (-14%).

ACCESSORIES AND COMPONENTS

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

The overall trend in sales for the accessories and components segment at the beginning of the year posted a general decline, although increases were posted in the U.K. (+18%) and Romania (+4%). Double-digit declines posted in France, Portugal and Poland, the latter suffered declines of over 30% in the accessories, components and small metal parts segments.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

On the whole negative also the short-term average, with Italy lagging behind the major European countries (-28%), double-digit decreases also seen in Poland and Portugal. France, the U.K. and Romania posted growth. In the breakdown by segment, small metal parts experienced the greatest declines, decreasing by more than 53%.

▶ MANUFACTURING SECTORS ◀

FOOTWEAR

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ ITALY - Italian producers got off to a slightly weak start this year, closing the quarter basically in line with the same period in 2014 (-0.6%).
- ▶ REST OF WORLD – Declines also posted in all major EU countries except in the U.K. (+19%), France (+12%) and Romania (+4%); Spain stable (-0.4%). The declines affected Portugal (-2%), Germany (-1.5%) and, to a greater extent, Poland (-9%). Outside of Europe, Brazilian exports slackened (-12%), while growth was posted in China (+7%), Mexico (+3%) and, by double-digits, in Vietnam and India. Production in Turkey down, but sales abroad up.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ ITALY - Good performance by Italian producers in the short term, posting +3.3%, however at a slower pace compared with the same period last year.
- ▶ REST OF WORLD - Situation definitely more encouraging as far as concern the short-term analysis. Strong double-digit growth posted in the U.K., Portugal and Germany. Increases were also recorded in Spain (+16%) and Poland (+12%), slight recovery compared with the last quarter for France too (+1%). Widespread rise of export performance continues in Asia, while the situation in Mexico (-2%) and Brazil (-12%) is negative.

LEATHER GOODS

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ ITALY - Italian leather goods manufacturers closed the first quarter of 2015 with a strong growth in sales compared with the same period in 2014 (+13%).
- ▶ REST OF WORLD - Along with Italy, Poland is the only other bright spot in the otherwise gloomy European backdrop. Sales down in Spain (-16%) and Germany (-2%). Situation substantially stable in France and Portugal. Very moderate increases for the manufacturers in England and Romania. Chinese (+7%) and Indian (+12%) exports on the increase; production in Turkey slowed down (-4%).

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ ITALY - Compared with the previous quarter, the situation in Italy appears stable, reporting only a slight increase in sales (+0.3%).
- ▶ REST OF WORLD - European leather goods, instead, confirm the general period of uncertainty also in the short term: strongest decline in France (-8%), against the trend of positive performance of the last quarter of 2014. Spain (-3%) and Germany (-6%) also posted losses in sales. The positive moment continues for the U.K., Romania and Poland. Outside the EU, the short-term comparison for Turkey also recorded declines; Asian exports are on the rise.

LEATHER GARMENTS

TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)

- ▶ ITALY - The leather garments segment in Italy started off the year with a substantial decrease compared with the first quarter of last year. Sales were down more than 20% on average.
- ▶ REST OF WORLD - Negative situation in the rest of Europe (-18%), with losses, to a lesser extent, posted also by German manufacturers. As regards non-EU competitors, Turkish and Indian garment makers posted declines; Chinese and Pakistani exports remained unchanged.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ ITALY - Also over the short term, sales performance for Italian leather-garment makers is down (-7%).
- ▶ REST OF WORLD – In the rest of Europe, Spain posted double-digit growth. Slowing continues to be seen by German manufacturers (-6%). Further declines for the industry in Turkey, upswing in exports of the leading Asian players.

UPHOLSTERY**TURNOVER INDEX - Seasonal comparison (1st quarter 2015 vs 1st quarter 2014)**

- ▶ ITALY - Italian producers of upholstered furniture recovering, reversing the negative trend of the first quarter of last year. Strong start also for the automotive segment: the production grew over 30% compared with the same period in 2014; new car registrations also increased by 13%.
- ▶ REST OF WORLD - Mixed signals in the rest of Europe for the furniture segment: decline in Germany (-2%), stability in France, very positive moment for Spain (strong growth in the entire sector). The US furniture market posted 7% growth. New car registrations in Europe increased by 9%.

TURNOVER INDEX - Short-term trend (1st quarter 2015 vs 4th quarter 2014)

- ▶ ITALY - Over the short term, Italy drastically reversed the trend with a heavy double-digit decline in upholstered furniture segment. Strong growth in new car registration as compared with the 4th quarter of last year (+33%).
- ▶ REST OF WORLD - A general downtrend for upholstered furniture in the rest of Europe, especially strong in France (-16%), moderate decline in orders also in the US (-2%). The European automotive market continues to be positive with the new car registration rate 17% higher than the last quarter of 2014.

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V.A.V.	VALLERO S.p.A.	VOLBER	Volontè	WEFA Electronic measuring in leather	wintech	www.assomac.it	