

SPRING 2010 INDUSTRY TRENDS RESULTS
November 2009 – May 2010

Slow but steady improvements as marine industry continues to recover

The UK leisure, superyacht and small commercial marine industry is continuing to recover from the recession, according to the latest trends survey from the British Marine Federation (BMF).

The bi-annual survey of BMF members shows that confidence amongst businesses has increased since the last survey was published in November 2009 and turnover is now showing a positive net balance* for the first time in 18 months (since May 2008).

The survey showed that:

- 40% of respondents perceive the next six month's prospects as good or excellent while only 14% view it negatively
- 36% have increased their marine business activity over the last six months, compared to a decrease for 26%, resulting in a net balance of +10%
- Nearly half of all respondents (46%) reported a higher turnover over the last six months compared to the same period a year ago and 34% of respondents reported a lower turnover, resulting in a net balance of +12%, a noticeably more positive situation than recent studies.
- 23% report that they have invested more over the last six months compared to the same period a year ago, and for 18% it was less. More are maintaining investment levels than decreasing them compared to the last survey results.
- However, the impact of the recession is still evident as profits are resulting in a negative balance of -4%, given 39% of respondents reported a lower profit than the same six month period a year ago, compared to 35% reporting a higher profit

When asked to spontaneously list the most common problems they continued to face, members responded:

- The financial climate/general economy (26%)
- The lack of finance and credit available (15%)
- Fluctuating exchange rates (15%)
- The lack of orders and sales (10%)
- Increased costs of raw materials (9%); and
- Cash flow problems and delayed payments (7%)

Rob Stevens, Chief Executive of the British Marine Federation, said:

"Whilst I am pleased that BMF members are reporting a positive balance for turnover for the first time in 18 months, there is concern that government spending cuts could dampen this recovery indicator. It is encouraging that many members are optimistic about the future but clear that many of them continue to face difficult times. The

lack of readily available credit is still an issue that is affecting many of our small and medium sized members and the volatility of exchange rates is unhelpful to exports.

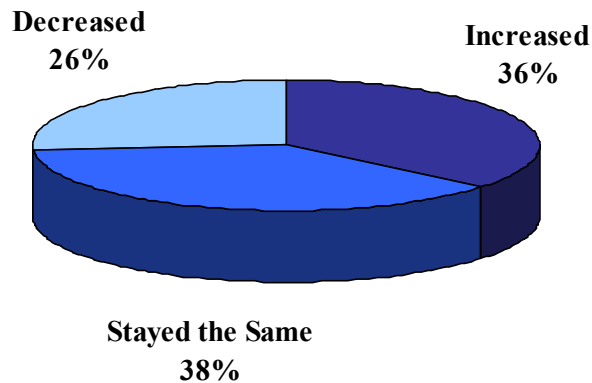
“At the BMF, we are confident that the industry has the resilience to come through this difficult time. We will be working closely with the new Government over the coming months and years on behalf of our members, and we look forward to early action from the Government to support our sector”.

* The net balance reflects the difference between members reporting a positive and negative response per question

DETAILED RESULTS

The results of the survey indicate that over the last six months the market is continuing to rise steadily out of the recession. The industry is reporting a positive trend as 36% have increased their marine business activity over the last six months compared to a decrease reported by 26%, resulting in a net balance of +10% (i.e. the difference between those increasing and decreasing).

Marine Business Activity over the last 6 months

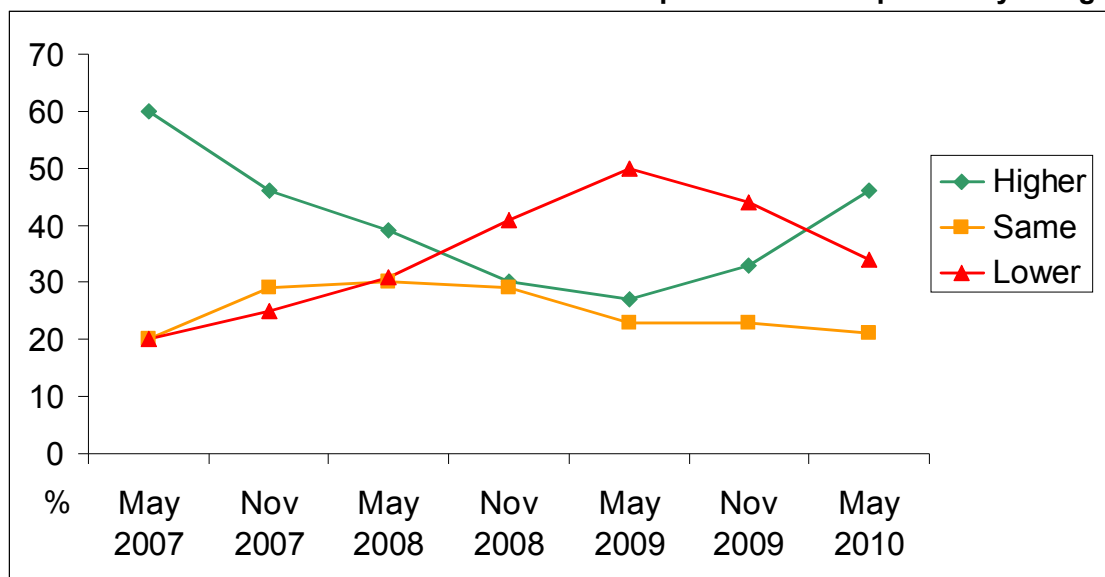


MARINE TURNOVER YEAR ON YEAR

Nearly half of respondents are reporting a higher turnover over the last six months compared to the same period a year ago (46%), while for 34% it is lower which is a net balance of +12%. Encouragingly, this is the first positive balance for turnover of the industry reported in the trends surveys since May 2008.

The majority of marine sectors are reporting an increase from the previous survey reported in November 2008, including boat manufacture and sales. Inland hire, inland marinas and narrow boat build are improving at a slower rate.

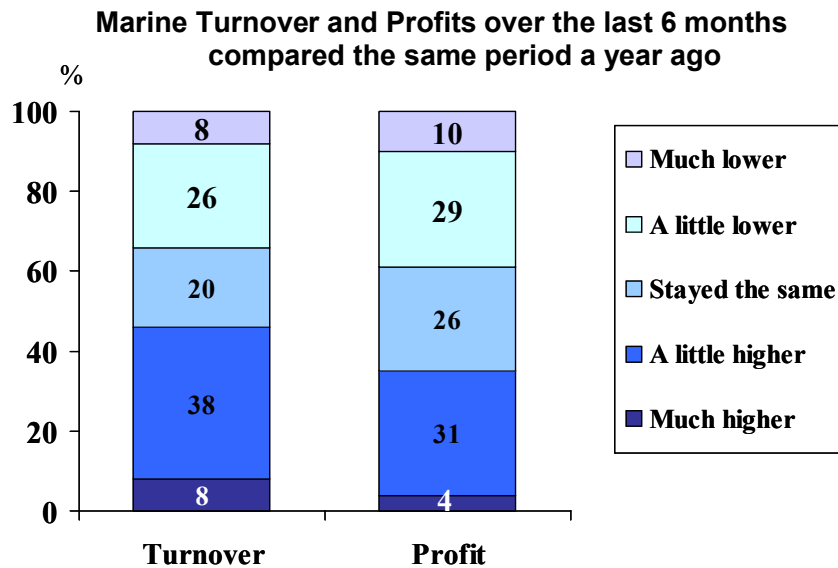
Marine Turnover over the last 6 months compared the same period a year ago



MARINE TURNOVER & PROFITS

When comparing turnover and profits, it is found that 35% report a higher profit over the last six months compared to the same period a year ago and 46% report a higher turnover. Those reporting a lower profit is 39% compared to 34% declaring a lower turnover.

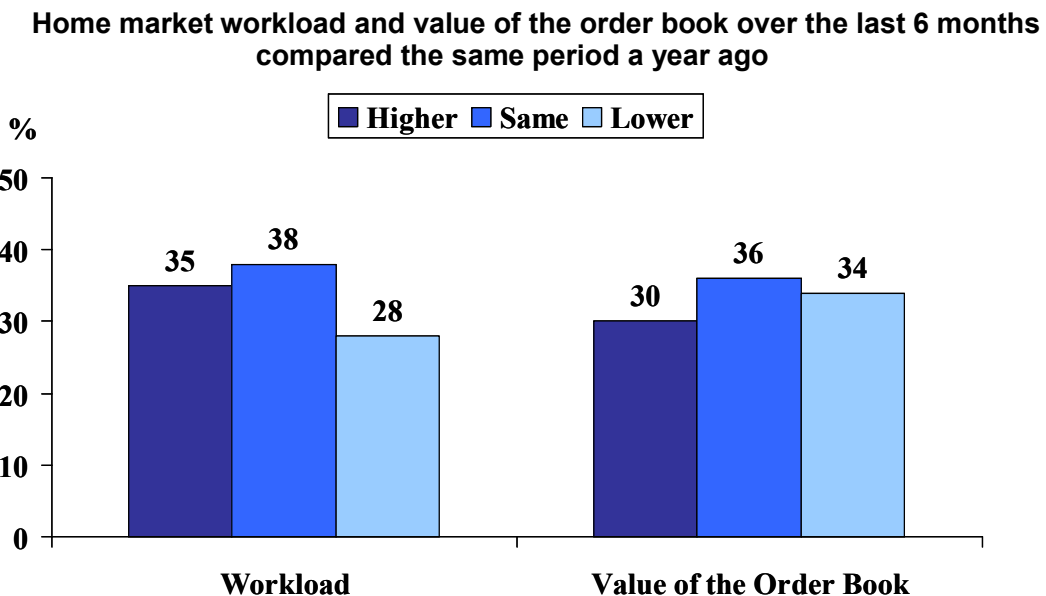
Therefore, the impact of the economic downturn is still reflected in the profit margins as the difference between those reporting a higher and lower profit is resulting in a negative balance of -4%.



HOME MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The rating of the home workload and value of the order book reports a positive trend for the domestic marine industry.

The home market workload was higher for 35% over the last six months compared a year ago, and lower for 28%, resulting in a net balance of +7%. However, the value of the home market order book is slightly lower than the workload measure as 30% report it was higher and lower for 34%, resulting in a negative net balance of -4%.



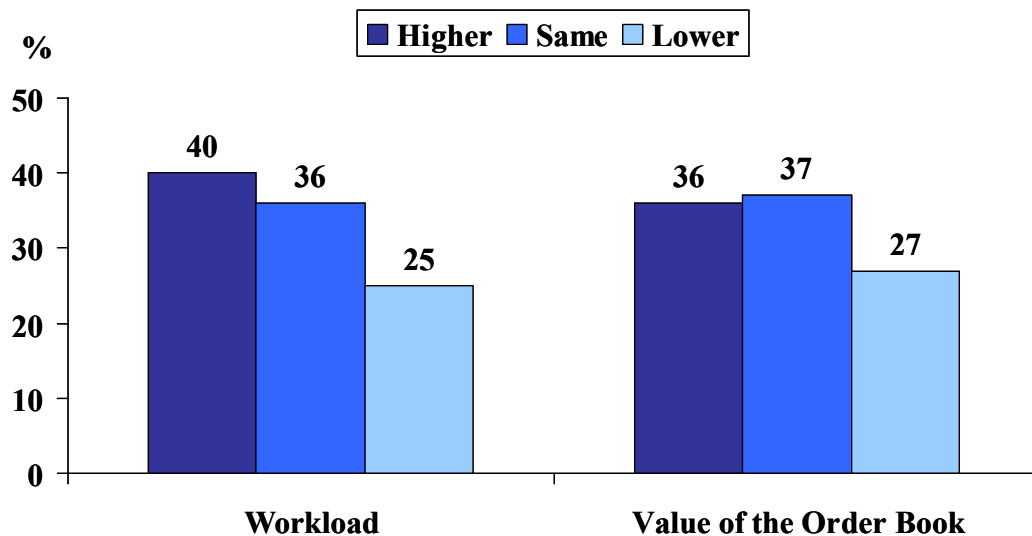
EXPORT MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The export market workload and value of the order book is also reporting a positive trend over the last six months compared to the same period a year ago, showing slightly better results than the domestic market.

The export market workload was higher for 40% over the last six months compared to the same period a year ago, and for 25% it was lower, creating a net balance of +15%.

The value of the home market order book is also rated slightly lower than the workload measure with 36% reporting it was higher and for 27% it was lower, a balance of +10%.

Export market workload and value of the order book over the last 6 months compared the same period a year ago

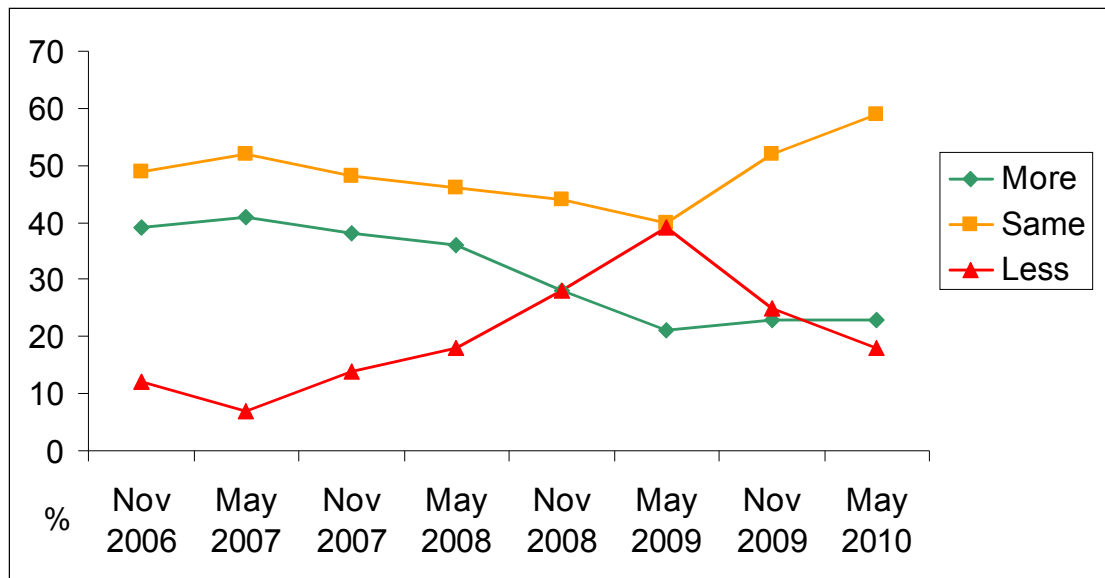


INVESTMENTS

As with turnover, rating of investments has continued to improve from the last survey in November 2009 as more respondents are investing the same rather than less.

23% report that they have invested more over the last 6 months than the same time a year ago, and for 18% it was less, which is a net balance of +5%. This is more positive than the net balance of -2% reported in the last survey.

Investments over the last 6 months compared the same period a year ago



CURRENT OBSTACLES TO BUSINESS

The main obstacles to business are dominated by the financial climate with the lack of finance / credit available and lack of orders/sale mentioned highly. The fluctuating exchange rates are also continuing to impact on business. Other reasons include the increased costs and competition, and also delayed payments affecting cash flow, and delayed delivery affecting product lead times.

| | |
|---|-----|
| Financial climate / general economy | 26% |
| Lack of Finance / Credit available | 15% |
| Fluctuating exchange rates | 15% |
| Lack of orders / sales | 10% |
| General costs (raw materials, transport, marketing) | 9% |
| Cash flow / Delayed payments | 7% |
| Regulation / red tape | 6% |
| Competition (cheap imports and undercutting) | 6% |
| Time available / Not enough staff | 6% |
| Delayed lead times / product delivery | 4% |
| Increase taxes / VAT | 4% |
| Lack of skilled / experienced staff | 3% |
| Navigation authorities | 3% |
| Red diesel | 2% |
| Poor weather | 2% |
| None | 4% |

CURRENT BARRIERS TO EXPORTS

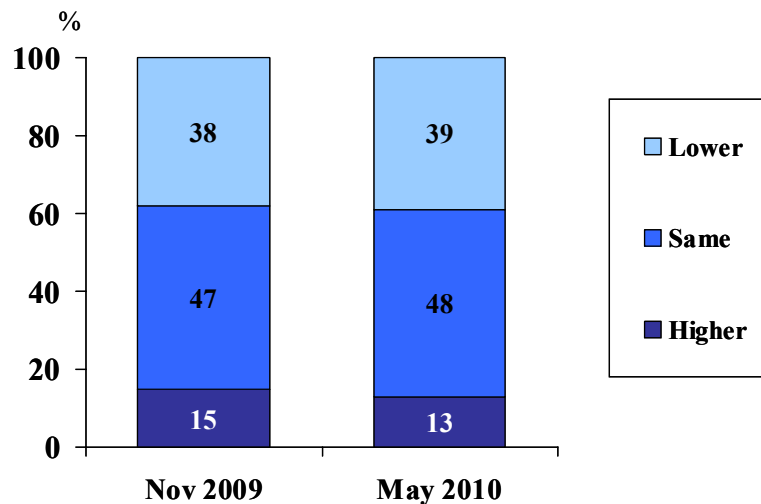
The volatility of exchange rates is now the highest barrier to exports, now eclipsing the general economy which had been the main barrier mentioned since November 2008. Other barriers include lack of finance/funding available, lack of cash flow, the amount of marketing/promotion required and high level of general associated costs.

| | |
|--|-----|
| Exchange rate fluctuations | 19% |
| Financial Climate / Worldwide downturn | 10% |
| Lack of Finance / Funding available | 10% |
| Cash flow | 7% |
| Amount of marketing/promotion needed | 7% |
| General costs (esp. transport) | 7% |
| Lack of orders / sales | 6% |
| Lack of product / supplies | 6% |
| Lack of confidence / knowledge | 5% |
| Regulations / Red tape | 4% |
| Finding Good Distribution / Networks | 3% |
| Lack of skilled / experienced staff | 2% |
| Language barrier | 2% |
| None | 15% |

STOCK LEVELS

Asked for the first time in the last survey, stock levels are measured compared to this time a year ago, where relevant. Reflecting the continued impact of the economic climate, stock levels have not moved from the levels reported in November 2009 39% state their stock levels are lower, 48% the same and 13% are higher than the same six month period a year ago.

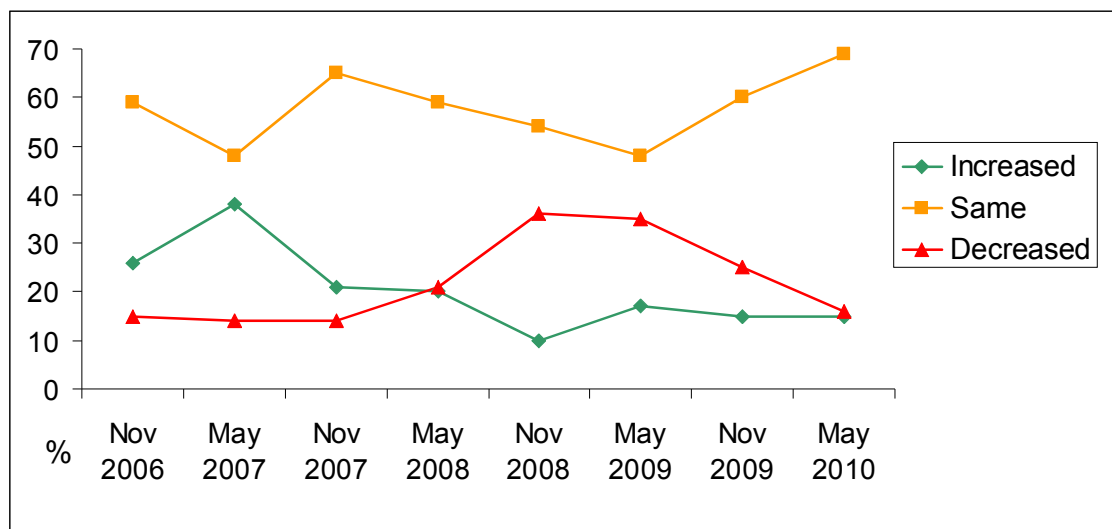
Stock levels over the last 6 months compared the same period a year ago



WORKFORCE

Workforce levels are more stable now with 69% of respondents reporting that employment has stayed the same with 15% reporting increases. The net balance of -1% is now back to trend levels last seen in May 2008. This reflects a more positive outlook than reported in November 2009 when the net balance was -10%, as more members had a decreased workforce (25% vs. 16% reported now).

Workforce levels over the last 6 months compared the same period a year ago



CURRENT VACANCIES

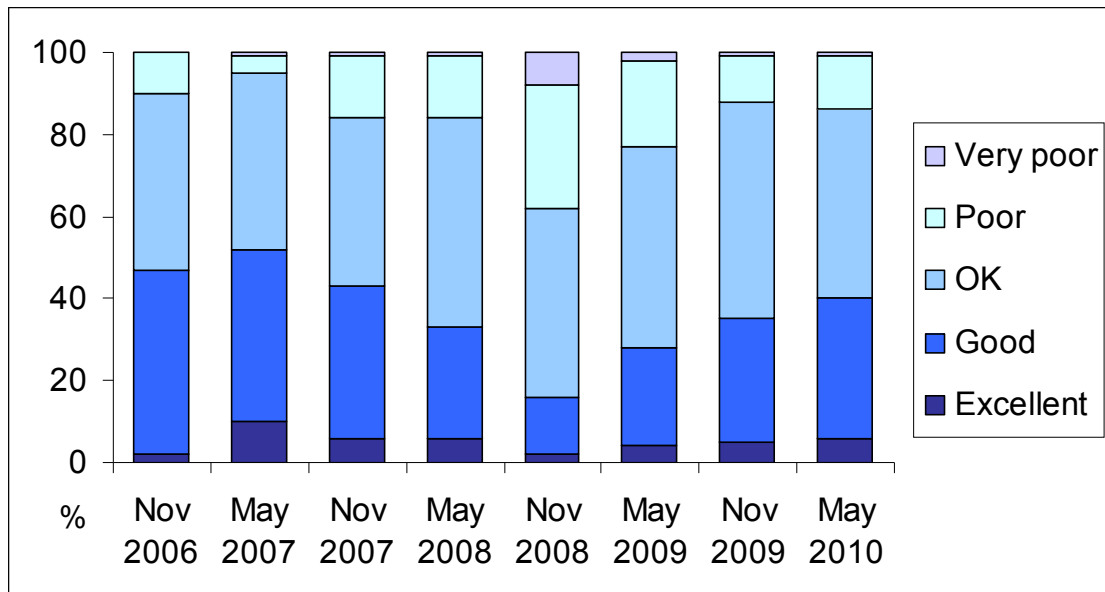
13% of respondents state their company is currently having difficulties filling company vacancies compared to 12% reported in November 2009 and 8% in May 2009. The vacancies found most difficult to fill are still marine engineers but also boat builders specialist designers, electricians, sales, and marketing roles.

FUTURE PROSPECTS

Members' perceptions of the marine industry for the future six months have improved marginally from the last survey.

Those perceiving the next six months to be excellent / good is now 40%, while 14% have negative expectations, resulting in a net balance of +26%. This reflects a gradual improvement on future perceptions from the net balance of +23% reported in November 2009, and the net balance of +5% reported in May 2009.

Future prospects for the marine business over the next 6 months

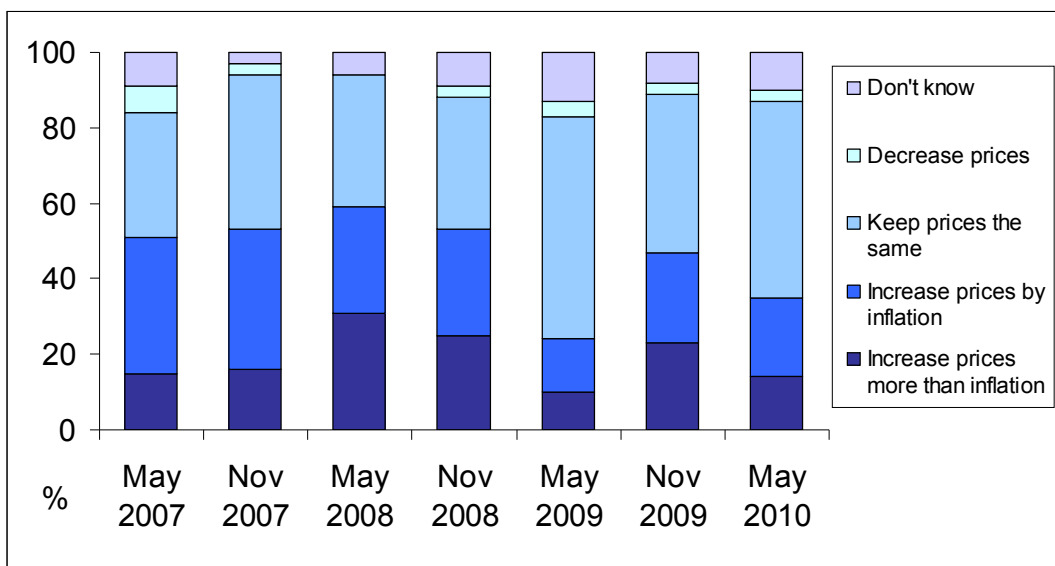


PRICING STRATEGY

Pricing strategy has altered slightly from the last survey as more companies are expecting to be maintaining rather than increasing their prices.

Just over half now intend to keep prices stable (52%) and 35% will be raising prices whereas in November 2009, 47% of companies reported that they would be raising them.

Expectation to raise prices over the next 6 months



This survey is conducted twice a year in order to monitor marine industry performance of the UK leisure, superyacht and small commercial marine industry. The survey in May 2010 was completed by 385 members (31% response rate). This research is published as an aid to the industry in forecasting and planning for future months. The next trends survey will be conducted by BMF in November 2010.

For further details or queries, please email research@britishmarine.co.uk.