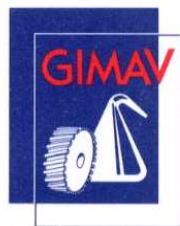


GIMAV
ITALIAN GLASS-PROCESSING
MACHINERY AND ACCESSORIES
SUPPLIERS' ASSOCIATION



THE ITALIAN INDUSTRY OF MACHINES, ACCESSORIES AND SPECIAL PRODUCTS FOR GLASS PROCESSING IN 2003

Background

The Italian machine-building industry comprises numerous sectors grouped into Associations. Italy has more than 43,000 companies in the machine-building area that are similar to other Italian companies, i.e. mostly small-sized employing 13 people on average and with a sales volume of 2.1 million Euro

Based on end-of-the-year figures for 2003 Italian production of producer goods totaled 25.4 billion Euro, counting for 2% of GDP.

The workforce stood at 160,000, i.e. 2.3% of the total labor force employed by the Italian industry.

Exports (16.3 billion Euro) were the industry's most significant contribution to the domestic economy and accounted for 4.9% of Italy's overall exports, including goods and services. This percentage climbs to 6.3% when exports of producer goods only are considered. The Italian machine-building industry closed 2003 with a trade surplus of approx. 11.8 billion Euro, an outstanding performance considering that the overall domestic trade balance posted a surplus of 1.1 billion Euro only.

A comparison with the main European countries underscores the importance of the Italian machine-building industry. When comparing the ranking of the 15 EU countries based on GDP, Italy comes fourth with a 12.2% share. However, when considering the added value generated by the machine-building industry only, Italy climbs to the second place in Europe with a 19.6% share.

Italy's ranking in Europe					
Factor	Germany	France	United Kingdom	Italy	Other EU Countries
GDP	27.0 %	18.3 %	13.5 %	12.2 %	29.0 %
Industry	26,4 %	16,9 %	14.4 %	15.2 %	27.1 %
Machinery	34.7 %	11.9 %	11.8 %	19.6 %	22.0 %
Eurostat, CSC data processing					

The Italian industry of machinery, accessories and special products for glass processing, maintained its usual good performance in 2003 notwithstanding the fewer orders received from both national and international buyers.

The upward trend which characterized the first half of 2002 progressively ebbed off in the first half of 2003 to be replaced by a highly fluctuating market trend in the last quarter. Numerous causes account for this turnaround, but considering the marked export-oriented nature of this industry, the most influential factors were the persistently sluggish French and German markets, the SARS epidemics that sealed off Far Eastern markets for several months, and the dollar weakening against the euro.

In spite of this, the Italian industry of machinery, accessories and special products for glass processing managed to close 2003 with a surplus.

Once again, the greatest strength of Italian companies in this industry was their small-medium size and ability to quickly diversify in order to target more promising markets combined with a top quality production.

Imports

Overall imports took a nosedive (**-33%**) compared to 2002, although a detailed analysis of the flat and hollow glass sectors reveals opposite figures:

- Machinery and accessories for cold working (flat glass): **+ 6.44%**
- Machinery and accessories for hot working (hollow glass): **- 40.81%**

Flat glass machinery accounted for 26.27% (11.03 million Euro) of overall **imports**, which totaled slightly less than 42 million Euro, while Italian hollow glass manufacturers purchased 30.9 million Euro worth of products, thus accounting for 73.72% of total imports.

Table I below shows import trends in the last three years (2001, 2002 and 2003) and percentage changes between 2003 and 2002.

Table I –2003 Import Data

IMPORTS OF MACHINERY, ACCESSORIES AND SPECIAL PRODUCTS FOR GLASS PROCESSING				
Sectors Country of Origin	2001 Euro	2002 Euro	2003 Euro	% Diff. 2003/2002
FLAT GLASS				
EU countries	10,019,233	8,080,450	9,150,091	13.24
Non-EU countries	937,745	1,106,933	1,246,365	12.60
Africa	1,094	-	33,134	100.00
America	1,464,809	281,923	243,704	- 13.56
Asia	249,576	781,501	359,511	- 54.00
Oceania	-	114,013	-	- 100.00
Flat Glass Total Imports	12,672,457	10,364,820	11,032,805	6.44
HOLLOW GLASS				
EU countries	35,170,149	43,650,965	22,597,345	- 48.23
Non-EU countries	2,478,126	4,434,719	4,898,361	10.45
Africa	59,268	549,467	28,398	- 94.83
America	4,188,341	3,132,898	2,887,312	- 7.84
Asia	909,871	533,598	544,370	2.02
Oceania	5,266	-	-	-
Hollow Glass Total Imports	42,811,021	52,301,647	30,955,786	- 40.81
Hollow + Flat Glass Total	55,483,478	62,666,467	41,988,591	- 33.00

2003 IMPORTS BY GEOGRAPHIC AREA

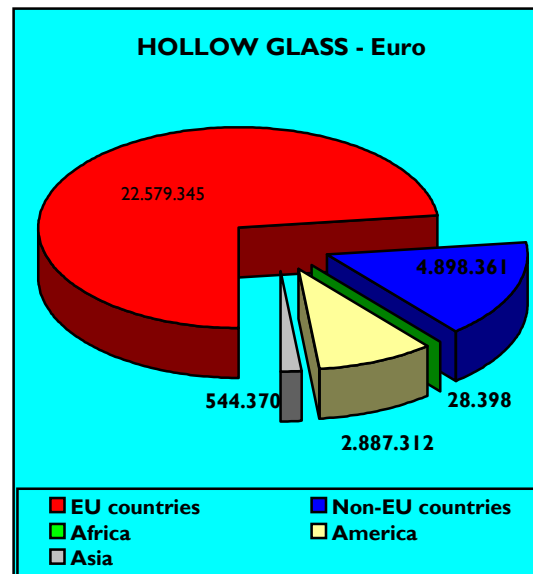
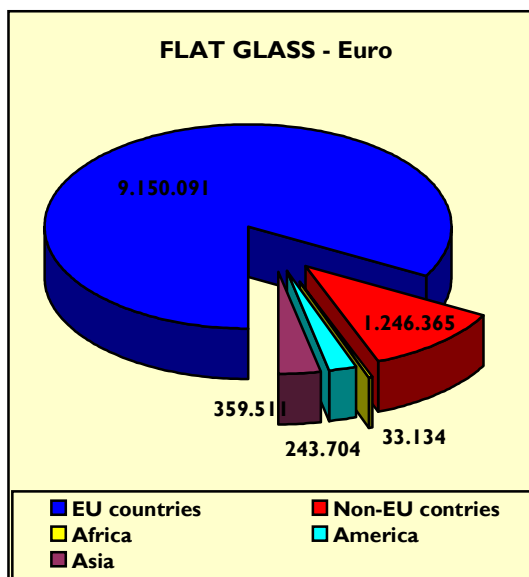


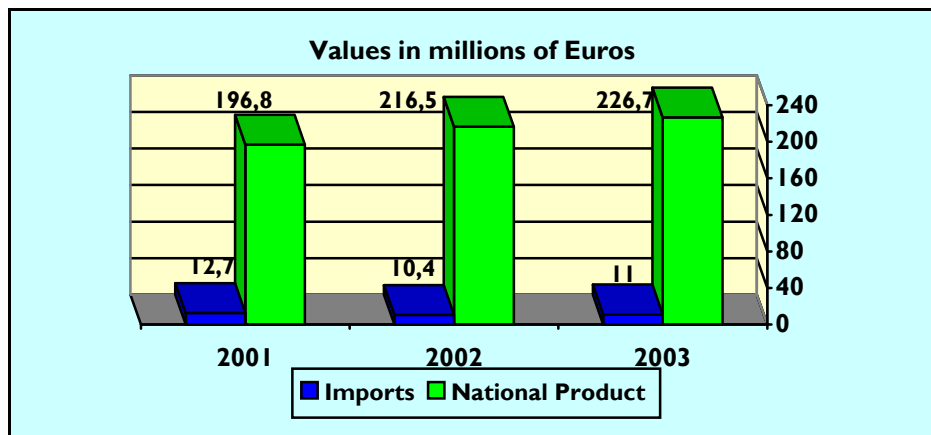
Table 2 shows general market absorption values in the three years considered. Noteworthy is the fact that the GNP satisfied an 87.64% share of the overall demand in 2003 amounting to 340 million Euro.

Table 2 – Domestic market absorption values

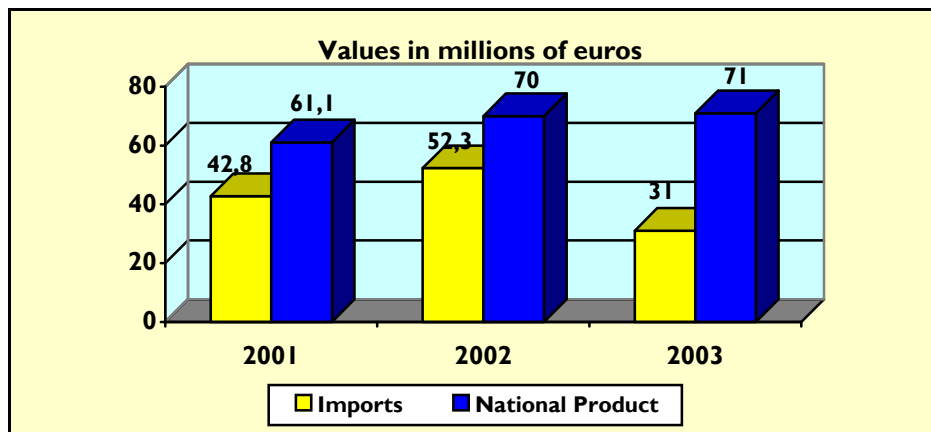
DOMESTIC MARKET ABSORPTION VALUES				
Sectors Country of origin	2001 Euro	2002 Euro	2003 Euro	% Diff. 2003/2002
<u>FLAT GLASS</u>				
Imports	12,672,457	10,364,820	11,032,805	6.44
National Product	196,776,941	216,454,635	226,671,294	4.72
Flat Glass - Total	209,449,398	226,819,455	237,704,099	4.80
<u>HOLLOW GLASS</u>				
Imports	42,811,021	52,301,647	30,955,786	- 40.81
National Product	61,072,063	70,033,809	71,042,296	1.44
Hollow Glass - Total	103,883,084	122,335,456	101,998,082	- 16.62
Hollow + Flat Glass - Total	313,332,482	349,154,911	339,702,181	- 2.71

Source: Istat data processed by Gimav

FLAT GLASS –2003 DOMESTIC MARKET VALUES



HOLLOW GLASS – 2003 DOMESTIC MARKET VALUES



Exports

Exports grew slightly by 1.56%, passing the 766.7 million euro. In this area, the two sectors post consistent growth rates:

- **machines, accessories and special products for flat glass + 1.38%**
- **machines, accessories and special products for hollow glass + 2.00%**

The European Union, accounting for 32.54% of Italy's total exports remained its main export market, despite the steadily downward trend: in 2001 it accounted for 40.28% and in 2002 for 34.88% of total exports.

As to the other geographic areas, the strongest increase was reported by non-EU countries, rising from 19.37% in 2002 to 25.44% in 2003.

America as a whole posted a 2.88% increase in exports versus 2002, which, however, can be attributed to Central and South America only, since the United States and Canada continued to buy less from overseas (with a 5.4% drop of Italian exports to these two countries versus 2002).

Table 3 shows export values in the last three years and the percentage difference between 2002 and 2003.

Table 3 –2003 Export Data

EXPORTS OF MACHINERY, ACCESSORIES AND SPECIAL PRODUCTS FOR GLASS PROCESSING				
Sectors	2001 Euro	2002 Euro	2003 Euro	% Diff. 2003/2002
Flat Glass	486,327,794	534,960,573	542,343,029	1.38
Hollow Glass	222,749,446	220,032,194	224,432,838	2.00
Flat + Hollow Glass - Total	709,077,240	754,992,767	766,775,867	1.56

Source: Istat data processed by Gimav

Table 4 shows export shares for the entire industry (flat + hollow glass) broken down by geographic areas over the last three years.

Tables 5 and 6, which specifically refer to the flat and hollow glass industry respectively, provide a more in-depth analysis of 2002 and 2003 performance and percentage differences for the various geographic areas.

Table 4 – Export Shares for the Entire Industry

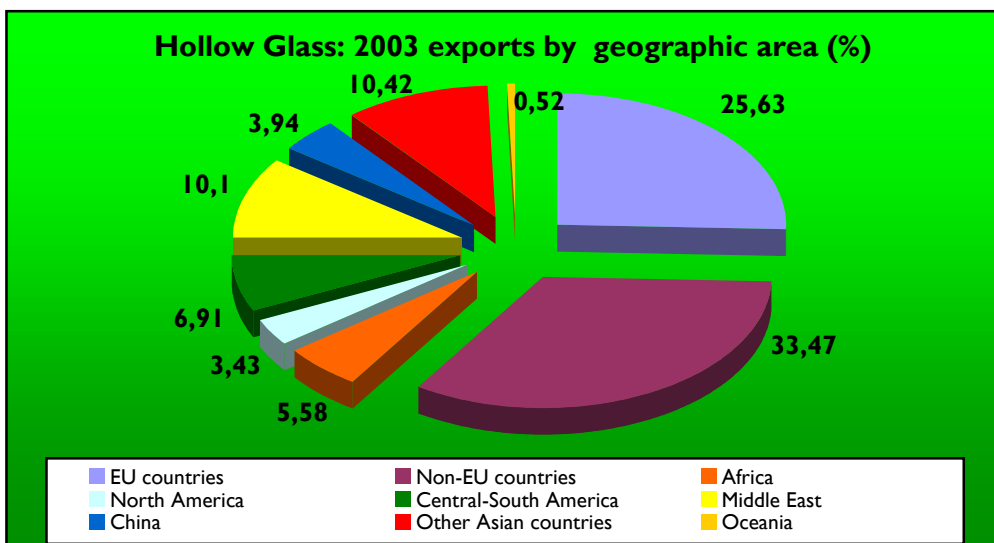
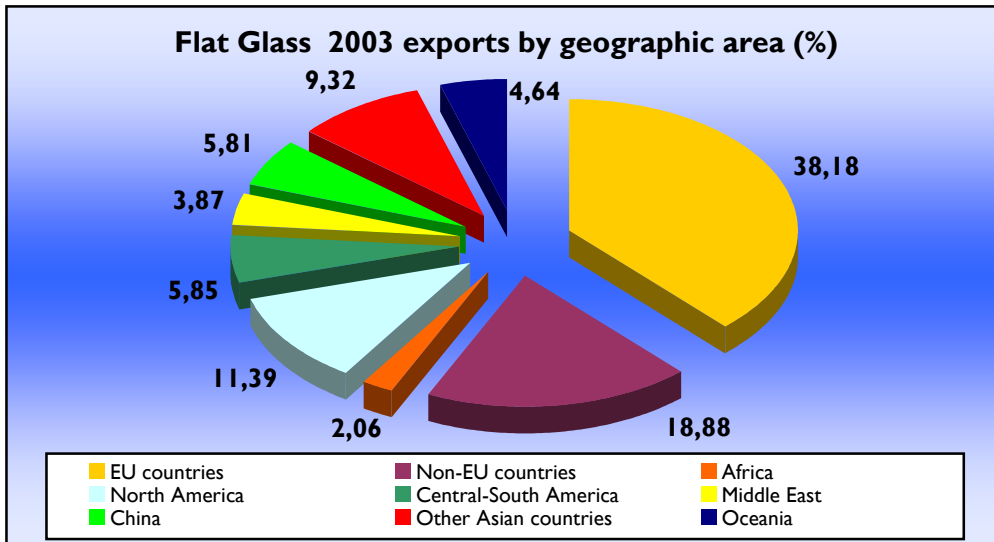
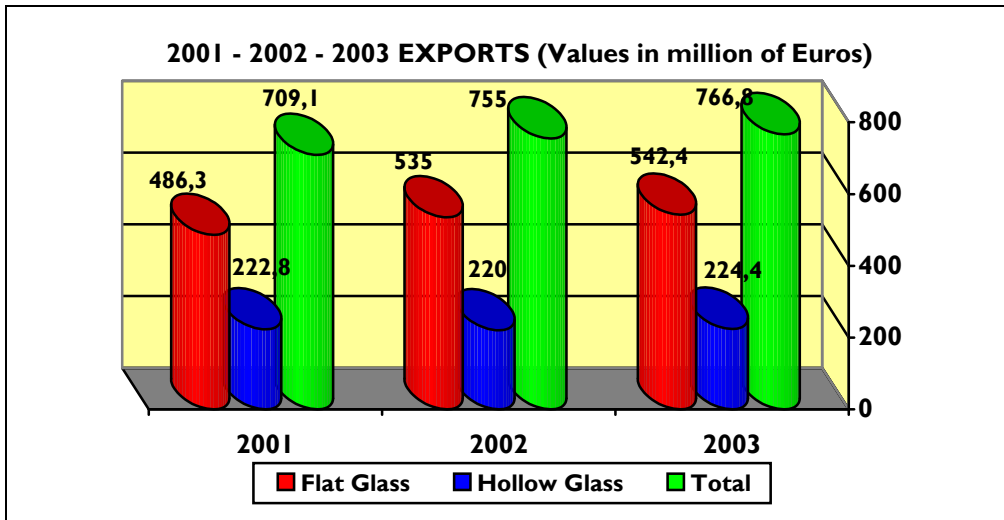
% SHARES BY GEO-ECONOMIC AREAS ENTIRE INDUSTRY EXPORTS			
Country of Destination	2001	2002	2003
EU countries	40,28	34,88	32,54
Non-EU countries	17,67	19,37	25,44
Africa	3	5,73	3,64
America	16,63	14,33	14,13
Asia	21,38	23,85	21,46
Oceania and free trade zones	1,03	1,84	2,79
Entire Industry - Total Exports	100,00	100,00	100,00

Table 5 – Export Shares for Flat Glass

FLAT GLASS EXPORTS			
Country of Destination	2002	2003	2003/2002 diff.
EU countries	39,94	38,18	- 1,76
Non-EU countries	19,60	18,88	- 0,72
Africa	1,86	2,06	0,20
North America	11,68	11,39	- 0,29
Central-South America (Mexico incl.)	5,38	5,85	0,47
Middle East	2,71	3,87	1,16
China + Hong Kong	6,09	5,81	- 0,28
Other Asian countries	9,66	9,32	- 0,34
Oceania and free trade zones	3,08	4,64	1,56
TOTALI	100,00	100,00	

Table 6 – Export Shares for Hollow Glass

HOLLOW GLASS EXPORTS			
Country of Destination	2002	2003	2003/2002 diff.
EU countries	29,49	25,63	- 3,86
Non-EU countries	21,96	33,47	11,51
Africa	9,85	5,58	- 4,27
North America	5,34	3,43	- 1,91
Central-South America (Mexico incl.)	6,08	6,91	0,83
Middle East	10,08	10,10	0,02
China + Hong Kong	5,20	3,94	- 1,26
Other Asian countries	11,47	10,42	- 1,05
Oceania and free trade zones	0,53	0,52	- 0,01
TOTAL	100,00	100,00	



Industry sales volume

In short, the Italian industry of machinery, accessories and special products for glass processing managed, once again, to close the year with a positive trade balance, increasing its sales volume both for flat and hollow glass and maintaining its 72%+ share of exports unchanged.

However, considerable attention is focused on monitoring trends in given areas which are more likely to lose market shares as a result of fierce international competition.

Table 7 – Sales volume by sector and 2003/2002 % changes

ITALIAN INDUSTRY'S SALES VOLUME				
MACHINERY, ACCESSORIES AND SPECIAL PRODUCTS FOR GLASS				
Sectors	2001 Euro	2002 Euro	2003 Euro	% diff. 2003/2002
<u>FLAT GLASS</u>				
Domestic market	196,776,941	216,454,635	226,671,294	4.72
Foreign markets	486,327,794	534,960,573	542,343,029	1.38
Flat Glass total sales volum	683,104,735	751,415,208	769,014,323	2.34
<u>HOLLOW GLASS</u>				
Domestic market	61,072,063	70,033,809	71,042,296	1.44
Foreign markets	222,749,446	220,032,194	224,432,838	2.00
Hollow Glass total sales vol	283,821,509	290,066,003	295,475,134	1.86
Flat + Hollow Glass Total	966,926,244	1,041,481,211	1,064,489,457	2.21

Table 8 - SALES VOLUME SHARES BY DESTINATION IN 2003

Country of Destination	Flat Glass	Hollow Glass	Flat + Hollow Glass Total
Italian Market	29.48	24.04	27.97
Foreign Markets	70.52	75.96	72.03
TOTAL	100.00	100.00	100.00

Source: Istat data processed by Gimav

Table 9 - Italy's trade exchange with the main countries			
Main countries of origin			
2002		2003	
Countries	% Share	Countries	% Share
United Kingdom	16,40	Germany	19,04
Sweden	15,77	Sweden	16,43
Germany	13,52	France	13,96
France	11,44	United Kingdom	10,39
Finland	11,30	United States	7,11
UE countries	82,55	EU countries	75,61
Main countries of destination			
2002		2003	
Countries	% Share	Countries	% Share
France	7,95	France	9,76
United States	7,11	Russia (Federation)	8,97
Spain	5,94	United States	6,51
Russia	5,86	Spain	5,39
Germany	5,76	China (Hong Kong and Macao in	4,97
China	4,75	Germany	4,60
UE countries	34,88	UE countries	32,54

Synoptic Table				
Accessories and special products for glass processing				
2001 - 2002 - 2003 years				
Variable	Unit of measure	2001	2002	2003
Industry sales volume	Euro	966,926,244	1,041,481,211	1,064,489,457
Exports	Euro	709,077,240	754,992,767	766,775,867
Imports	Euro	55,483,478	62,666,467	41,988,591
Trade balance	Euro	653,593,762	692,326,300	724,787,276
Domestic orders	Euro	257,849,004	286,488,444	297,713,590
	% change	+ 31.43	+ 11.11	+ 392
Foreign orders	Euro	709,077,240	754,992,767	766,775,867
	% change	+ 22.69	+ 6.48	+ 1.56
Employees	Unit	4,500	4,500	4,500

Source: Istat data processed by Gimav



I Investments

Despite its nature as a niche sector, essentially comprising small and medium sized family-run businesses that often employ members of the same family, the glass industry is open and dynamic, keen to raise its profile and to invest substantially in company modernization.

Over the last few years, Italian businesses have modernized their facilities by constructing new industrial buildings and buying producer goods for both production and the research and development of new products.

Emerging countries are becoming increasingly competitive worldwide as a result of their extremely low labor costs that industrialized countries cannot match. To compete, Italian companies must increasingly focus on qualitative and technological excellence and on a responsive and timely customer service.

Guided by these sound trade policy principles, the industry has managed to ward off the fierce competition from abroad and to close 2003 with a very satisfactory surplus.

A survey carried out within the industry shows that Italian companies invested an average 9% of their sales volume last year to improve labor conditions and design innovative products for their national and international clientele.

The very export-driven nature of the Italian industry of glass-processing machinery prompts them to gain ongoing visibility through the main trade magazines, and by participating in shows, exhibitions and conferences throughout the world. In 2003, Italian companies invested on average 3% of their sales volume in promotional activities.

THE ITALIAN GLASS AND CERAMIC INDUSTRY IN 2003

(Source: Confindustria)

Background

In 2003 the glass and ceramic industry started to grow again after the doldrums experienced in 2002 which interrupted the development trend started in 1997. Production grew by 1.4% (at constant prices) but failed to offset the substantial losses posted in 2002. Production recovery was supported by more lively domestic demand, whereas foreign trade was negative, in line with the trend affecting the entire manufacturing industry. Although the general scenario was relatively favorable, performance in the various sectors of the industry differed greatly. Ceramic companies, more exposed to foreign competition, experienced a slight decrease in production, whereas the glass sectors performed well, also after the re-opening of a large flat glass manufacturing site.

The healthy growth of domestic demand (+ 3.8% at constant prices) was boosted by the replenishment of flat glass stocks, which dropped to record lows in 2002 following the shutdown of a major float glass production line.

Real flat glass consumption, instead, remained negative in 2003 as a result of the crisis in the transportation industry that was only partially offset by positive demand in the building industry.

By contrast, domestic demand for hollow glass was on the up thanks to the increased use by the food and drink industries, which increasingly appreciate glass packaging and thus compensated for the stagnant family consumption.

The continuing upward trend in construction investments and particularly in new residential buildings boosted demand for tiles and sanitary wares.

The rise in competitive pressure following the strengthening of the euro and the slowdown in the European building construction markets had a negative impact on exports by both sectors.

Imports took a nosedive which resulted in reduced import penetration that lies well below the average of the manufacturing industry.

Glass and glassware

(Source: Assovetro)

Following the 2.95% decrease in production in 2002, in 2003 the glass industry posted a 3.10% increase.

This does not reflect the true market situation since it derives from the re-opening of the float glass line that was shut down in 2002 for restructuring. In fact, the flat glass sector suffered a 16.36% drop in 2002, and posted a 15.23% increase in 2003.

Hollow glass, as a whole, increased slightly by 0.59%.

Within the industry, the performance of the various sectors is as follows:

- small bottles and vials + 1.55%
- homeware + 1.12%
- bottles + 0.81%
- vases - 3.18%

Table 10 – Production (quantity in tons)

Products	2002	2003	% change
Flat glass	841,073	969,176	+ 15.23
Hollow glass (*)	3,696.655	3,718,610	+ 0.59
Glass yarns	125,814	128,106	+ 1.82
Crystal and other glassware	401,000	406,000	+ 1.25
Total	5,064,542	5,221,892	+ 3.10

(*) includes bottles, vases, small bottles and vials and homeware

As regards trade exchanges, the 558 million Euro trade balance rose by 13.65% in 2003.

Imports and exports with EU countries remained virtually the same as in 2002, and totaled 67.81% and 64.48%, respectively. France and Germany, as usual, were Italy's main trading partners.

Tables 11 and 12 show the import and export figures in millions of euros and volumes in 2003 compared to 2002.

Table 11 – IMPORTS of glass and glassware

Products	2002 millions of euros	2003 millions of euros	% change
Flat glass	192	160	- 16.67
Hollow glass (*)	411	386	- 6.08
Glass yarns	267	247	- 7.49
Crystal and other glassware	555	522	- 5.94
Total imports (millions of euros)	1,425	1,315	- 7.71
Products	2002 tons	2003 tons	% change
Flat glass	444,323	352,393	- 20.69
Hollow glass (*)	435,381	392,457	- 9.86
Glass yarns	124,564	122,176	+ 1.92
Crystal and other glassware	329,125	354,764	+ 7.79
Total imports (tons)	1,333,393	1,221,790	- 8.36

Source: Istat data processed by Assovetro

Table 12 – EXPORTS of glass and glassware

Products	2002 millions of euros	2003 millions of euros	% change
Flat Glass	78	85	+ 8.97
Hollow glass (*)	745	699	- 6.17
Glass yarns	245	215	- 12.24
Crystal and other glassware	848	874	+ 3.06
Total exports (millions of euros)	1,916	1,873	- 2.24
Products	2002 tons	2003 tons	% change
Flat Glass	129,498	184,448	+ 42.43
Hollow glass (*)	575,542	579,827	+ 0.74
Glass yarns	100,186	92,502	- 7.67
Crystal and other glassware	300,218	312,193	+ 3.98
Total exports (tons)	1,105,444	1,168,970	+ 5.74

Source: Istat data processed by Assovetro

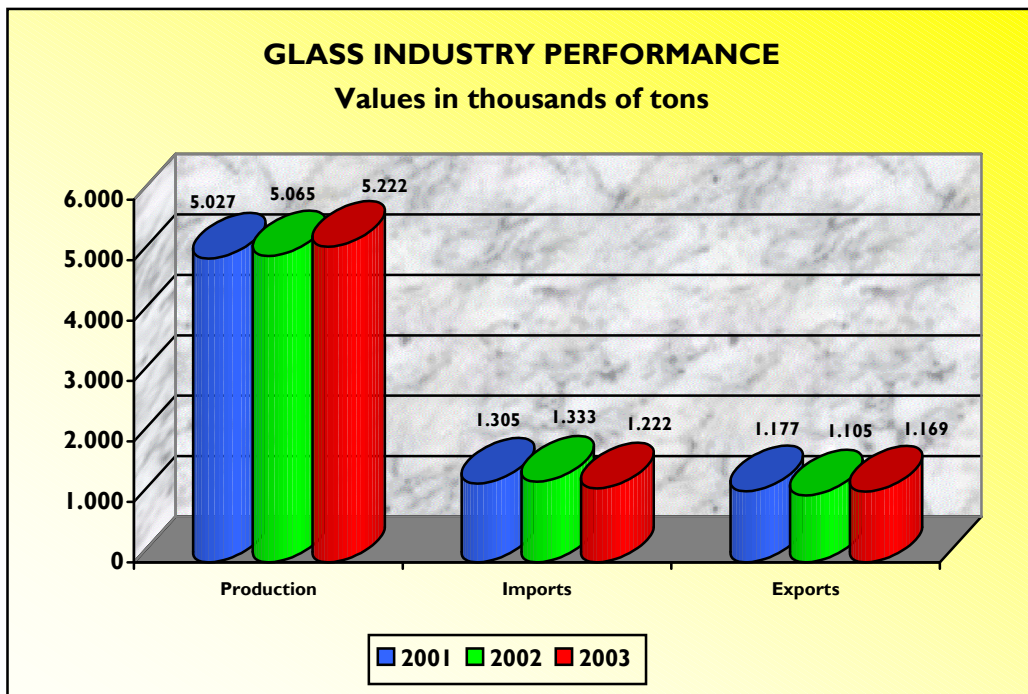
(*)includes bottles, vases, small bottles and vials and homeware

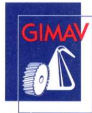
Table 13 – TRADE EXCHANGE OF ITALY WITH THE MAIN COUNTRIES

2002		2003	
Countries	(*) Share	Countries	(*) Share
Main countries of origin			
France	23.19	France	23.44
Germany	19.54	Germany	18.08
Belgium	10.05	Belgium	9.10
Austria	5.13	Austria	5.49
United Kingdom	4.73	United Kingdom	4.03
EU Countries	71.13	EU countries	67.81
Main countries of destination			
France	21.90	France	22.64
Germany	15.68	Germany	15.47
United Kingdom	7.46	United Kingdom	7.34
Spain	6.30	Spain	6.53
Belgium	3.57	Belgium	3.83
EU Countries	63.22	EU Countries	64.48

(*) Shares based on value data

Source: Istat data processed by Assovetro





Synoptic Table of the Glass Industry 2002 – 2003 years			
Variables	Unit of measure	2002	2003
Exports	Millions of euros	1,916	1,873
Imports	Millions of euros	1.425	1.315
Trade balance	Millions of euros	491	558
Production	Tons	5,064,542	5,221,892
Production	% change	- 2.95	+ 3.10
Capacity utilization	In %	80	88
No. of employees	Units	17,575	20,000
Labor cost per employee	% change	1.94	3.5

Milan, July 2004
RGR