



ANNUAL REPORT

Cosmetics Industry and consumption in Italy



Turnover of the cosmetics Industry

- In 2012 the turnover of the Cosmetics Industry in Italy, i.e. **the production value**, recorded an increase of 0.9% compared to the previous year, with a value of over 9,000 million euro, staying well above the national manufacturing industry average which recorded a substantial general decrease.
- Although at world level 2012 marked the beginning of a recovery for some of the most important economies, in Italy there was no sign yet of a return to pre-recession values. The brake on consumer spending also affected the domestic market which, for the first time in the cosmetics industry, recorded a negative value, albeit slight. However, although consumers are more prudent when making their purchases than they used to be, they are not giving up cosmetics and personal care.
- The **domestic demand** generated a negative impact on production volumes with a reduction of 1.8% and a value of almost 6,200 million euro. Looking at the various cosmetics sales channels on the domestic market, door-to-door and mail order sales showed positive trends, which together grew by +2.8%; the herbalist channel, incorporated in the mass market aggregate, grew by five percentage points. For the first time pharmacy sales dropped (-1.4%), while the structural downturn in the perfume shop channel was confirmed (-4%).
- Study of the domestic market as a lever to increase turnover confirms the negative sales trend of the professional channels, reduced by 5.7% with a sell-in value of 761 million euro.
- 2012 saw a continuation of the slowdown in visits to beauty salons and hairdressing salons (which have been affected more than all the other channels by the sharp downward turn in the economy in the autumn of 2008).

COSMETICS INDUSTRY TURNOVER BY CHANNEL OF DISTRIBUTION

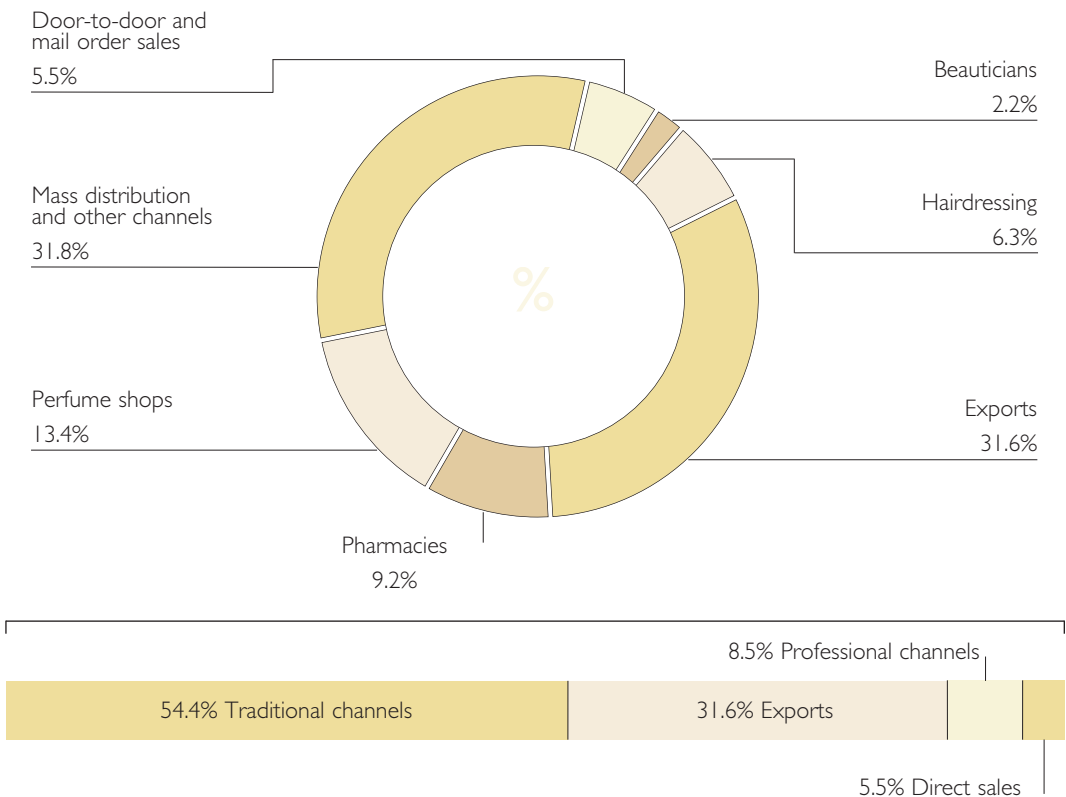
Figures in million euro

	2011		2012	
	value	% var.	value	% var.
Italian market turnover	6,291	1.8	6,180	-1.8
TOTAL TRADITIONAL CHANNELS	5,484	2.2	5,419	-1.2
Pharmacies	843	1.8	831	-1.4
Perfume shops	1,264	0.7	1,213	-4.0
Mass distribution and other channels*	2,890	2.8	2,877	-0.4
Door-to-door and mail order sales	487	3.6	498	2.3
TOTAL PROFESSIONAL CHANNELS	807	-0.8	761	-5.7
Beauticians	206	1.5	196	-5.0
Hairdressing	601	-1.5	565	-6.0
Exports	2,671	11.0	2,860	7.1
Global cosmetics industry turnover	8,962	4.4	9,040	0.9

* includes Herbalist shops, with a 2012 turnover of 198 million Euros

- The domestic consumption of cosmetics continued to be influenced by the ongoing negative trend of the general economic situation and did not sustain the turnovers of the Italian companies; however, the significant performance of **exports** in the course of 2012 produced an important recovery in profitability. Sales abroad increased by 7.1%, accounting for 2,860 million euro. The trend was also inverted by imports, which dropped by 2.5%, confirming the slowdown in domestic demand, geared to products with the best price/quality ratio. Due to these trends, **the balance of trade** in the sector remained positive, confirming a record value of around 1,240 million euro.
- Analysis of the percentage distribution of turnover showed interesting developments: the mass market recorded a slight drop, offset by incorporation of the herbalist channel, with a growth of five percentage points, and just under 32% of the market. The other channels remained substantially stable, apart from the professional channels which saw a downturn. The increase in exports continued, covering almost 32% of the turnover and door-to-door and mail order sales (5.5%), with the pharmacy channel remaining stable (9.2%). Despite its drop in sales, the perfume shop channel, with a share of over 13.4%, remained the backbone of the entire sector. Export percentages grew, covering 31.6%.
- Despite ongoing tensions on the economic scene, the turnover trend reflected the health and competitive ability of the cosmetics industry and the effectiveness of the strategy of ongoing commitment to research and innovation, and confirmed above-average industrial investments. Italian businesses were able to promptly respond with adequate policies targeting internationalisation, reporting positive trends. The Italian cosmetics industry is recognised worldwide for its innovative formulations and the dynamic service of its manufacturers, and these characteristics have enabled this Italian industry to make a name for itself on both traditional and emerging markets.
- The processes of polarisation of consumption and segmentation of supply characterise the decisions of the industry, which is increasingly attentive to consumer needs also in terms of safety and reliability.

OVERALL TURNOVER BY CHANNELS OF DISTRIBUTION



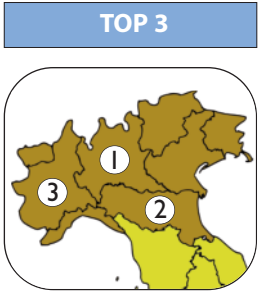
The Italian regions

- Over 80% of the Italian cosmetics companies are concentrated in the north of the country; only a year ago the figure was around 75%.
- Lombardy is the region with the highest density of cosmetics companies - over 51% - followed by Emilia Romagna, which exceeds 10%, Piedmont 8.5% and Veneto 6.9%.
- In Basilicata, Calabria, Sardinia, Molise and Valle d'Aosta no industries are recorded while in Liguria, with a share of 2.8%, there was a slight decrease in the number of cosmetics companies compared to the previous data provided by ISTAT, Italy's National Institute of Statistics.

GEOGRAPHICAL DISTRIBUTION OF INDUSTRIES

Percentage distribution

Abruzzo	0.9
Apulia	0.9
Campania	1.7
Emilia Romagna	10.4
Friuli Venezia Giulia	1.5
Latium	6.3
Liguria	2.8
Lombardy	51.4
Marches	0.9
Piedmont	8.5
Sicily	0.7
Trentino South Tyrol	1.3
Tuscany	4.6
Umbria	1.3
Veneto	6.9
Total	100.0



- This year the on-the-ground analysis focuses on the perfume shop channel which, with its 5,500 sales outlets in Italy, plays an important role in terms of distribution for the cosmetics industry.
- In 2012, in the distribution of Italian **perfume shops** (data provided by Fenapro – National Federation of Perfume Shops), the top three regions in terms of concentration of sale outlets are Lombardy (17.0%), Lazio (11.5%) and Campania (9.5%). Analysing the Nielsen areas, it is interesting to note the close proximity between area 1 (29.0% of the total) and area 4 (27.0% of the total).
- Observing the distribution of the **Italian perfume shop chains**, the parallelism of the first two positions is evident, with Lombardy representing 19.2% of the total sale outlets and Lazio covering 14.6%. Veneto is in third position, increasingly close to 10% of the total. Looking at the Nielsen areas, in areas 1 and 3 the coverage of the Italian sales outlets is over 30%, followed by area 2 with just over 23% and, lastly, area 4, which is below 16%.

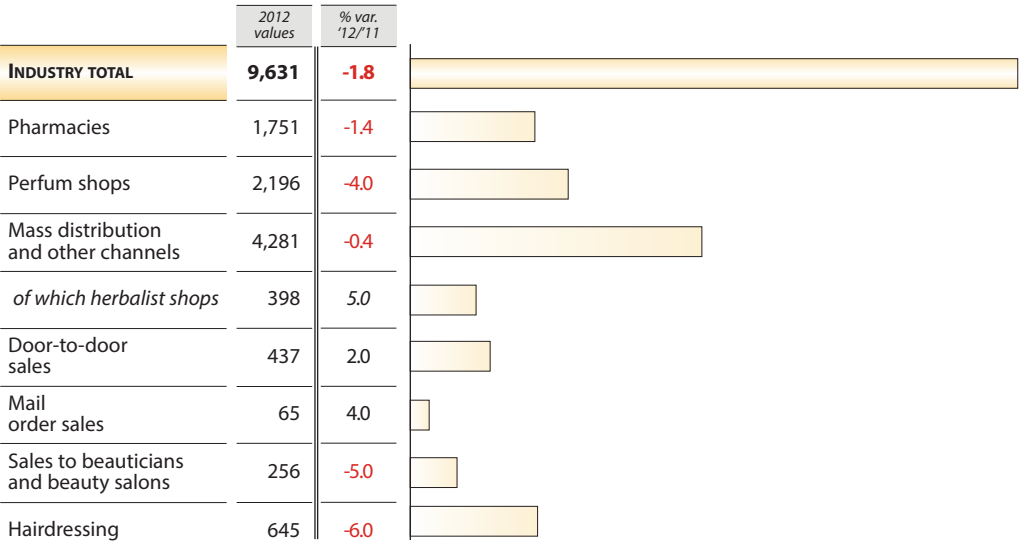


The distribution channels

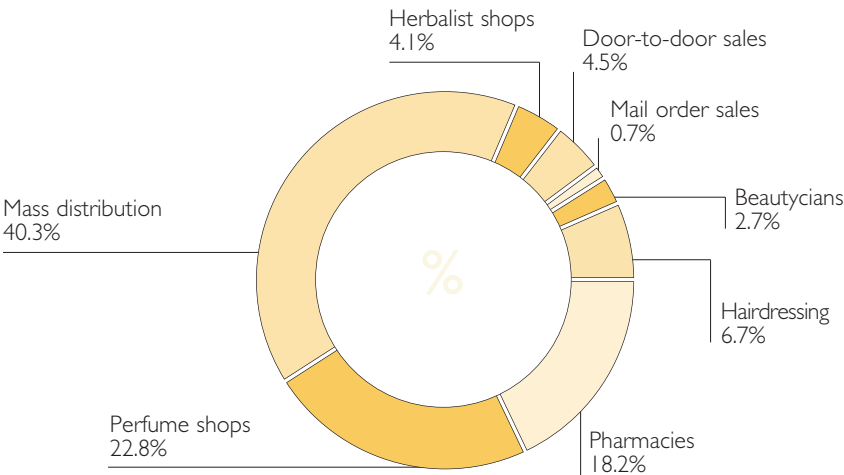
- After years of constant growth, in 2012 the **market value of cosmetics** purchased recorded a slight decrease of 1.8 percentage points, with a value of 9,631 million euro; in practice, the anti-cyclical trend of the sector is reflected by consumers streamlining their spending choices, switching over to cheaper price ranges and channels, without however forgoing premium products, thus weakening the intermediate price range. Quantities consumed have not essentially changed, however the decrease in the use of professional channels has had an impact.
- In 2012 all the **traditional channels** suffered, albeit to a minor degree and to varying extents, except for the herbalists and direct sales channels. Consumption in the herbalist channel grew by five percentage points, by far the highest performance, followed by mail order sales, +4%, and door-to-door sales, +2%.

TOTAL MARKET FOR COSMETICS PRODUCTS IN 2012

Consumption in million euro, VAT included



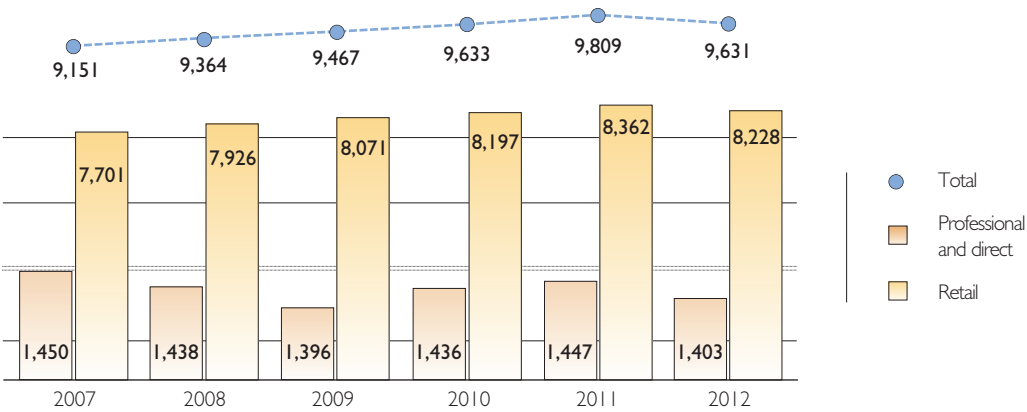
2012 CONSUMPTION BY CHANNELS OF DISTRIBUTION



- Pharmacy sales suffered a setback, -1.8%, and, to a lesser extent, mass market sales -0.4%. The fall-off in perfume shop sales was more evident, -4%, and market shares were lost in conjunction with an important change in selective distribution, setting the traditional perfume shops against the more advanced dynamics of the specialist chains.
- The sharp slowdown in the **professional channels** continued: sales in hairdressing and beauty salons lost 6% and 5% respectively.
- In 2012 the price trend appears to increase compared to the previous trends with perfume shops showing the most marked variation among the traditional channels, +2.4%. In the professional channels the increase in marginality did not produce important effects given the serious downturn in the quantities.

EVOLUTION IN COSMETICS CONSUMPTION: 2007-2012

Consumption in million euro, VAT included



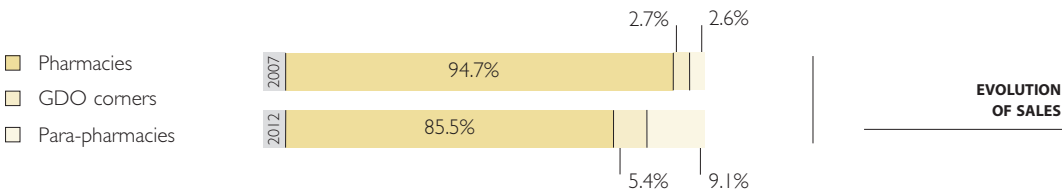
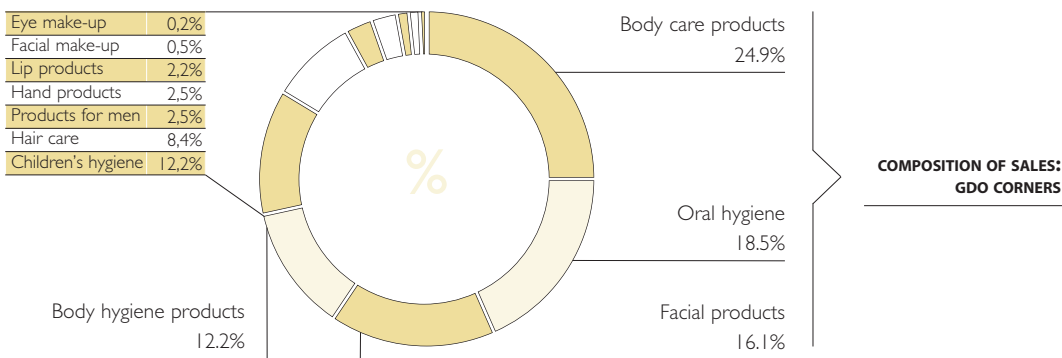
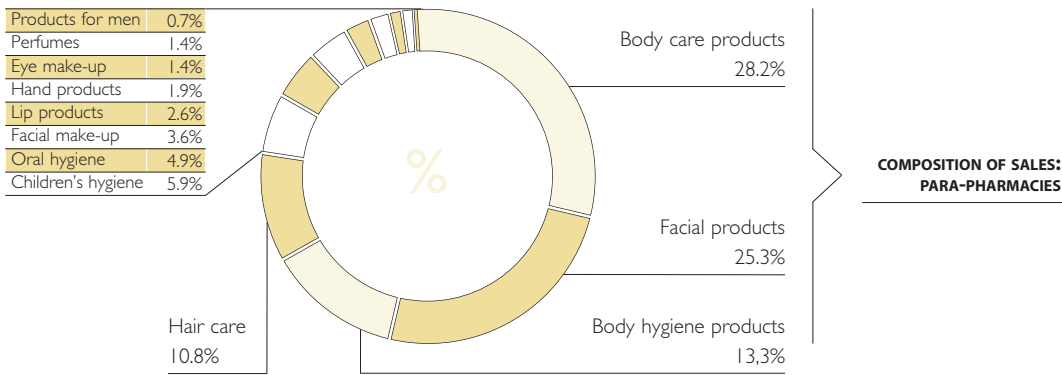
TRENDS IN DISTRIBUTION CHANNELS

2012 vs. 2011 variation

CHANNEL	CONSUMPTION	QUANTITY	PRICE
Pharmacies	-1.4%	-2.6%	+1.2%
Perfume shops	-4.0%	-6.4%	+2.4%
Other channels	-0.4%	-0.6%	+0.2%
of which SUPER-HYPERMARKETS	-3.4%	-2.7%	-0.7%
TOTAL TRADITIONAL CHANNELS	-1.2%	-2.3%	+1.1%
Door-to-door sales	2.0%	+0.5%	+1.5%
Mail order sales	4.0%	+3.0%	+1.0%
Sales to beauticians and beauty salons	-5.0%	-7.0%	+2.0%
Hairdressing	-6.0%	-9.5%	+3.5%
GENERAL TOTAL	-1.8%	-3.1%	+1.3%

PHARMACIES

- The phenomenon of polarization of consumption also appeared to affect the pharmacy channel. The consumer data confirmed a slight decrease in the market value, which touched 1,751 million euro, a 1.4% drop, but consumers continued to visit the pharmacies, switching perhaps to products with a better price-quality ratio. The cosmetics sold in the channel represented over 18% of the total, a constantly growing share, confirming consumer trust in the pharmacies.
- Pharmacies, more than any other sales channel, invest in cosmetic products and a specialist sales staff. Data also include figures for cosmetics sold in **para-pharmacies**: this phenomenon has characterised distribution in the channel in recent years, increasing from 2.6% in 2007 to 9.1% in 2012 out of the total consumption in the channel, although recent economic measures seem to be affecting its growth trend.
- Detailed analysis of sales for corners and para-pharmacies, processed on IMS data, explains some characteristics: in the para-pharmacies the sales of face and body products cover over 53%, while in the corners the composition is more uniform. The growth in values vis-à-vis constant volumes continues, although at a slower rate, thanks to the change in the product mix, and this has been the main characteristic for some time now.



PERFUME SHOPS

- After several years of negative figures, **perfume shop sales** fell further in 2012, with a decrease of 4% and a value near to 2,200 million euro. Perfume shops, with a 22.8% share out of the total, rank second for consumer spending on cosmetics, after the mass market. As in previous years, only price increases supported volumes, with some effects on consumer spending and decreases in consumer numbers.
- **Profound changes** in consumer groups, divided between loyal and occasional customers, have affected channel trends: many parties hope for innovative interventions to enhance the selectivity of the channel which, as confirmed by the recent analyses, remains an important value, recognised by large groups of consumers.
- New launches, reduction of stock and dynamic price list policies have not been sufficient to stimulate a stable recovery, above all due to the difficulties of numerous independent sale outlets, weakened by new forms of distribution which are much more aggressive and up-to-date.
- In view of the profound consumer changes, the future evolution of the channel will depend on the ability of the operators to develop new identity strategies.

MASS MARKET AND OTHER CHANNELS

- The value of the cosmetics sold on the **mass market** in 2012 was around 3,880 million euro, excluding the herbalists, proving to be the most important cosmetics sale channel. Sales trends were uneven, however. A major difference continued between sales of cosmetics at hypermarkets and conventional supermarkets, with a 3.6% decrease, and sales through specialist channels, also defined as the **"home & personal care sector"** (or "modern channel") which still increased at considerable rates. In recent years the dynamic impact of the new single-brand shops has also been evident.
- Consumer orientation towards niche products and articles with a high price/quality ratio continued, also in the mass market channels.
- Comparative data tables include the value of the mass market under the item "other channels"; this value is equal to 4,281 million euro and also includes the value of herbalist shops and the specialist channels mentioned.

2012 consumption trends by points of sale

2012 vs. 2011 variation

HYPERMARKETS	Retail points of sale with a sales surface > 2,500 m2	-3.6%
SUPERMARKETS	Retail points of sale with a sales surface from 400 to 2,499 m2	
SELF-SERVICE	Retail points of sale with a sales surface from 100 to 399 m2	-8.3%
DISCOUNT	Retail points of sale featuring an unbranded assortment	2.4%
TRADITIONAL GROCERY	Points of sale with a sales surface <100 m2. These shops must carry at least three of the following products: hair lacquers, toilet soaps, shaving products, personal deodorant or sanitary towels	0.6%
SELF SERVICE DRUG SPECIALIST (SSS DRUG)	Retail points of sale dealing primarily in products for the home and toiletries	0.8%

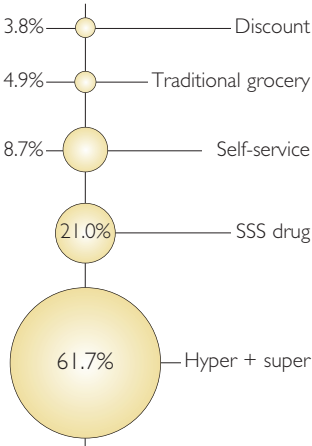
Best performance analysis

2012 vs. 2011 variation

MODERN DISTRIBUTION hyper, super and self-service	Facial tissues	+7.2%
	Anti-cellulite creams	+2.3%
	Foot hygiene products	+2.8%
DISCOUNT	Dyes	+7.1%
	Nail solvents	+24.5%
	Sunscreen products	+11.9%
TRADITIONAL GROCERY	Foundations	+1.3%
	Foot hygiene products	+15.9%
	Perfumes for women	+1.0%
SSS DRUG	Shampoos	+6.9%

Mass distribution analysis

Percentage distribution



DIRECT SALES CHANNELS

- Door-to-door and mail order sales, which represent the direct distribution channel to the consumer, recorded positive dynamics, better than the mean trend of the other channels: also in 2012, in fact, growth was sustained, +2.2%, with a value exceeding 500 million euro, 5.2% of the entire market.
- The value of **door-to-door sales** exceeded 430 million euro, with a 2% increase. One third of this channel comprised sales of make-up. Also the growth in **mail order sales**, increased by four percentage points, with a market value of 65 million euro, confirmed the consumer interest in these new modes of supply, characterised by service specialisation.
- Interest in **Internet sales** grew: the recent findings indicate an increase in sales of around 20%, although volumes are still not particularly significant. As highlighted in the analysis of the Beauty Report 2013, however, the use of the web as a communication and information tool is the most significant development in recent years.

HERBALIST SHOPS

- In 2012, cosmetics sold in **herbalist shops** confirmed the positive trend of recent years, with figures above the annual average. The value of sales, close to 400 million euro and a growth rate of 5% over 2011, characterises this channel which does not appear to be affected by the negative economic situation, thanks to the spending choices of consumers, who are increasingly drawn towards healthy, natural concepts.
- Sales in the herbalist channel, like the pharmacy channel, confirm the consumer choices of those user groups that prefer personal attention and advice when making their purchases.
- Ecological awareness and **attention to natural products** continue to increase, with herbalist shops meeting this need; the continuing growth of specialist corners and the opening of new sales outlets confirm the development of the channel, driven by the products at the top end of the price lists.

BEAUTY SALONS

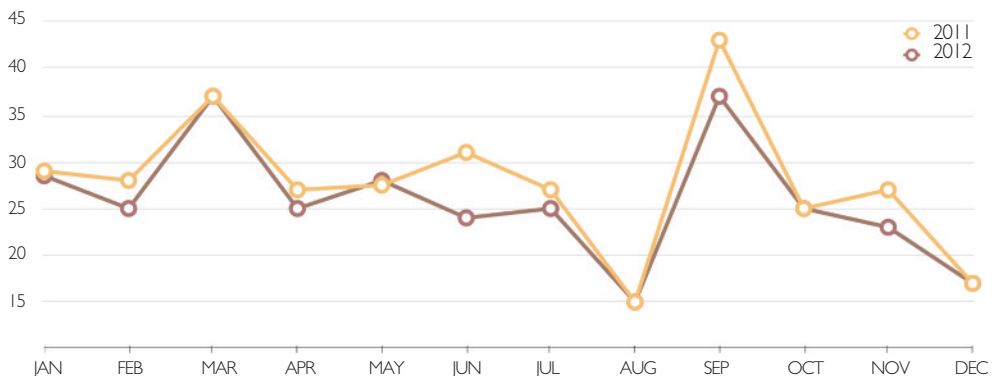
- For a couple of years now the drop in consumption in **beauty salons** has continued, -5%, with a value of around 260 million euro, i.e. 2.7% of all cosmetics purchased in Italy. The channel is still suffering from uncertainty in terms of visits to beauty salons, penalised by the current economic situation, and continues to be characterised by price tensions, the policies of important market players and, above all, by new competition in the form of products of uncertain origin.
- The channel is suffering from uncertainty in terms of visits to beauty salons, which are still penalised by the current economic situation; tensions persist on prices and on the policies of important market players, not to mention the unfair competition of many improvised salons that use products of uncertain origin. The lack of a precise distribution identity, also characterised by non-uniformity in terms of quantity and price trends, is detrimental to development of the channel. In addition, **some important emerging phenomena** are negatively affecting the situation, such as spa and wellness centres, which dynamically account for increasingly large shares of the professional beauty market.

HAIRDRESSING

- The sale of cosmetics in the **professional channel** recorded a significant drop in 2012 of 6.0%, with a value of 645 million euro. There was a considerable drop in quantities, -9.5%, with an increase in prices, +3.5%, above the average of the other channels.
- Remembering that the market value comprises both the products used for the services and sold in the salons, and the products sold and used outside the salons, the latter account for approximately 15% of the aggregate value; as usual each year, the Marketing & Telematica findings provide further evaluations of the professional channel.
- Overall the net turnover in 2012 is on the decrease compared to the data for the previous year, with negative variances (February, June and, above all, September) and positive variances (March, May and August). The **monthly trends** for 2012 once again highlight the seasonal nature of consumption in the channel which does not diverge from the positive peak values (March and September) and negative peak values (August and December).

Monthly trend of sales by value

Turnovers in million euro



- The highest sales, in terms of volumes, are confirmed for the following product families: shampoo, developers/oxidants, dyes, conditioners/creams with rinse and lacquers. Consumption in terms of quantity dropped below 9,000 thousands litres in 2012: a decrease that fully reflects the negative signals recorded in terms of value.

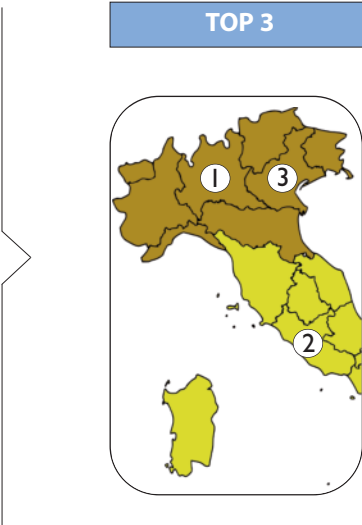
Regional classification of personal care product sales

- The sales of cosmetics per geographical area recorded by ISTAT show an evident concentration in Northern Italy where 50% of the personal care products are sold and approximately 46% of the cosmetic products used and sold in the professional channels.
- The top region for sales of personal care products is Lombardy with 18.6%, followed by Lazio (10.0%), Veneto (9.8%) and Emilia Romagna (9.6%).
- With a percentage around 25%, the South and the islands show consumption levels far higher than other product categories, testifying to a widespread uniform consumption not only in the population groups but also at territorial level. The data for sales in the professional channels are even better, where the South has a share of over 29%.

ABSOLUTE CONSUMPTION BY REGIONS

Percentage distribution

	Products for personal care	Hairdressing and beauty salons
Abruzzo	2.5	2.7
Apulia	5.6	6.2
Basilicata	0.8	0.9
Calabria	2.6	2.8
Campania	7.1	7.8
Emilia Romagna	8.3	8.5
Friuli Venezia Giulia	2.2	2.3
Latium	9.0	9.2
Liguria	3.1	2.7
Lombardy	21.1	18.5
Marches	2.3	2.3
Molise	0.6	0.6
Piedmont	8.6	7.5
Sardinia	2.2	2.6
Sicily	5.8	6.9
Trentino South Tyrol	1.7	1.7
Tuscany	5.9	6.0
Umbria	1.4	1.5
Val d'Aosta	0.3	0.2
Veneto	8.8	9.0
Total	100.0	100.0



Calculations by Cosmetica Italia Study Centre based on ISTAT data; values in million euro

Cosmetics in Europe

- The data provided by **Cosmetics Europe**, ex-Colipa, the European Association representing the cosmetics industry, confirm for 2012 top sales in Germany with 12,851 million euro, followed by France with 10,455 million euro. The United Kingdom is in third place with 10,191 million euro. Italy is fourth at the European sales level, followed by Spain, fifth, with 6,772 million euro. The concentration index confirms that the first 5 countries cover just under 70% of the European market, which in 2012 reached 72,152 million euro.
- The products most sold in Europe are skin care cosmetics, 25.4% of the total.
- Europe, with 72 billion euro, confirms its top position in world sales, followed by the United States (59 billion euro) and Japan with 30 billion euro.

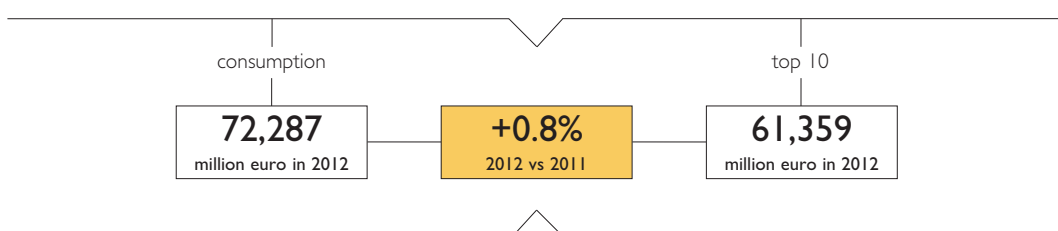
EUROPEAN CONSUMPTION

Consumption in million euro, VAT included

1	Germany	12,851
2	France	10,455
3	United Kingdom	10,191
4	Italy	9,631
5	Spain	6,772
6	The Netherlands	2,837
7	Poland	2,761
8	Switzerland	2,165
9	Belgium/Lux	1,960
10	Sweden	1,736
11	Portugal	1,313
12	Austria	1,274
13	Norway	1,264
14	Denmark	1,047
15	Finland	904
16	Romania	893
17	Greece	846
18	Czech Republic	772
19	Hungary	677
20	Ireland	656
21	Slovakia	488
22	Bulgaria	279
23	Lithuania	156
24	Slovenia	155
25	Latvia	114
26	Estonia	91



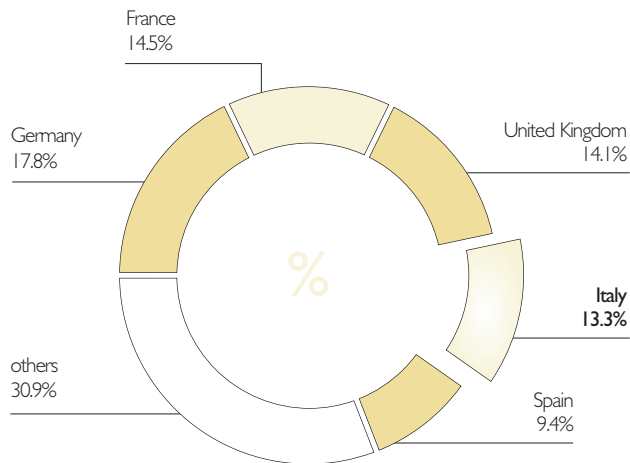
Cosmetics Europe data, 2012



COMPOSITION OF CONSUMPTION BY COUNTRY

OTHER COUNTRIES:

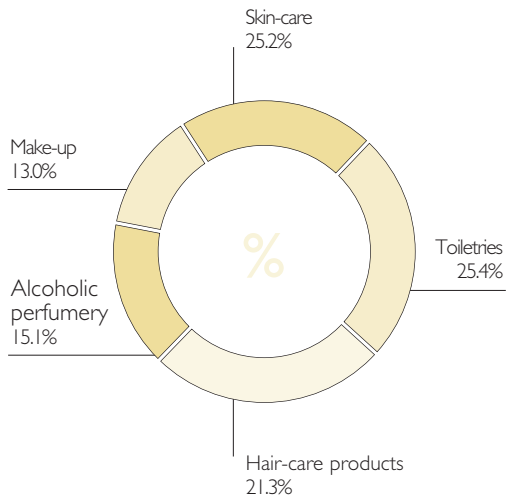
The Netherlands	3.9%
Poland	3.8%
Switzerland	3.0%
Belgium/Lux	2.7%
Sweden	2.4%
Portugal	1.8%
Austria	1.8%
Norway	1.8%
Denmark	1.5%
Finland	1.3%
Romania	1.3%
Greece	1.2%
Czech Republic	1.2%
Hungary	1.1%
Ireland	0.9%
Slovakia	0.7%
Lithuania	0.2%
Slovenia	0.2%
Bulgaria	0.2%
Latvia	0.2%
Estonia	0.1%



COMPOSITION OF CONSUMPTION BY CATEGORY

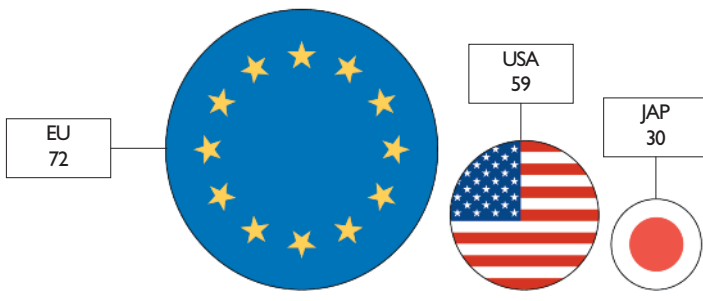
2012/2011 TRENDS

Make-up.....	+2.4%
Toiletries.....	+2.0%
Hair-care products.....	+0.2%
Alcoholic perfumery.....	0.0%
Skin-care.....	-0.3%



MAJOR MARKETS COMPARED

Consumption in billion euro



The cosmetics sales trend

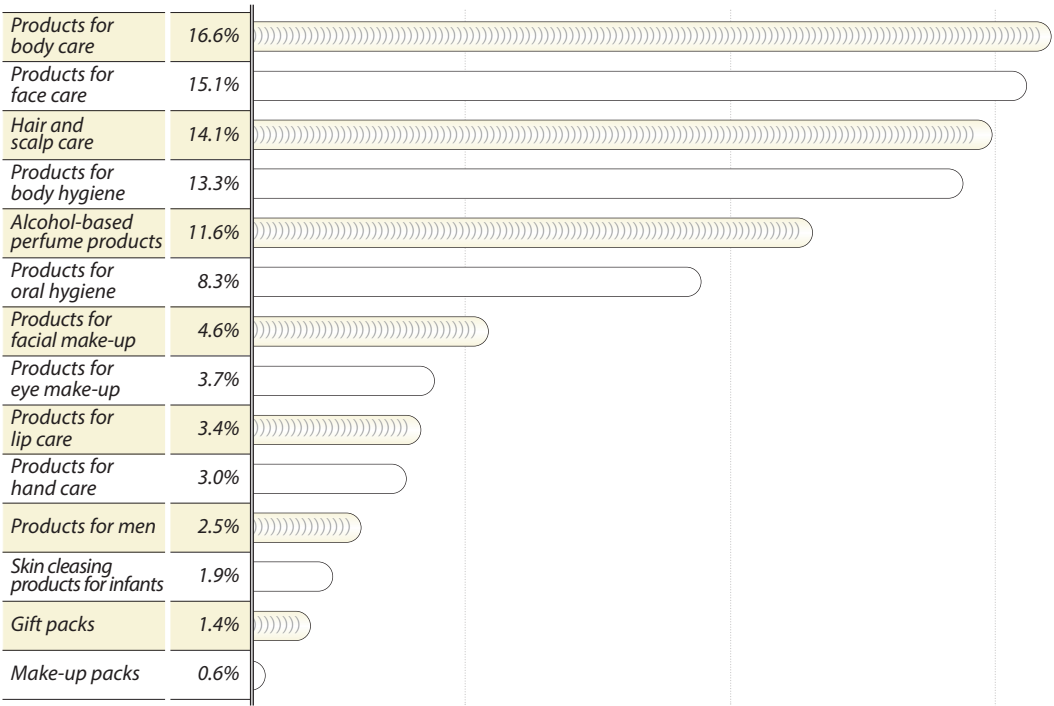
- 2012 marked a downturn for the cosmetics market, after holding out for years against the current recession. Cosmetics sales in Italy recorded a 1.8% drop in value, going back to the 9,600 million euro already reached during 2010. A rebound effect, after the good performance of the last financial year (+1.8%) but more than satisfactory considering the serious repercussions on consumer spending attitudes in the period following the world crisis in the third quarter of 2008.
- Out of the cosmetics total, 8,228 million euro were sold in the **retail channel**, with an overall degrowth of 1.6%, partly sustained by the confirmation of businesses such as the single-brand shops in the mass market and the sale of cosmetics in herbalist shops. There was also a downturn in the pharmacy channel, after a period characterised by very positive trends on many product lines. On the domestic market, **exports** performed well, +7%, confirming the growing ability of the Italian cosmetics companies to adapt to the new characteristics of the expanding markets and different consumer purchase choices.
- Transversality of consumption was one of the most evident characteristics of the Italian market also in 2012; in the lines dedicated to the mass market, the specialist distribution outlets (see p. 8) and the single-brand shops were the driving forces.

COSMETIC PRODUCTS RETAIL CONSUMPTION - 2012 *traditional channels value*

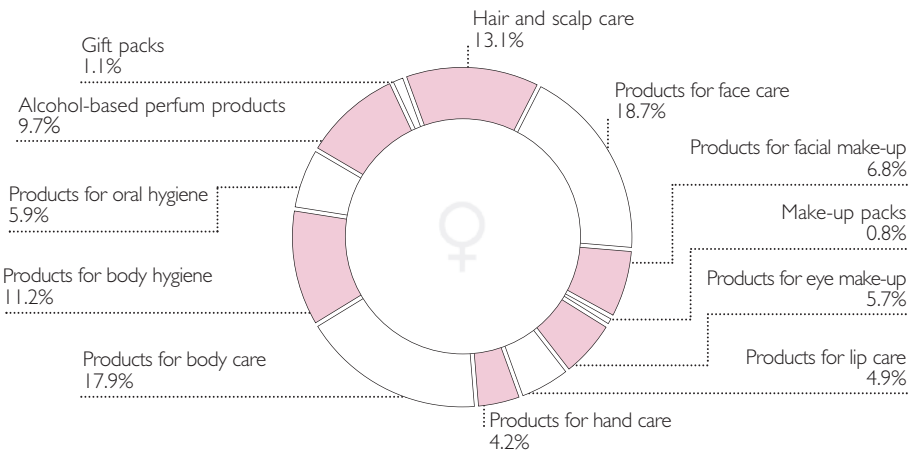
Consumption in million euro, VAT included

Total retail channels	Total	Pharmacy	Perfum shops	Mass market, other channels	Total % var. ↓	Pharmacy % var. ↓	Perf. shops % var. ↓	Mass, other % var. ↓
	8,227.7	1,750.7	2,195.6	4,281.4	-1.6	-1.4	-4.0	-0.4
Hair and scalp care	1,157.0	175.9	79.8	901.3	-1.7	-1.8	-6.0	-1.3
Products for face care	1,242.6	470.0	428.9	343.7	-1.6	-0.5	-3.8	-0.5
Products for facial make-up	392.0	52.6	197.2	142.2	2.9	2.5	0.4	6.7
Make-up packs	46.4	0.0	32.3	14.1	-2.6	-40.2	-3.6	0.0
Products for eye make-up	330.4	18.3	154.3	157.7	5.3	8.2	1.0	9.7
Products for lip care	285.2	47.0	92.5	145.7	-0.5	1.4	-5.9	2.6
Products for hand care	246.1	39.8	52.9	153.3	-0.5	1.0	-6.7	1.4
Products for body care	1,356.4	440.1	166.1	750.2	-2.1	-3.0	-8.5	0.0
Products for body hygiene	1,087.8	254.4	48.4	785.0	-2.3	-2.1	-12.6	-1.6
Products for oral hygiene	684.8	131.0	4.4	549.4	-0.9	-1.0	0.0	-0.9
Skin cleansing products for infants	153.6	100.8	4.7	48.1	-2.5	-1.7	0.0	-4.3
Products for men	192.2	13.2	44.9	134.0	-7.1	-10.6	-12.3	-4.9
Alcohol-based perfume products	940.8	7.6	787.9	145.2	-3.4	10.1	-3.3	-4.4
Gift packs	112.5	-	101.1	11.4	-4.1	-	-4.6	0.5

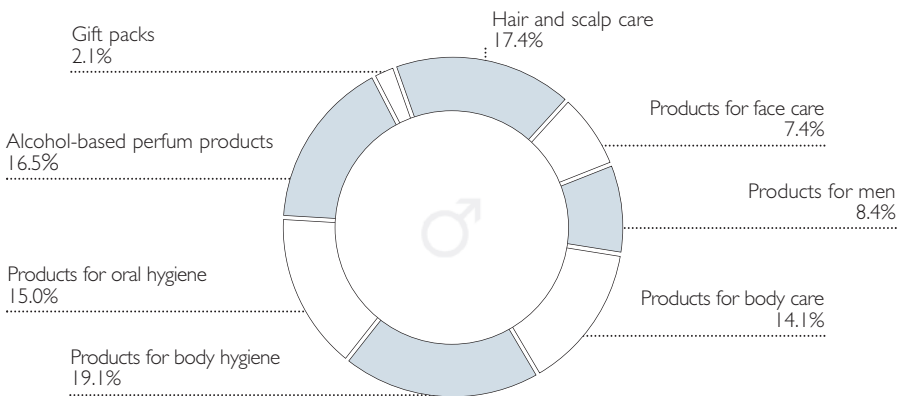
COSMETIC PRODUCTS RETAIL CONSUMPTION - 2012 share



ESTIMATE OF COMPOSITION OF WOMEN'S COSMETICS CONSUMPTION



ESTIMATE OF COMPOSITION OF MEN'S COSMETICS CONSUMPTION (30% total)



BEAUTY REPORT 2013

On 4th June 2013, at the offices of the daily "Il Tempo" in Rome, the fourth Report on the value of the Cosmetics Industry in Italy was presented, promoted by Cosmetica Italia and drawn up by the company Ermeneia – Studi & Strategie di Sistema.

The **main findings that emerged** are listed briefly below:

- the cosmetics sector has continued to enjoy fundamental growth, despite the impact of an ongoing recession whose effects can be seen especially in the domestic market;
- the industry is positively weathering the economic storm thanks to the non-cyclical nature of consumer spending patterns, although consumers have adjusted their behaviour slightly;
- it was seen that the recession is being actively absorbed, while 'adjusting' for its effects, by companies that take decisive action against it;
- it clearly emerged that constant attention needs to be focused on the cosmetics industry as a whole and on its 'maintenance'.

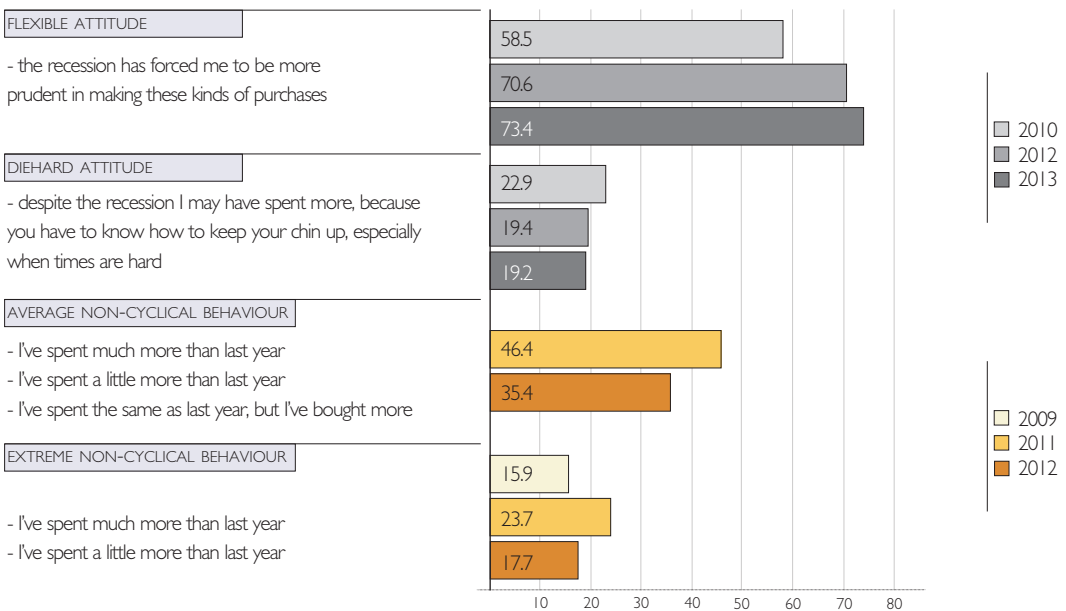
Two needs for the sector are also highlighted:

1) despite the slowdown in growth and the occasional negative sign, it is important that the industry does not fall victim to surprise, or to the possible spread of negative sentiment. Rather, it needs to rationalize its pessimism and concerns and trust in the dynamism that certainly does not appear to be lacking in cosmetics companies, given their anti-cyclical propensity as well as what continues to be the remarkably non-cyclical behaviour of consumers when it comes to purchasing cosmetics.

2) there is the need to harness that dynamism actively so as to drive new growth. To do so, however, it needs to be positively supported and steered by both public-sector institutions and by private-sector industry associations, also through new partnerships and alliances built along the way.

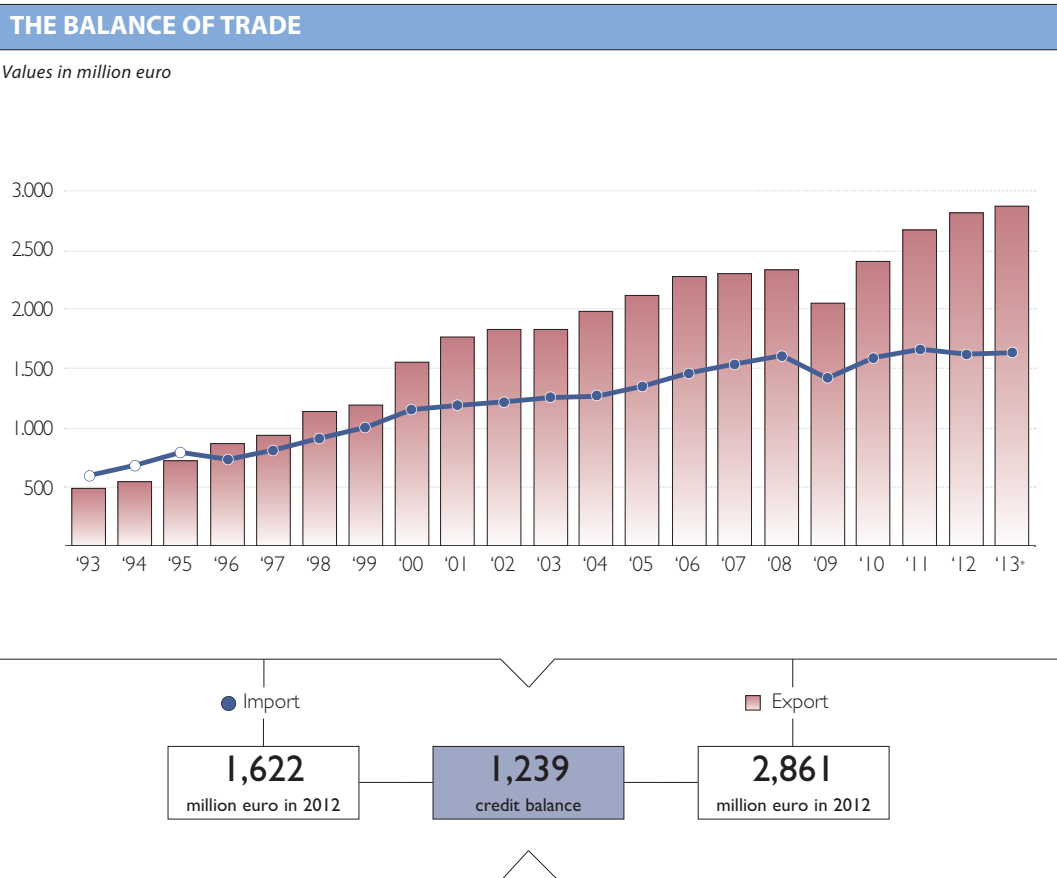
A summary chart is provided below.

Spending attitudes and non-cyclical behaviour



Imports and exports

- The analysis of the foreign trade data is based on the statistics processed every year by Centro Studi starting from the data provided by Istat. Periodically the Italian Institute of Statistics, applying the corrections that intervene also during the survey period, revises the previous years' data: also the statistics processed by Cosmetica Italia therefore adapt the values of the corresponding years. However, apart from a few exceptional cases, the importance of the variances is always marginal.
- After 2010 and 2011 which were characterised by a strong recovery in exports (after a few years of downturn), in 2012 a further **increase in exports** was recorded, bringing them well above the pre-recession values of 2008. Italian cosmetics exports exceeded the value of 2,860 million euro with an increase of 7.1%. As regards the quantity data, there was a growth of 2.1% (less marked than the previous year) confirming that the recovery in international consumption is sustained also by products with a high price value.
- A drop is recorded (against the trend of the previous year) in **imports** which, with a value exceeding 1,620 million euro, decrease by 2.5%.
- Thanks also to the relaxing of tensions on the foreign markets, the balance of trade in the cosmetics industry confirmed the trend that began in 1996, when the value of cosmetics exports exceeded that of imports. In 2012 the **credit balance** was near to 1,240 million euro, well above many adjoining product categories.
- In 2012 the exports of cosmetics from Italy was certainly aided by appreciation of the dollar over the euro and the gradual recovery of some foreign markets from the international crisis in the summer of 2008, which had seriously affected demand.



Calculations by Cosmetica Italia Statistics Dept. based on ISTAT data; * 2013 value estimate

- Safety of the formulations and ongoing product innovation have helped to maintain shares on the individual markets and have stimulated an increase in market shares in new areas of excellence, confirming the quality of Italian products in the cosmetics sector.
- The ratio of **exports to turnover** in 2012 was 31.6%, the highest value of the last decade, undoubtedly stimulated by the improved trend of the big European markets and the developing markets in the African, Middle Eastern and Far Eastern areas. The value is still too low to affirm the vocation of the cosmetics industry for internationalisation processes but nevertheless remains positive in terms of new development opportunities on the foreign markets.
- In 2012 the product types that most contributed to the good performance of exports were **toilet water and eau de cologne** with a total volume of 489 million euro and a growth of around 15 percentage points, creams and other products, which increased by 3.1% with a value approaching 540 million euro, and eye make-up, +17.6%, with a value that increased from 183 million euro in 2010 to the current 263 million. The decrease in **personal deodorants**, -13.4%, with a value of 71 million euro, and bath preparations, which dropped by 14.9 percentage points, impacted heavily. Hair preparations also decreased, -12.7%, just above 8 million euro. Lacquers recovered after the slump of 2010, +13.4%, with exports worth 21 million euro.
- Also in 2012, foreign trade confirmed sudden relaxations in tension in the economies of the individual countries, their common denominator being the ability to weather the financial crisis of the last few years. In this context, the **growth of foreign sales** of Italian

EXPORTS OF FINISHED AND SEMI-PROCESSED GOODS

Data compiled from January to December

EXPORTS	QUANTITY (tons)			VALUE (thousand Euros)		
	2011	2012	% var.	2011	2012	% var.
Shampoo	74,776.6	74,985.2	0.3%	138,264.6	145,228.6	5.0%
Hair preparations	1,905.2	1,487.6	-21.9%	9,312.4	8,127.7	-12.7%
Lacquers	7,074.3	7,505.3	6.1%	18,502.9	20,977.2	13.4%
Hair lotions and other products for hair care	75,198.0	81,293.5	8.1%	366,301.2	412,586.6	12.6%
Powders and compact powders	4,114.6	4,195.7	2.0%	104,777.7	103,805.8	-0.9%
Creams and other products	49,347.0	45,329.2	-8.1%	522,997.1	539,168.3	3.1%
Lip make-up products	1,723.4	2,020.3	17.2%	62,681.5	74,922.5	19.5%
Products for eye make-up	7,064.2	8,173.3	15.7%	223,512.6	262,895.9	17.6%
Nailcare products	1,215.9	3,125.4	157.0%	16,739.5	39,095.9	133.6%
Toilet soaps	57,972.4	73,083.4	26.1%	109,554.3	131,328.0	19.9%
Bath preparations	34,296.9	27,634.1	-19.4%	70,336.6	59,848.2	-14.9%
Personal deodorants	16,399.5	13,876.5	-15.4%	82,441.8	71,397.1	-13.4%
Toothpastes	3,313.6	3,778.3	14.0%	18,511.4	20,659.0	11.6%
Other preparations for oral hygiene	52,991.3	50,607.4	-4.5%	94,736.2	95,947.8	1.3%
Shaving, pre-shave and after shave products	15,070.1	14,308.7	-5.1%	49,357.4	47,517.2	-3.7%
Perfumes and eau de parfums	11,376.7	9,090.8	-20.1%	267,117.2	245,761.8	-8.0%
Toilet waters and eau de colognes	15,899.3	18,503.2	16.4%	426,029.1	489,184.3	14.8%
Other perfume and toiletry products	17,891.0	18,034.8	0.8%	91,171.3	92,442.8	1.4%
TOTAL EXPORTS	447,630.0	457,032.4	2.1%	2,672,344.7	2,860,894.7	7.1%

Calculations by Cosmetica Italia Statistics Dept. based on ISTAT data

cosmetics confirms the competitiveness of Italian products which offer a mix of quality, service and innovation, and increasing attention to consumer safety.

- As regards **imports**, the most significant products in terms of value are creams, which record a drop of 1.5% with a value of over 522 million euro, and toilet water and eau de cologne, -10.1%, with a value of over 225 million euro.
- The top cosmetics export sales area is **Europe** with over 1,900 million euro, thanks to the sustained recovery of demand in countries like France, United Kingdom and Netherlands. There was a slight drop in 2012 in Italian exports to Germany, -0.4%, and Spain, -1.8%.
- In the top 10, a strong recovery was recorded in Russia (+22.2%), Poland (+18.1%) and Hong Kong (+14.1%): the volumes of these countries are increasingly interesting, above all in strategic terms for the internationalisation policies of the companies operating in the sector. On average, these three important players in the international cosmetics trade have recorded a growth of over 60% in the last three years.
- In general there has been a uniform expansion in the export values of cosmetics from Italy: **Asia**, with a value of 513 million euro, recorded an increase of 6.5%; **America**, with a value of around 330 million euro, increased by 8%, while **Africa** recorded a strong growth in preference for Italian exports, +57% compared to last year's value. **Oceania**, which has grown by 20% in the last two years, recorded an overall value of around 49 million euro.

IMPORTS OF FINISHED AND SEMI-PROCESSED GOODS

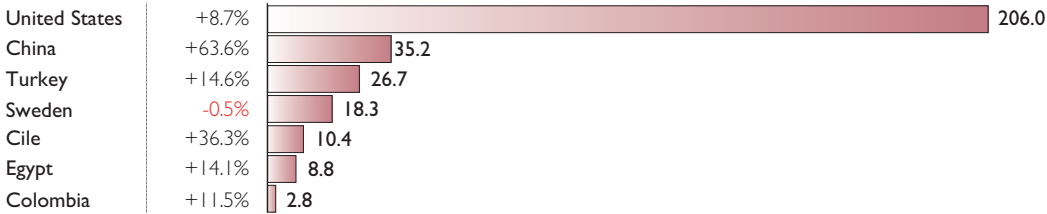
Data compiled from January to December

IMPORTS	QUANTITY (tons)			VALUE (thousand Euros)		
	2011	2012	% var.	2011	2012	% var.
Shampoo	46,838.5	41,920.4	-10.5%	97,897.2	87,501.1	-10.6%
Hair preparations	476.6	383.4	-19.6%	2,778.4	2,298.8	-17.3%
Lacquers	3,947.9	1,892.2	-52.1%	14,175.8	7,533.0	-46.9%
Hair lotions and other products for hair care	31,308.4	30,641.3	-2.1%	122,154.5	122,744.9	0.5%
Powders and compact powders	778.2	1,250.4	60.7%	21,370.6	23,562.2	10.3%
Creams and other products	42,361.7	42,339.6	-0.1%	530,089.5	522,118.7	-1.5%
Lip make-up products	989.8	873.5	-11.7%	42,270.6	42,568.0	0.7%
Products for eye make-up	1,450.1	1,909.3	31.7%	71,827.8	85,394.5	18.9%
Nailcare products	3,726.4	3,616.9	-2.9%	61,436.7	65,670.9	6.9%
Toilet soaps	21,939.7	21,063.3	-4.0%	39,758.4	39,373.6	-1.0%
Bath preparations	15,769.9	13,771.7	-12.7%	30,811.5	29,481.6	-4.3%
Personal deodorants	8,289.3	8,071.6	-2.6%	59,385.4	54,601.9	-8.1%
Toothpastes	28,442.1	26,672.0	-6.2%	93,072.9	90,118.3	-3.2%
Other preparations for oral hygiene	9,005.6	7,364.8	-18.2%	37,311.9	36,507.0	-2.2%
Shaving, pre-shave and after shave products	5,131.0	4,489.8	-12.5%	22,805.9	21,864.5	-4.1%
Perfumes and eau de parfums	8,438.9	7,739.8	-8.3%	123,552.8	123,266.0	-0.2%
Toilet waters and eau de colognes	8,454.4	7,802.0	-7.7%	251,071.5	225,642.1	-10.1%
Other perfume and toiletry products	6,690.3	6,673.8	-0.2%	41,060.7	41,404.7	0.8%
TOTAL IMPORTS	244,038.8	228,475.8	-6.4%	1,662,832.1	1,621,651.7	-2.5%

Calculations by Cosmetica Italia Statistics Dept. based on ISTAT data

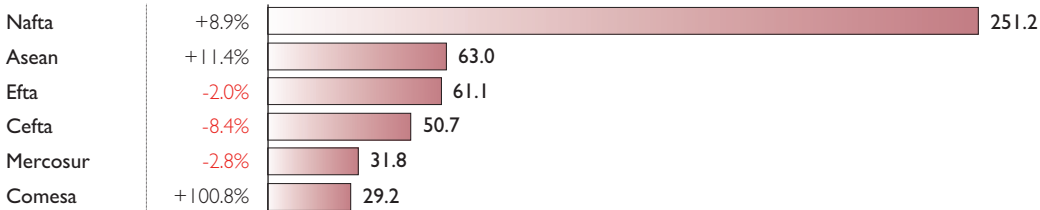
2012 INTERNATIONALISATION PLAN COUNTRIES

Exports - figures in million euro



GEO-ECONOMIC AREAS

Exports - figures in million euro

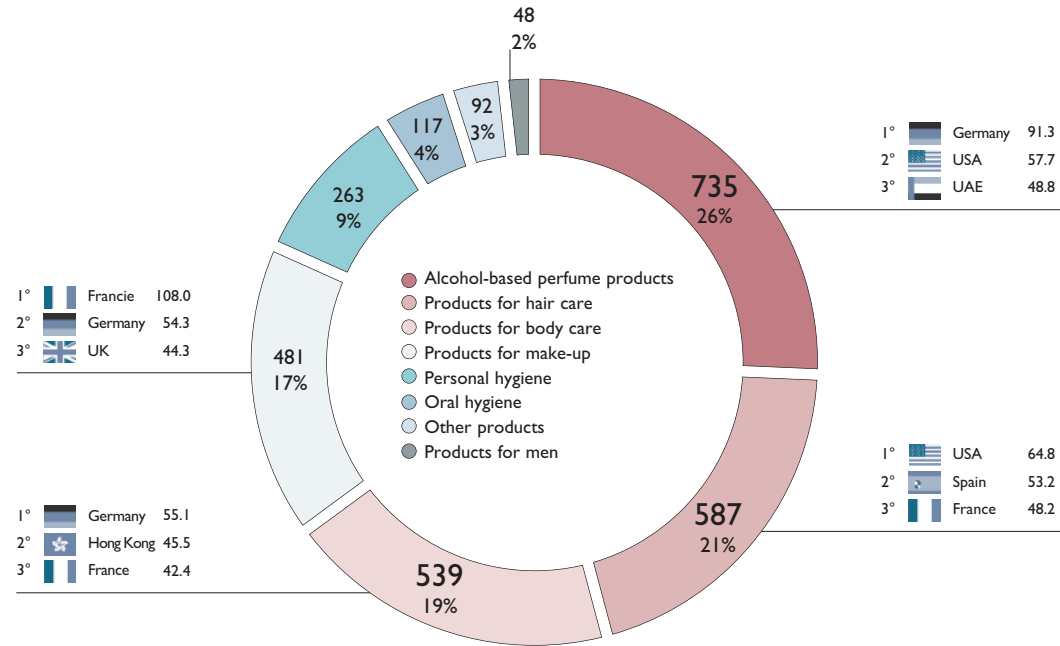


Notes

1. NAFTA members: Canada, Mexico, United States
2. ASEAN members: Birmania, Brunei, Cambodia, Philippines, Indonesia, Laos, Malaysia, Singapore, Thailand, Vietnam
3. EFTA members: Iceland, Liechtenstein, Norway, Switzerland
4. CEFTA members: Croatia, Macedonia, Moldova, Serbia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo
5. MERCOSUR members: Argentina, Brazil, Paraguay, Uruguay
6. COMESA members: Burundi, Comoros, Congo, Egypt, Eritrea, Ethiopia, Djibouti, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe

BEST IMPORTERS BY MACRO CATEGORY

2012 exports - figures in million euro



Advertising investments

- For some time now Cosmetica Italia Statistics Dept. has been processing the data on advertising investments in the cosmetics sector on the basis of the findings provided by Nielsen. Every year Nielsen proposes adaptations to the previous datasets so it is not possible to guarantee exact continuity of comparison with the previous years. The composition of some product families may also be affected by these corrections, especially for the past. However, the quality of the trends identified and their significance in absolute terms are guaranteed.
- In 2012 **advertising investments in the cosmetics sector** fell by 12% with a value of just under 500 million euro, almost 43% of the personal care macrosector which, in turn, with a decrease of 12%, covered almost 18% of the total investments in commercial advertising. At a time of widely recognised uncertainty, the cosmetics sector expressed less negative dynamics than other industries of equal importance and confirmed, as it had already done in the past, its ability to sustain the propensity to investment more than other important sectors, for example the food industry, which drastically reduced its investments by over 17 percentage points.
- The value of advertising investments in cosmetics is second only to that of the food, automobile and telecommunications industries; it represents 30% of the “consumer product” aggregate with an investment-to-turnover ratio of 7.5%, far higher than that of important “made in Italy” industries such as fashion, eyewear and footwear.

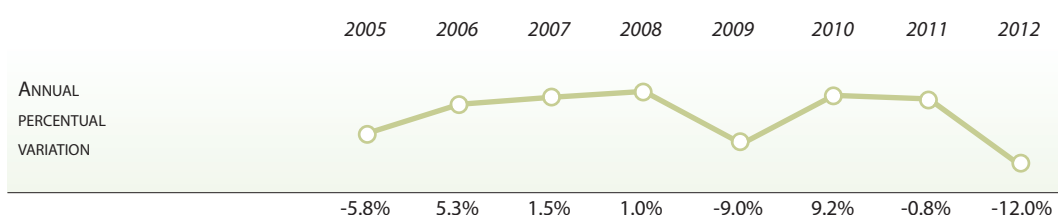
TRENDS IN THE MACRO-SECTORS - commercial advertising in Italy

Figures in thousand euro

Sectors	2011		2012		% var.
	net invest.	% share	net invest.	% share	
Activity/services	2,078,385	26.9	1,767,922	26.9	-14.9
Consumer durables	1,384,055	17.9	1,146,529	17.4	-17.2
Mass consumption	2,000,862	26.0	1,651,218	25.1	-17.5
of which Food	1,419,059	18.4	1,169,216	17.8	-17.6
of which Drug	581,803	7.5	482,002	7.3	-17.2
Personal (of which Cosmetics 496,018)	1,314,473	17.0	1,156,924	17.6	-12.0
Leisure	949,442	12.3	858,305	13.0	-9.6
TOTAL COMMERCIAL ITALY	7,727,217	100.0	6,580,898	100.0	-14.8

ACTIVITY/SERVICES: distribution, authorities/institution, finance/insurance, industry/construction, prof. services, telecommunications, various; CONSUMER DURABLES: housing, cars, domestic appliances, information technology/photography, motorbikes/vehicles; MASS CONSUMPTION: food, beverages/alcoholic beverages, household, toiletries; PERSONAL: clothing, personal care, pharmaceuticals/health products, personal articles; LEISURE: games/school articles, media/publishing, leisure pursuits, tourism/travel.

NET ADVERTISING INVESTMENT FOR COSMETIC PRODUCTS IN CLASSICAL MEDIA



- The effects of the international financial crisis, which has had a serious impact on domestic consumption, have also conditioned fiscal pressure, with inevitable repercussions on investments, for example in advertising, which are now considered of secondary importance. Nevertheless an evident effort has been made by firms which have tried to maintain continuity in order to sustain the demand for cosmetics by **targeted advertising**, often rationalising planning and looking for specific opportunities in the individual advertising media.
- With the drop in investment values, the **level of advertising pressure** in 2012, i.e. the ratio between consumption of cosmetics and investments in advertising, was the worst in recent years, with a percentage of 5.15%.
- In 2012 the most widely used medium was still the **television**, which showed a decrease of 10.5%, around 365 million euro, while the **press** slumped by 18.7% with just over 103 million euro. The value of investments in the **radio** was 5.7 million euro with the most drastic reduction: -29.6%. The drop in investments recorded in the **cinema** was also evident, -22.2%, with values of around 8.2 million euro.
- Investments in periodicals were down 18%, with a value of over 90 million euro; investments in dailies also dropped, -25%, with a value of around 13 million euro. Even though the volumes had little effect on the total, there were encouraging signs from the **TV satellite channels**, +2.7%, with values of over 56 million euro, and from the **Internet**, +27.3%, with an investment value of 13 million euro (+70% in the last three years).

COSMETICS COMMERCIAL ADVERTISING

Figures in thousand euro

Media	2011	% share	2012	% share	% var.
Printed press	127,383	22.6	103,502	20.9	-18.7
<i>Daily newspapers</i>	16,981	3.0	12,671	2.6	-25.4
<i>Periodicals</i>	110,020	19.5	90,580	18.3	-17.7
<i>Specialised press</i>	382	0.1	251	0.1	-34.3
Television	406,990	72.2	364,101	73.4	-10.5
<i>Public TV</i>	73,187	13.0	55,435	11.2	-24.3
<i>Commercial TV</i>	278,864	49.5	252,254	50.9	-9.5
<i>Satellite TV + DTT</i>	54,939	9.7	56,412	11.4	2.7
Cinema	10,557	1.9	8,216	1.7	-22.2
Radio	8,027	1.4	5,655	1.1	-29.6
Posters and hoardings	489	0.1	1,477	0.3	202.0
Internet and direct mail	10,266	1.8	13,067	2.6	27.3
TOTAL MEDIA	563,712	100.0	496,018	100.0	-12.0

PERCENTAGE ADVERTISING PRESSION INDEX

