



LINEAPELLE LEATHER MARKET OVERVIEW

3RD QUARTER 2019

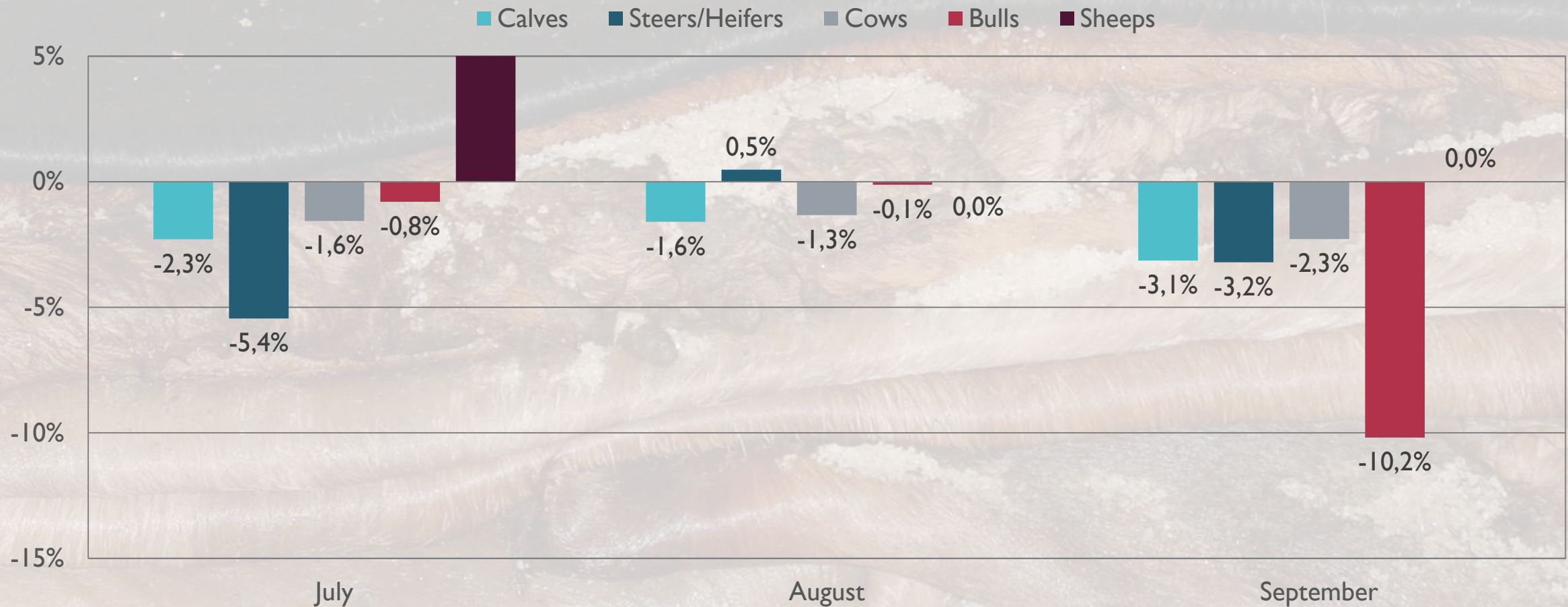
RAW MATERIALS

RAW HIDES AND SKINS AND SEMI-PROCESSED LEATHER – PRICE TRENDS

- A **negative trend** for the average price indexes of raw materials **prevailed also in the third quarter**, although some important exceptions were not lacking
- In the **raw bovine hides** segment, the downturn was widespread to all the main animal typology of reference, with bulls reporting the most significant decline during the third quarter (double-digit decrease in September)
- No positive exception even in terms of **origins**; it is worth noting that hides and skins from Australia and New Zealand posted average decreases of over 40%, whilst Italian and French hides were the less penalized
- Countertrend for **sheep** skins price index (+7% between June and September), thanks to the positive dynamic of Middle East origins
- The average quotations of Wet-blue bovine recorded a double-digit loss for (-20% since the beginning of the year, -10% in the quarter) - among the main origins, Brazil -21% (since January), New Zealand -18%, Australia -41%

RAW MATERIALS

RAW HIDES - MONTHLY VARIATION OF AVERAGE PRICE INDICES BY ANIMAL TYPE



RAW MATERIALS

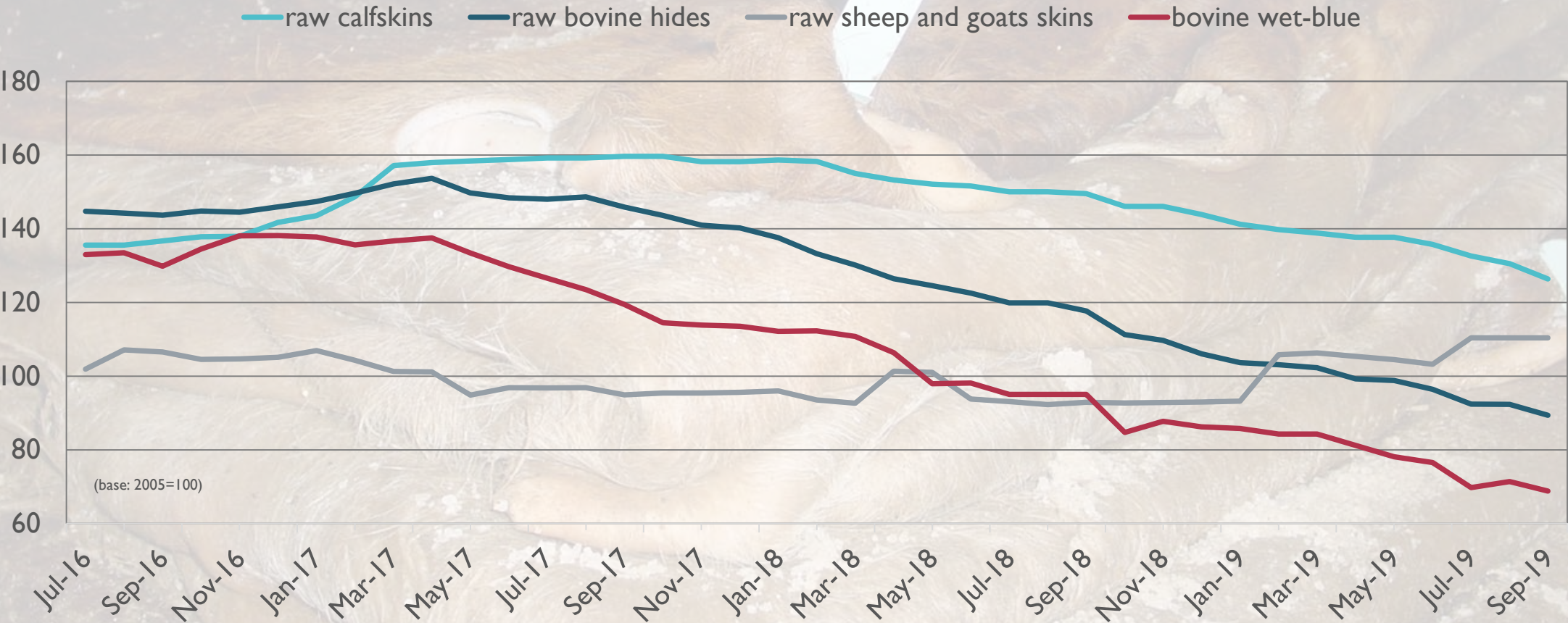
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY TO SEPTEMBER 2019)



| Calves | -12% | Steers, bull calves, heifers | -17% | Cows | -8% | Bulls | -34% | Sheeps | +19% |
|-------------|------|------------------------------|------|---------------|------|-------------|------|-------------|------|
| Italy | -8% | Italy (bull calves) | -7% | Italy | -2% | France | -35% | Iran | +26% |
| France | -4% | Germany (heifers) | -27% | France | +5% | Netherlands | -38% | Spain | -25% |
| Netherlands | -22% | United Kingdom (mixed) | -14% | Netherlands | -19% | Germany | -23% | New Zealand | -10% |
| Australia | -66% | Spain (bull calves) | -24% | Germany | -28% | New Zealand | -46% | | |
| | | United States (mixed) | -21% | Spain | -29% | Denmark | -21% | | |
| | | Australia (mixed) | -77% | United States | -47% | | | | |
| | | Sweden (mixed) | -33% | Sweden | -12% | | | | |
| | | New Zealand (bull calves) | -41% | New Zealand | -44% | | | | |
| | | Denmark (mixed) | -19% | Denmark | -7% | | | | |

RAW MATERIALS

RAW HIDES AND SKINS AND SEMI-FINISHED LEATHER - LONG TERM AVERAGE PRICE INDEXES BY ANIMAL TYPE



RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING)

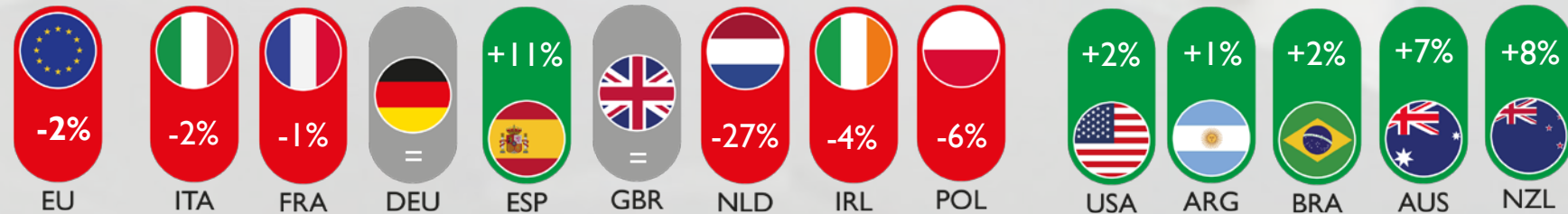
- Positive sign for the trend of **adult bovine** slaughtering at global level, in the partial results of 2019 (+2% in the period January – September)
- The general level of **calves** slaughtering is also on the rise (+8%). The EU showed substantial stability (increases in France, Netherlands, Italy, whilst Spain, Poland and Belgium posted some declines), Australia and New Zealand marked double-digit increases as compared to the same period of 2018
- On the other hand, a contraction of **sheep** slaughtering emerged in the main areas with available data – in Europe the aggregate variation is -1% (only Italy and UK on the rise), Australia and New Zealand decreased by 5% and 6% respectively – positive sign for the US

RAW MATERIALS

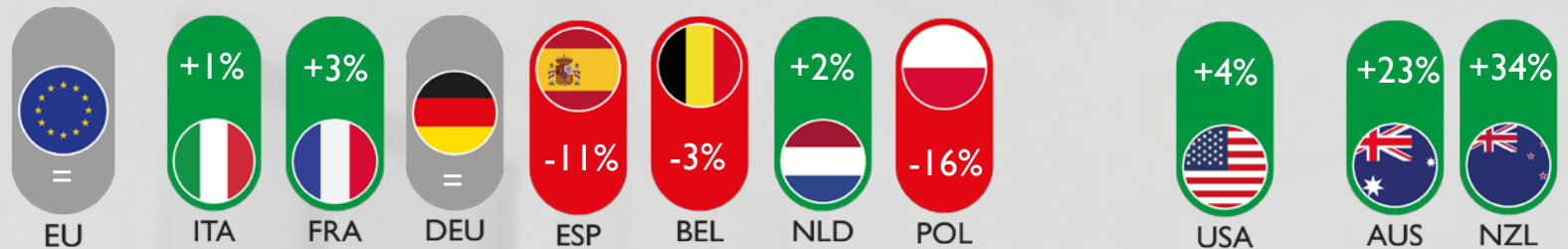
RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) 9 MONTHS 2019 VS 9 MONTHS 2018



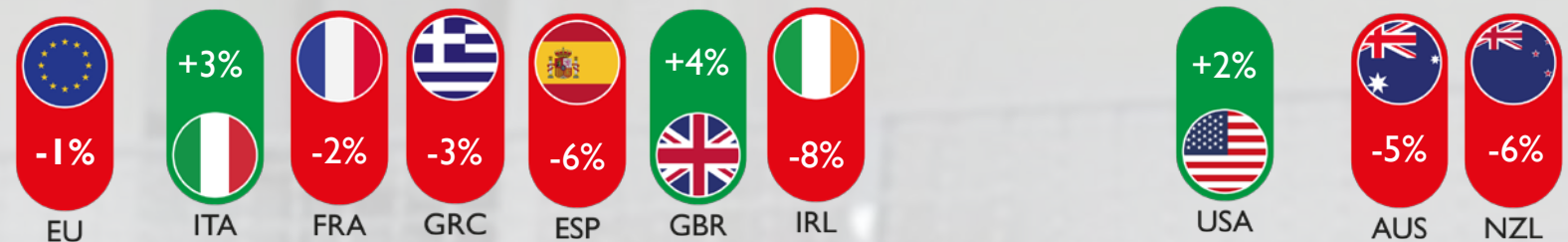
Adult bovine:



Calves:



Sheeps:



RAW MATERIALS

OTHER REFERENCE COMMODITIES - PRICE TRENDS AND PERFORMANCE



OIL

-18%

-11%



COTTON

-22%

-15%



WOOL

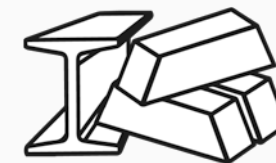
The downward trend in wool prices started at the beginning of the year and continued also in the second part of 2019. Very flat trend in the third quarter of the year, where slight increases correspond to similar decreases



NATURAL RUBBER

+16%

+3%



METALS

- Aluminum -14%
- Copper -4%
- Iron +61%
- Nickel +4%
- Zinc -4%
- Aluminum -16%
- Copper -9%
- Iron +38%
- Nickel -2%
- Zinc -14%

■ 3rd QUARTER 2019
VS 3rd QUARTER 2018

■ 9 MONTHS 2019
VS 9 MONTHS 2018

TANNING SECTOR TRENDS

- The average turnover indices of tanneries in the most important producing Countries continue to show almost exclusively **negative changes** compared to the previous year - Few exceptions in Europe, very few outside
- **Medium-large bovine leather** marked a widespread downturn trend during the summer and the variations on the 9-month aggregate are also decreasing - France and Turkey were against the trend and showed a positive quarter
- A few more exceptions to the generally negative trend in the **calf leather segment**, in which Spain is added to the positive performance of France and Turkey
- The situation is also difficult for **sheep and goats** processing - Decreases widespread among the main European operators, while at extra EU level signs of recovery in India and Turkey

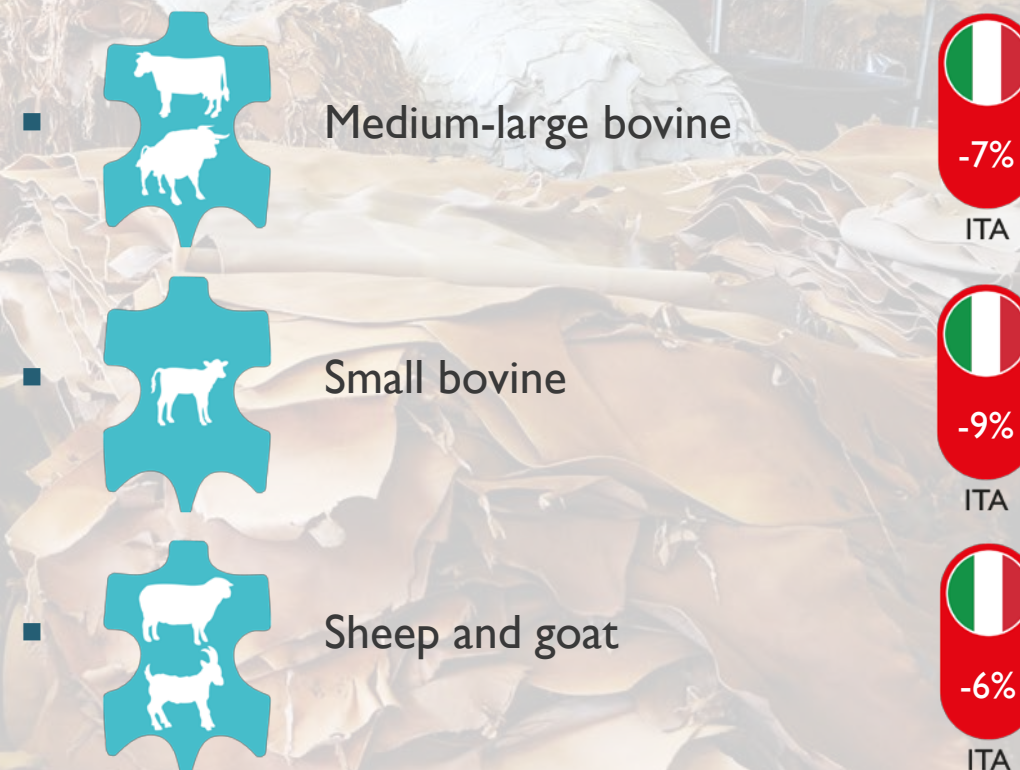
TANNING SECTOR TURNOVER INDEX TRENDS



3rd QUARTER 2019 VS 3rd QUARTER 2018



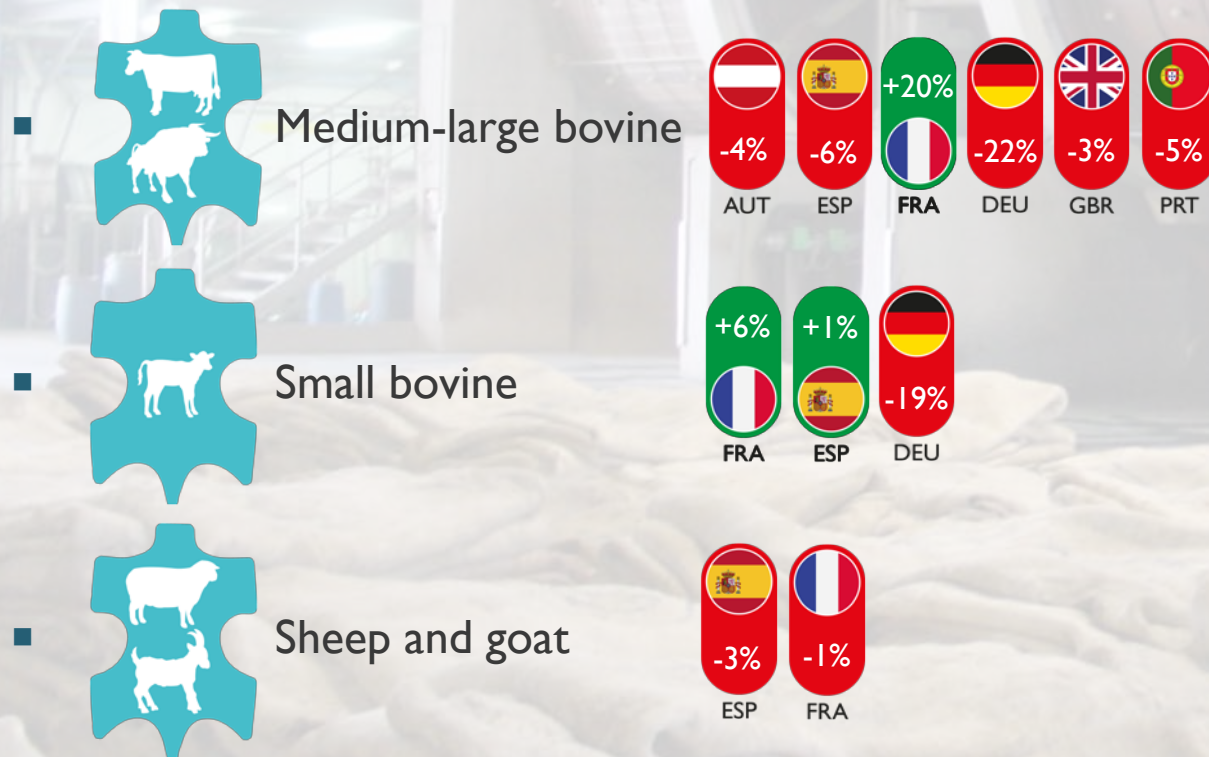
9 MONTHS 2019 VS 9 MONTHS 2018



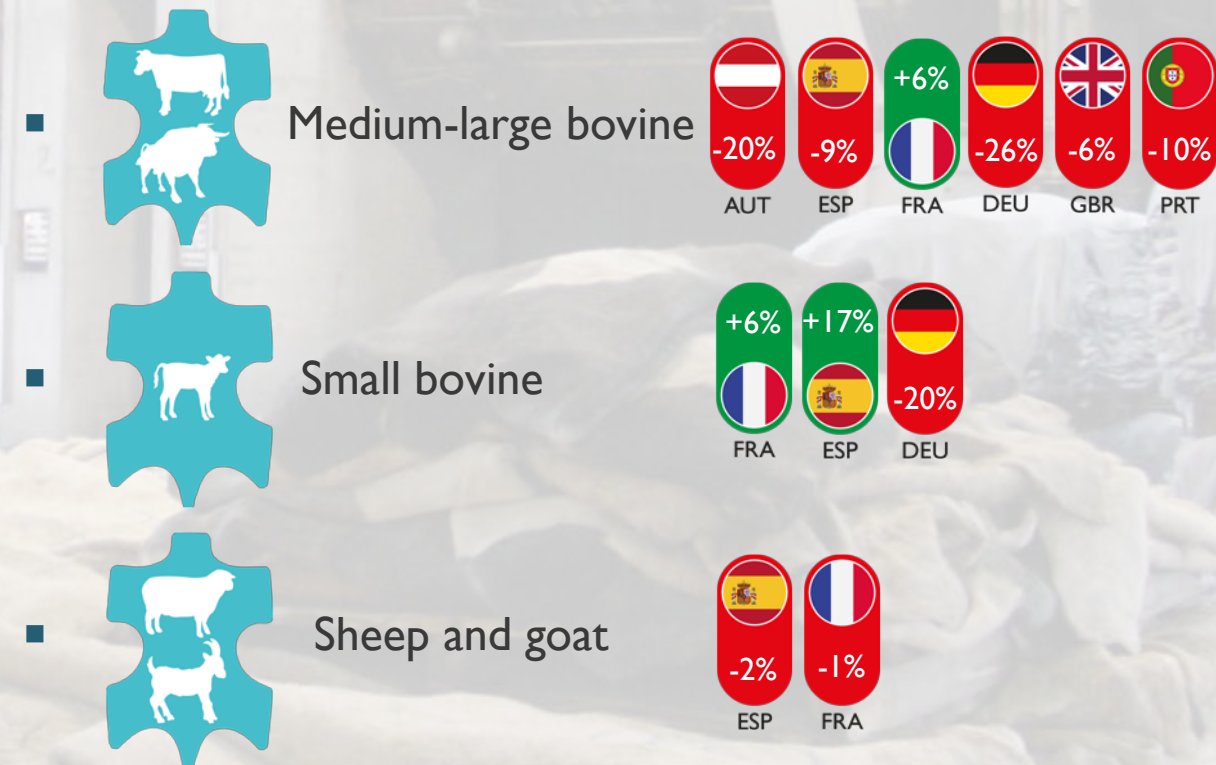
TANNING SECTOR TURNOVER INDEX TRENDS



3rd QUARTER 2019 VS 3rd QUARTER 2018



9 MONTHS 2019 VS 9 MONTHS 2018

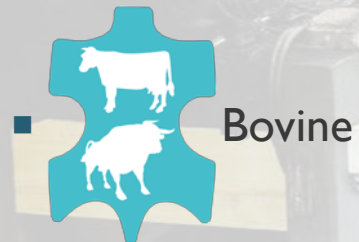


TANNING SECTOR TURNOVER INDEX TRENDS



3rd QUARTER 2019 VS 3rd QUARTER 2018

9 MONTHS 2019 VS 9 MONTHS 2018



Bovine



Bovine



Sheep and goat



Sheep and goat

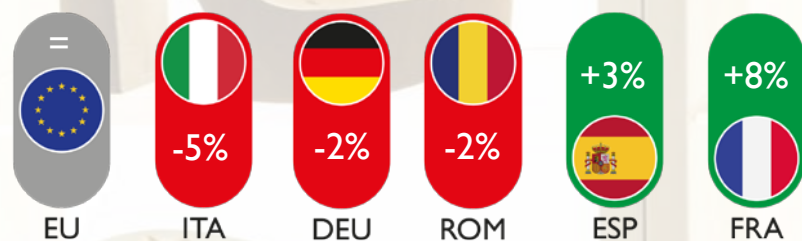


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

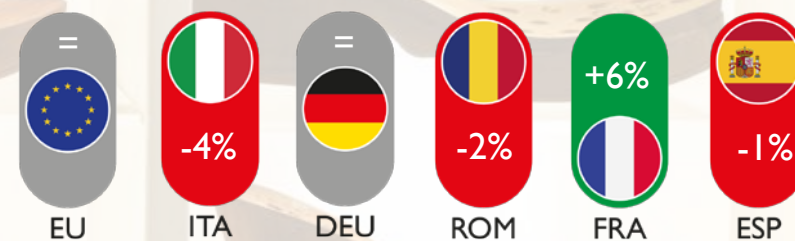
3rd QUARTER 2019 VS 3rd QUARTER 2018

The end of the third quarter of the current year looks flat, with strong losses posted by the major EU manufacturers. Only the small metal parts performed well, downward trend for footwear components and other accessories instead.



9 MONTHS 2019 VS 9 MONTHS 2018

The sector closes the first nine months of 2019 in line with the same period 2018. The EU average was mainly affected by the generalized losses in the segments of other accessories and footwear components. Encouraging results only for the small metal parts.

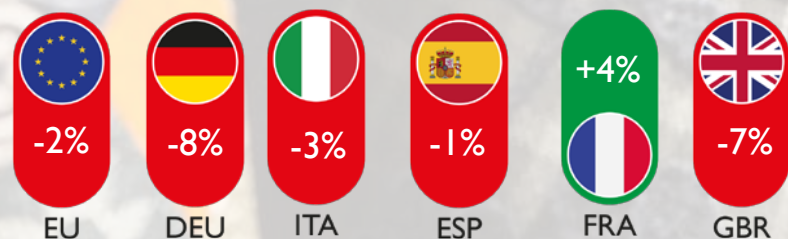


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

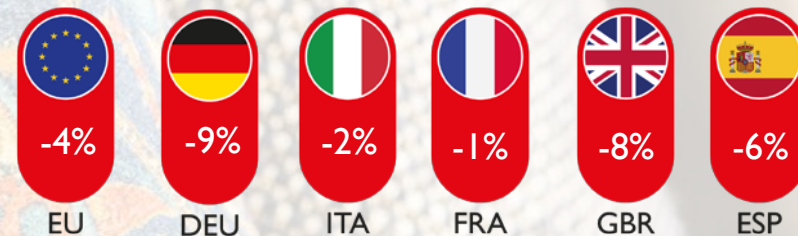
3rd QUARTER 2019 VS 3rd QUARTER 2018

Negative picture for fabrics and synthetics in the quarterly comparison. Downtrend among all the segments of the sector, especially in the regenerated of leather fibres. Declines equally widespread although more limited for the other segments.



9 MONTHS 2019 VS 9 MONTHS 2018

Decline also for the aggregate of the first 9 months 2019 for the sector in comparison with the same period of last year. Difficulties for all major EU manufacturers in all segments. Negative trend especially for the synthetic and the other alternative materials.

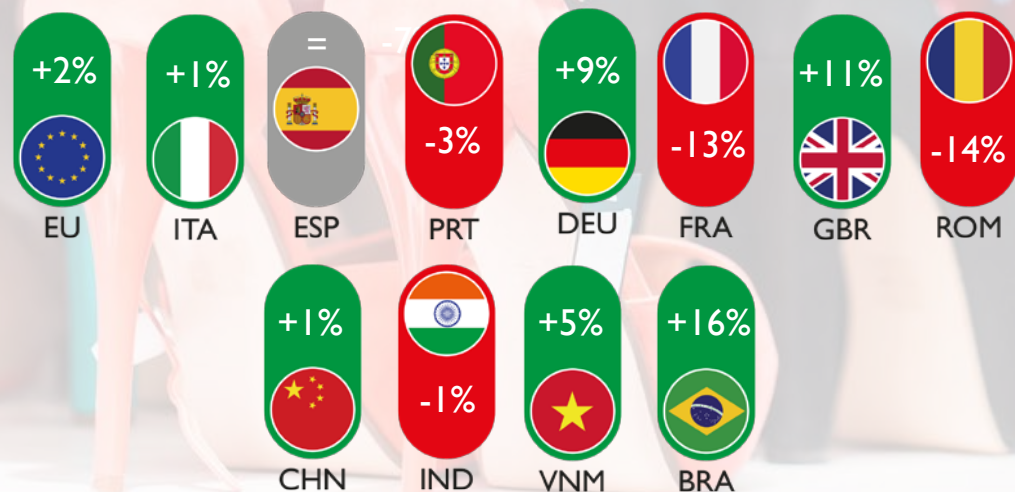


FOOTWEAR

TURNOVER INDEX TRENDS

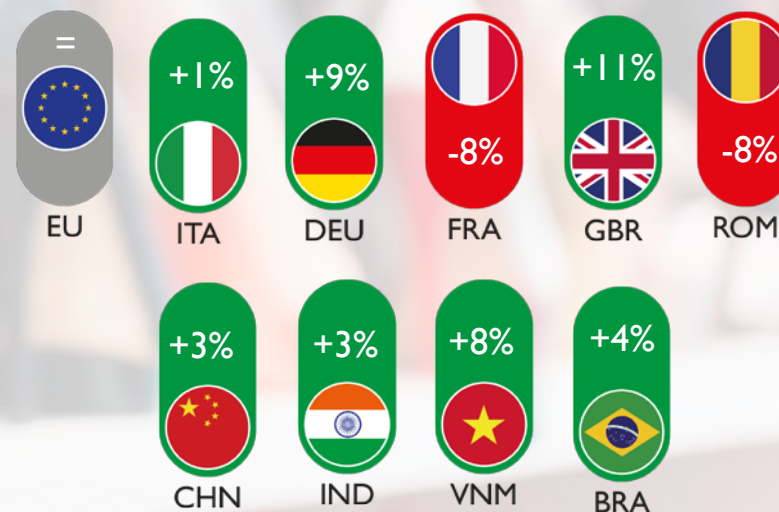
3rd QUARTER 2019 VS 3rd QUARTER 2018

Slight increases for the EU footwear manufacturers, despite the strong growth of Germans and British players. Weak trend for Italians and Spanish. French and Romanians collapsed. China stable, flat trend for the Indians. Good performance for Vietnam and Brazil.



9 MONTHS 2019 VS 9 MONTHS 2018

Stability prevails for European producers in the first 9 months of 2019 in the annual comparison. Difficulties for France and Romania. Widespread increases for all the top Asian and Brazilian footwear manufacturers.

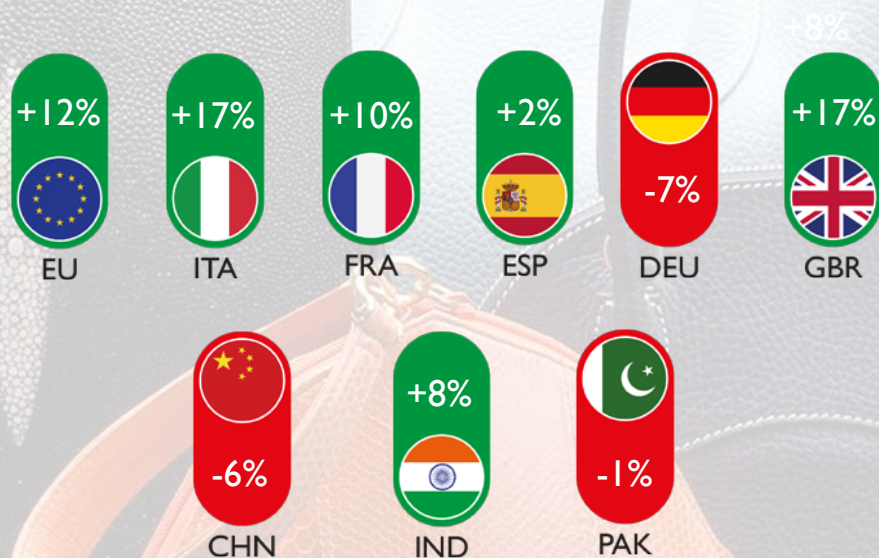


LEATHER GOODS

TURNOVER INDEX TRENDS

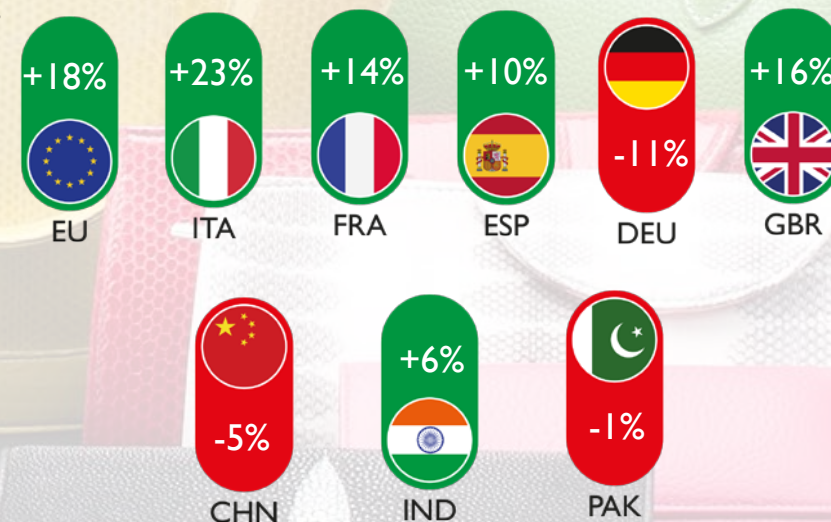
3rd QUARTER 2019 VS 3rd QUARTER 2018

EU sector's dynamic was brilliant in the third quarter of the year with double-digit upward results for Italian, French and English leather goods manufacturers. Germans' decrease is out of tune. Losses for China.



9 MONTHS 2019 VS 9 MONTHS 2018

Very positive trend for the sector in the annual comparison. The boom of the Italian manufacturers continues, followed by French, Spanish and English players. Difficulties for the Germans. Uncertainty prevails for the Chinese.

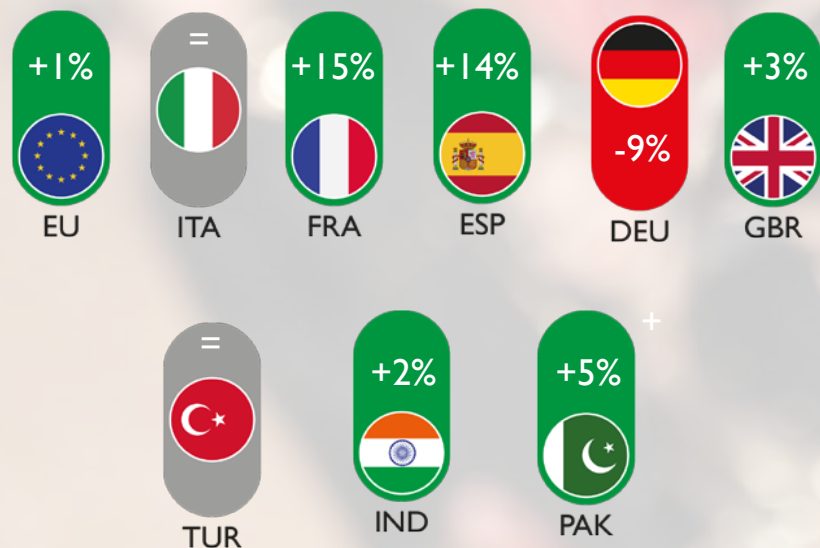


LEATHER CLOTHING

TURNOVER INDEX TRENDS

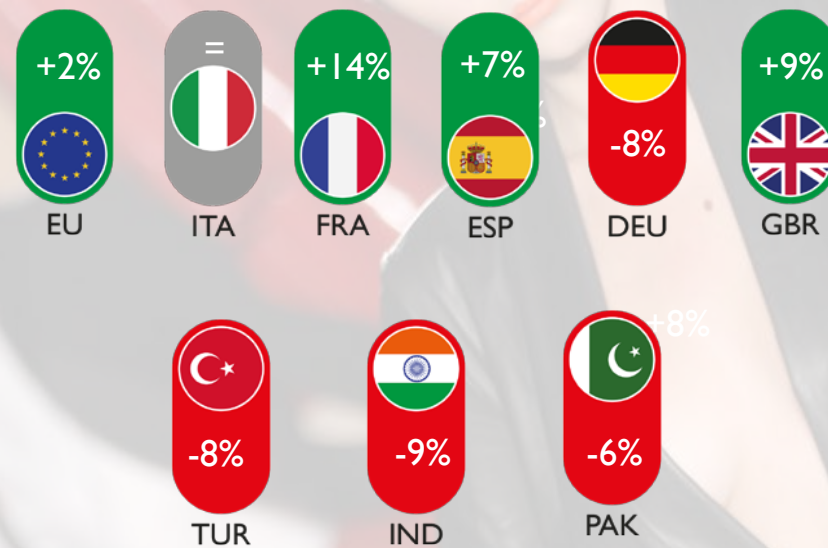
3rd QUARTER 2019 VS 3rd QUARTER 2018

Slight increase for the EU manufacturers, due to the stability of Italian players and the drop of the Germans. Weak trend for Turkish producers. Positive dynamic for India and Pakistan.



9 MONTHS 2019 VS 9 MONTHS 2018

Positive sign for the sector in 2019 cumulative period, despite Italy's uncertainties. Strong declines beyond the EU borders for Turkey, India and Pakistan.

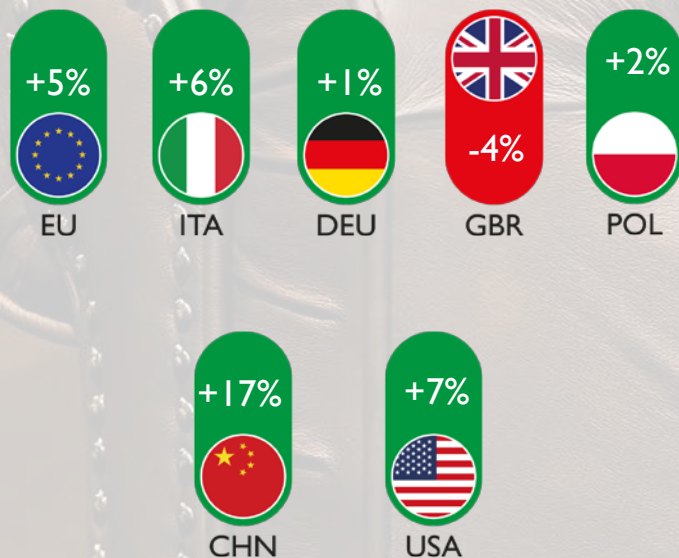


UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

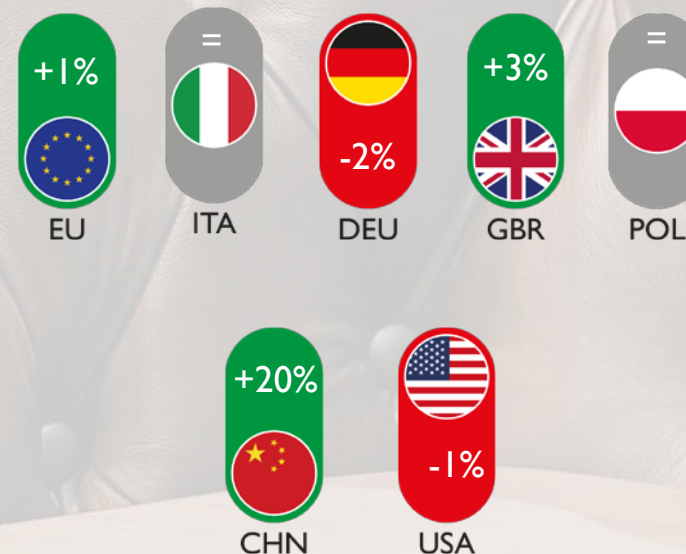
3rd QUARTER 2019 VS 3rd QUARTER 2018

Diffusely positive results for the sector in the third quarter of 2019. Good performance for China, the USA and all EU manufacturers except the United Kingdom.



9 MONTHS 2019 VS 9 MONTHS 2018

The sector trend in the first 9 months of the year looks flat compared to the same period 2018. EU and US manufacturers slow down, wiles China accelerates.

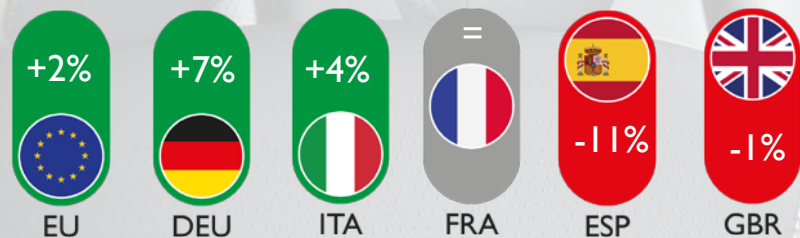


AUTOMOTIVE

TURNOVER INDEX TRENDS

3rd QUARTER 2019 VS 3rd QUARTER 2018

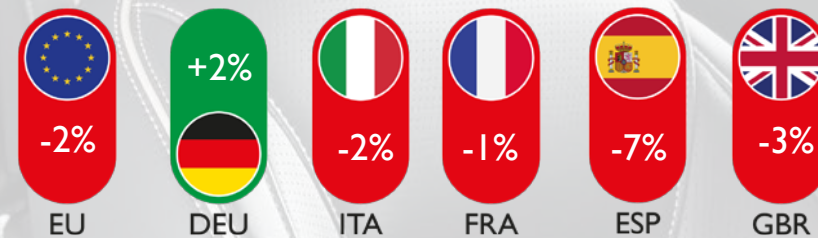
- Positive sign for EU new car registrations in the third quarter 2019.



- Italian new cars' purchasing recovers.
- However, industrial production in the automotive sector recorded a tendential drop equal to 7.5%.

9 MONTHS 2019 VS 9 MONTHS 2018

- In the period January-September 2019, EU new car registrations showed a slight downward trend.



- US new car registrations decreased slightly (-1%).
- The Chinese market collapsed, with Chinese new car registrations falling by 12% in the first 9 months of the year.

LUXURY

9 MONTHS 2019 RESULTS

The third quarter of 2019 shows higher results for European luxury fashion brands. The optimistic expectations for the end of the current year are confirmed, although factors related to political and monetary instability remain at global level.

- **LVMH** – Still double-digit increases for the French group: +11% turnover in the first 9 months of 2019 (constant rates), with the fashion and leather goods division growing by 18%. Strong increases for Louis Vuitton, Christian Dior Couture, Loro Piana and Loewe. Good trend also for LVMH's Other Houses.
- **KERING** – +12% consolidated revenues for the group in 2019 cumulative period. Increases for Gucci and Yves Saint Laurent (both +11% of revenues). Strong recover for Bottega Veneta (+7%). Good progress also the minor brands (+16%).
- **HERMÈS** – +13% sales at the end of the first 9 months of 2019, driven by the very positive results of the third quarter. Turnover increases in all main markets, especially China and Japan. +12% growth in the leather and saddlery division alone.
- **TOD'S** – Consolidated turnover down by 4% in the cumulative January-September 2019. Drops in the footwear (-4%) and leather goods (-6%) divisions. Downward trend for Tod's (-10%), Hogan (-5%) and Fay (-12%). Good Roger Vivier (+11%).
- **FERRAGAMO** – Upward trend in the first 9 months of 2019 for the group: +2% despite a slowdown in the third quarter. Both the footwear sector (+3%) and leather goods (+4%) performed well.

NOTES

- Lineapelle processes and estimates data provided by statistical institutions, government bodies, international organisations, trade associations, retailers and other public/private sources
- Country acronyms refer to the official ISO alpha 3 classification
- Commodity prices. Historic price series are calculated on the basis of average price quotations in dollars (USD)
- Raw hides and skins/semi-processed leather prices. Historic original price series are collected by agents and publications in the industry and indexed using the base line 2005=100, maintaining the exchange currency used for purchases on the export market

By Servizio Economico Lineapelle

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