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ITALIAN EYEWEAR: 2010 DETAILS AND FIRST DISCLOSURES ABOUT 2011

**Once again Italian eyewear is a star player on international
markets**

**Sunglasses drive the trend but
the domestic market remains sluggish**

Milan, 3 March 2011 - «*After the year of the challenge, here comes the year of validation*», stated Vittorio Tabacchi, President of Mido and Anfao. «*We braved the crisis that blanketed the entire global economy and now, with 2010 results in hand, we can draw our own conclusions: the worst is behind us and our industry knew how to capitalize on the rise in foreign demand*».

Overall, eyewear exports are up 17.3% over 2009.

Speaking globally, economic recovery seems to be well under way and 2011 is viewed by many analysts as the year of a leveling off of expectations and a decline in uncertainty. In the more dynamic economies of the United States and Germany, the effects of the investment cycle are clear, and the primary beneficiaries are employment (especially in Germany) and consumption (very lively in America). Therefore, at the international level, growth seems to be steady, even though the road ahead could still be choked by the menace of the public debt crisis, currency fluctuations, and hikes in the cost of raw materials.

In this general context, there are inevitable differences in the pace of growth – very high in emerging countries, especially in the Far East, high in the US and Germany, weak in many other European countries. Italy, in this setting, is struggling. With slow growth in its GDP, support for many sectors comes from exports, which wasted no time capitalizing on the rebound of foreign demand. Eyewear is certainly one of these.

Italian eyewear **production** in 2010 topped out at **2,448 million Euros** for an **8.7% increase** over the previous year.

Strongly influencing the increase in manufacturing was the upward swing in **exports** (+**17.3%** over 2009), which was decisive for a sector that exports more than 80% of its production. As counterpoint, on the other hand, is a domestic market that is still lacking pep, and fell by **2.5%**.

The year 2010 closed with **927 companies**, an approx. 2.4% reduction in firms compared to 2009, concentrated among the small, family-run businesses, and with a total **workforce of 16,150**, down 2.7% over the previous year. This drop in employment was also concentrated among the small, family-run businesses, many of which had to close their doors, while the recovery on international markets probably has not yet been sufficient to be perceived as structural.

Nonetheless, the larger-sized firms have begun to increase their workforce, even though, for the moment, hiring is limited primarily to fixed-term employment.

Detailed Import/Export Values

Italy's trade balance for the eyewear sector closed out 2010 amply in the black (**approximately 1,472 million Euros on the positive side**), for a 17.8% increase over 2009. **Exports of frames, sunglasses and lenses**, which currently account for about 85% of industry production, grew by **17.3%** compared to 2009, yet still remained four percentage points below the pre-crisis highs. In terms of industry dynamics, when compared to the previous year, the **16.4%** growth in **imports** is also substantial.

Overall, **imports** were in excess of **743 million Euros** with a percentage increase over the previous year recorded in all the sectors under consideration. **Exports** totaled more than **2,215 million Euros**, more than 327 million Euros higher than 2009 values. Performance of exports was characterized by an increase in all industry sectors, but was **driven primarily by burgeoning growth in sunglass sales**.

Sunglass exports: in 2010 sunglass exports **increased by 20.4%** over 2009 figures, and are valued at more than **1,449 million Euros**. **Export of frames** brought a **more modest** but still significant **increase** of **+11.7%**) worth slightly more than **707 million Euros**.

Detailed import/export analysis by geographic area and country

Generally speaking, exports are once again competitive, especially in the United States, in the Far East, in Eastern Europe, and in South America.

By capitalizing on the rally in international demand and expectations for 2011, at least for the first quarter, exports are still moving in this direction.

For Europe, where exports benefited from the positive results achieved in France and the United Kingdom, recovery is still a bit on the weak side.

Taking a detailed look at the geographic areas, and considering the **exports of sunwear and vision wear** as a whole, we can see that:

- with a **share of 51.5%**, **Europe** is still the **point of reference** for industry exports in 2010 (share of the EU-15 was 37.4%, and that of the EU-27 was 45.7%). However, within the context of generally positive export performance in 2010, Europe is the one with the least growth (+10% over 2009);
- the share of exports to **the American market** was **28.3%** in 2010, **for a gain in exports in the sun and vision wear sector of 26.1% vs. 2009**. Extremely meaningful growth was recorded within all the areas: **North America** rose **24.8%**; **in Central and South America** exports of sunglasses and frames increased by **31.7%** over the previous year. The area of Central and South America weighs in at 5.5% with regard to Italy's exports of sunglasses and frames;
- in **Asia**, which absorbed **16.1% of all exports in the frames and sunglasses sector**, there was a **32.6% increase** in exports in 2010, compared to 2009.

Detailed analysis of exports to individual countries:

➤ to the **United States** (leading market for the industry, with a share of 22%), **total exports of sunglasses and vision eyewear rose significantly, +25.1%** over 2009. Although both figures rose, the difference between the two sectors is significant and emphasizes the driving role of sunglasses: exports of **frames** increased by **7.7%** while exports in the **sunglass sector** escalated to more than four times that amount, with a leap forward of **34.7%**;

➤ in key **European countries**, overall exports benefited from **excellent results in France (+16.2%** overall compared to 2009, which breaks out to +19.9% for sunwear and +11.5% for frames) **and the United Kingdom (+24%** overall, expressed as +24.6% for sunglasses and +23.3% for frames). Exports to **Spain** experienced more **modest growth levels (+7.5%** overall compared to 2009, split at +6.8% for sunglasses and +9.2% for frames) **and to Germany (+6.2%** overall, split between sunwear +5.3%; and frames +7.4%). On the other end of the scale, currency crises and a drop in consumption penalized exports of Italian sunglasses and frames to **Greece -20.8%** (-29.2% for frames, -17.8% sunglasses) and to **Portugal -5.2%** (-4.4% for frames, -5.9% for sunglasses);

➤ in 2010 exports to **Mexico** made impressive gains (**+33.6%** compared to 2009), **Brazil (+25.7%)**, **Australia (+20.7%)**, **United Arab Emirates (+33.4%)**, **South Korea (+48.3%)**, **Russia (+29%)**, **Saudi Arabia (+47.1%)**, **South Africa (+45.4%)**, and **Israel (+19.1%)**. All of which points to the vitality and agility of the industry, not only in its primary markets, but also in potential markets, and its ability to respond to the passion for Italian eyewear products around the globe;

➤ Italy's exports of sunglasses and frames to Asia and the Far East also performed admirably in 2010: **Japan (+15.2%** against 2009), **China (+36.6%)** and **Hong Kong (+33.1%)**. Figures for China point to an increasingly convincing impression that China is becoming a key outlet market as well as supplier.

I-style

Global exports of I-Style as a whole in 2010 reflect the recovery of international demand and posted a **13.1% increase** over 2009. Worldwide, the various sectors of Italian fashion seem to have experienced the upturn in the global economic situation at the same time. They all ended 2010 on a positive note and, in most cases, with double-digit growth figures.

Compared to 2009: **leather goods (+23.8%)**, **jewelry and fine jewelry (+25.6%)**, **cosmetics and perfume (+17.7%)**, **eyewear (+17.3%)**, **yarn and fabrics (+13%)**, **footwear (+11.6%)**, **clothing (+5.5%** - the only sector where exports grew less than 10%).

I-style exports to the **United States** market overall mirror the robust recovery of demand by the American market, similar to what we saw specifically in the eyewear sector.

Export volume in detail

Overall, throughout 2010 exports climbed to just over **84 million pair of glasses**, of which nearly **55 million pair were sunglasses** (approx. **65%**) and more than **29 million were prescription eyeglass frames (35%)**. There was also a significant **improvement** in terms of quantities, altogether **19.4% compared to 2009** (+12.1% for frames, +23.8% for sunglasses).

Italian export market share in detail

At the level of global exports of sunglasses and spectacle frames (approx. 8,500 million Euros)

Italy holds the record with a market share in excess of 27%.

Counting sunglasses alone, Italy's export market share value leaps to 43%, and for frames it stands at 21%. Next in line are China and Hong Kong but, not even taken together do their numbers equal Italy's record-setting high.

Italy's domestic market in detail

The industry situation internally remains at critical levels. Despite the fact that declines in the market are lower than those experienced by other sectors, consumption continues to stagnate,

unlike the domestic markets in France and Germany, for example. Sunglasses primarily feel the brunt of the downturn, even though the repercussions on vision wear are clearly felt, due to considerable 'stretching' of the average life of the product. The domestic market in 2010 is valued at approximately **976 million Euros, down by 2.5% against 2009** (a full 14 percentage points below pre-crisis highs).

Forecast for 2011

Based on reports on the economic crisis by the leading international and Italian economic analysts, the trend that marked the closing of 2010 will continue into 2011, at least for the first few months, whereas longer-term forecasts seem to be all too unpredictable. With regard to exports, the tendency toward a rebound should be confirmed in 2011, it's difficult to say if it will reach the peak highs established in 2007, but the sector seems to be on the right path (industry exports for the first quarter should close with an increase of approximately 15% compared to the first quarter of 2010). The domestic market, however, continues to display a lack of vitality in the early months of 2011, confirming the stagnant state of consumption and its unwillingness to rebound in both the sunglass and the vision wear sectors.