

INDUSTRY TRENDS RESULTS
November 2011 – May 2012

Latest business trends for the UK marine industry paints a consistent picture to the last survey six months ago

1. EXECUTIVE SUMMARY

The UK leisure, superyacht and small commercial marine industry reports a constant trend in business performance from the previous survey, according to the latest report from the British Marine Federation (BMF). The marine industry continues to face the same issues affecting the wider UK economy such as the impact of the Euro crisis and tough austerity measures steered by Government

There has been a slight uplift in the export market workload from six months ago but overall the value of both the home and export markets is reported at a similar level as May-November 2011. Overall business activity trends are also fairly unchanged from the last survey as well as measures of turnover, profit and investments which are in line with the output of the whole of the UK for Gross Domestic Product (GDP).

There has been an increase in the number of companies reporting that they have employee vacancies they are finding difficult to fill (19% of respondents now compared to 12% in the last survey in November 2011). This skills shortage is a likely impact of the static mobility of employees within the industry but also employees moving into different industries. There has also been a significant increase in respondents reporting they will be keeping sales prices the same rather than raising them compared to six months ago.

Headlines from the May 2012 survey results include:

- **Level of marine business activity over the last six months remains fairly consistent to trends reported in November 2011:** reported to have increased for 31% of members while 33% report it has decreased (net balance of -2%)
- **Future business prospects have improved marginally since expectations reported in November 2011:** 35% state they expect the next 6 months to be good/excellent, 45% believe it will be ok and 21% think poor

Period of November 2011-May 2012 compared November 2010-May 2011:

- **Domestic market:** compared to May-November 2011, domestic workload over the last six months is higher for 31% and lower for 35% (net balance of -4%) and 25% report a higher domestic order book value while for 42% it is lower (net balance -17%).
- **Export market:** 37% are reporting a higher export workload compared to a year ago and for 34% it is lower (net balance of +3%) and 32% are reporting a higher export order book value and for 44% it's lower (net balance -12%).
- **Level of investment:** trend is consistent over the last 18 months with 30% investing more and 19% less than the same six month period a year ago (net balance +11%)

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

- **Turnover & Profit:** 42% report they have a higher turnover compared to November 2010 - May 2011 and 35% a lower turnover (net balance of +7%). However, profits are still reporting a negative trend with 44% reporting a lower profit and 29% a higher profit (net balance of -15%)

This survey is conducted twice a year in order to monitor marine industry performance of the UK leisure, superyacht and small commercial marine industry. This survey in May 2012 was completed by 318 members (26% response rate) and 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 2012. For further details or queries, please email research@britishmarine.co.uk.

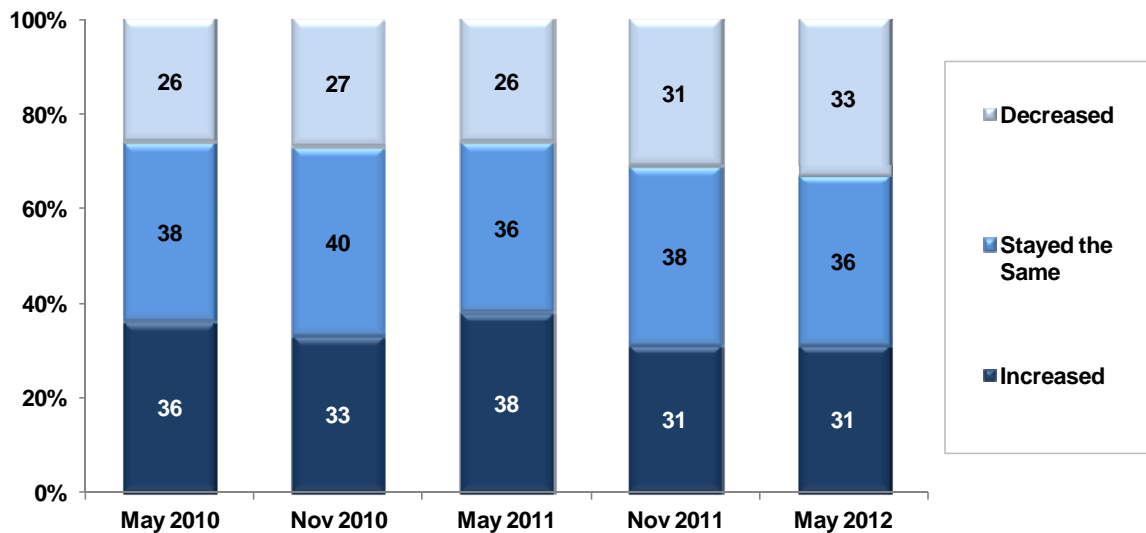
2. DETAILED RESULTS

2.1 Marine Business Activity

BMF Members are reporting a slightly negative trend in their business performance for the six month period between November 2011 and May 2012. 31% of respondents report an increased business activity compared to a third experiencing a decrease, resulting in a net balance of -2% (i.e. the difference between those increasing and decreasing).

This business activity trend is similar to the last survey in November 2011 when the net balance was 0% but a decrease from previous surveys as the net balance was +12% in May 2011, +6% November 2010 and +10% in May 2010.

Marine Business Activity over the last 6 months

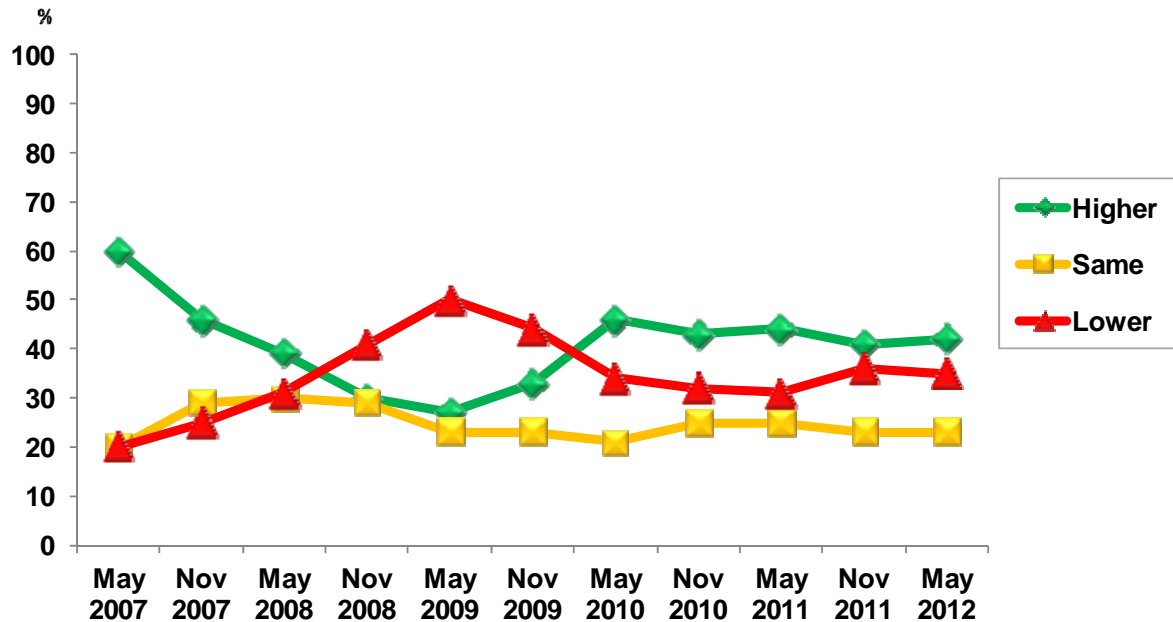


2.2 Marine Turnover & Profits

Members responding to the survey are still reporting a positive trend for turnover with a net balance of +7% given 42% are reporting a higher turnover over November 2011-May 2012 compared to the previous year, and for 35% it is lower. This is a similar trend to the last survey in November 2011 when the net balance was +5% and still slightly less positive than results during 2010 up to May 2011 when it was +11 to 13%.

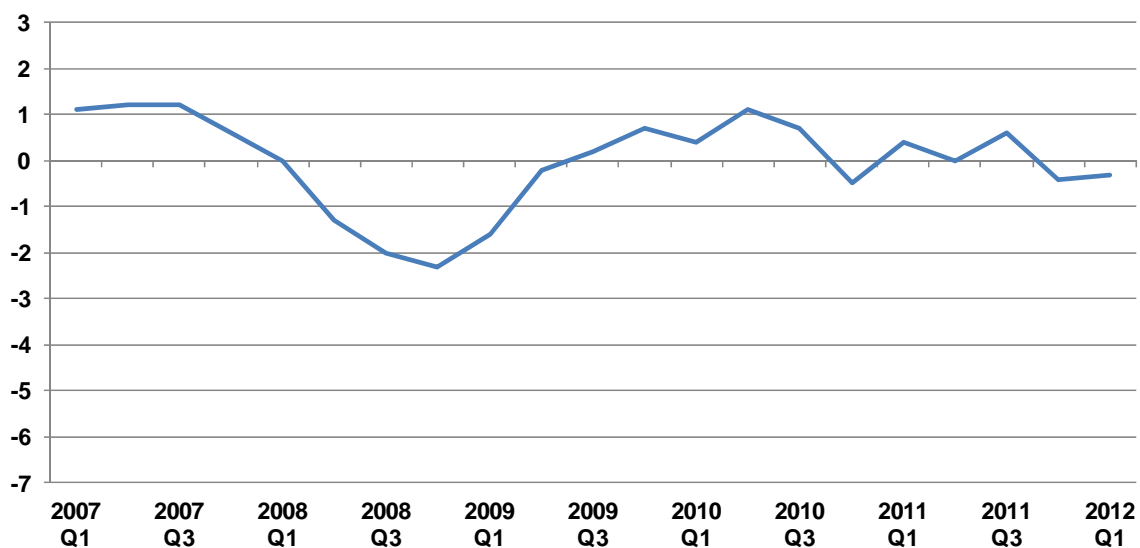
Boat manufacture and boat sales are still the sectors most affected when compared to equipment/accessories and related consumer and business services.

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



The findings of this marine industry trends survey are again completely in line with the general economic conditions given the consistency of the total UK GDP of Q4 2011 of -0.4% and -0.3% in Q1 2012, as reported by the Office of National Statistics.

**UK Gross Domestic Product: Quarter on Quarter growth: CVM SA
(Office of National Statistics)**



The difficult economic conditions are more evident when analysing trends of profit margins, given 29% are stating profits are higher than this period a year ago and for 27% it is the same but for 44% profit is lower. This results in a net balance of -15% compared to -18% reported in November 2011, -10% in May 2011 and -10% in November 2010.

**Marine Turnover and Profits over the last 6 months
Compared to the same period a year ago**



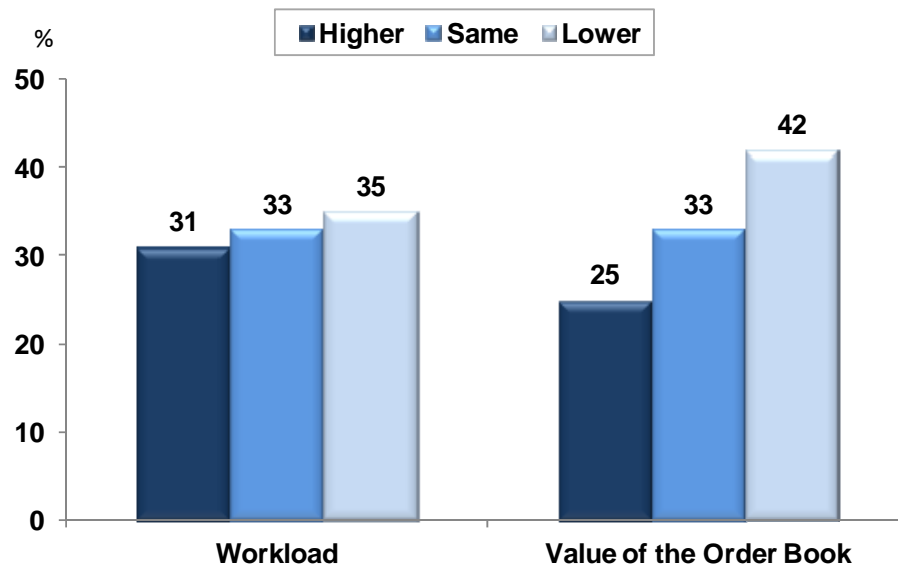
2.3 Home Market: Workload & Value of the Order Book

The home market business performance is fairly consistent with the results reported in the last survey in November 2011 with a slightly negative trend, though trends were slightly more positive this time a year ago.

Domestic workload over the six months of November 2011-May 2012 compared to the same period a year ago is higher for 31% and lower for 35%, creating a net balance of -4%. This compares to a net balance trend of -1% in November 2011, +8% in May 2011 and +2% in November 2010.

Value of the order book for the home market is reporting a more negative trend with a net balance of -17% as for 25% it is higher than this time a year ago but for 42% it is lower than this time a year ago. This compares to a net balance of -11% reported in November 2011, +3% in May 2011 and -6% in November 2010.

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



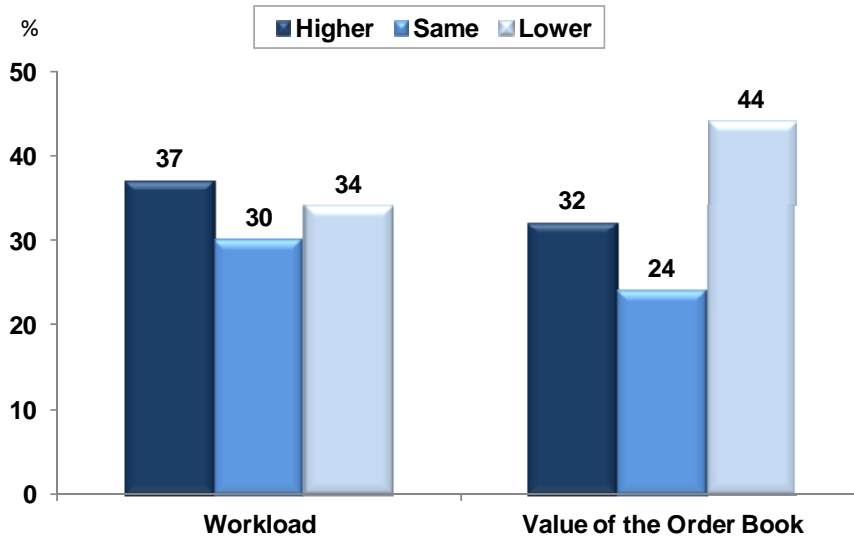
2.4 Export Market: Workload & Value of the Order Book

The trends for export market workload and value of the order book have recovered slightly from the downturn in the last survey which had been due to the Eurozone issues. The export market is now experiencing a positive trend for workload compared to the same period a year ago but not for value of the order book.

The workload of the export market is reported as higher for 37% and lower for 34%, resulting in a net balance of +3% compared to the same period of a year ago. This compares to -4% in November 2011, +14% in May 2011 and +12% in November 2010.

The value of the export order book is rated as higher for 32% for the last six months compared to the same period a year ago and lower for 44%, resulting in a net balance of -12%. While those reporting an increase has risen by +6%, the response is polarising as +5% also state their exports have decreased. This compares to -13% in November 2011, +9% in May 2011 and +2% in November 2010.

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

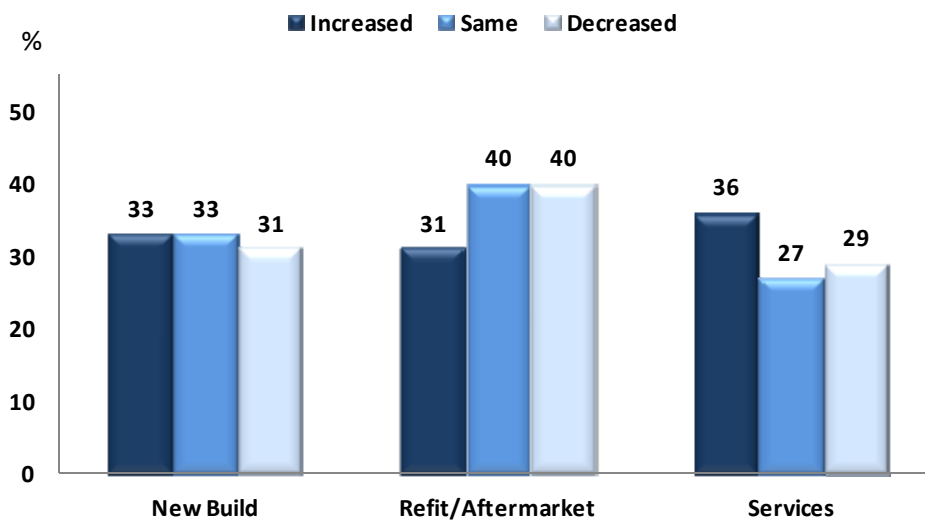


2.5 Business Performance by Marine Market

When monitoring business performance by market, there is still a fairly consistent trend on net balance between increased/decreased performance from a year ago in that new build is +2%, refit/aftermarket is -9% and services is +7%.

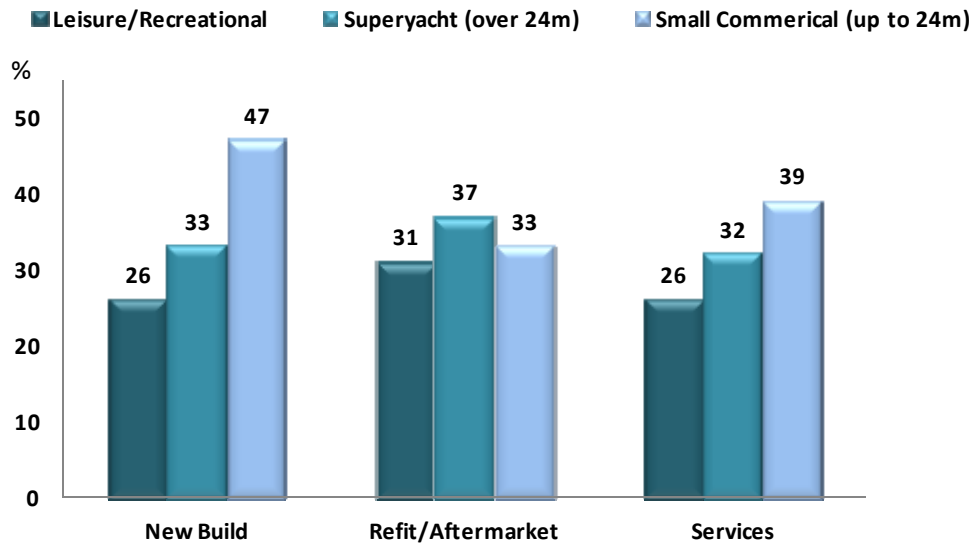
This means compared to last year in November 2011, the trend for services has changed slightly in that it is now showing a positive trend compared to -1% in the last survey. New build and refit/aftermarket were rated similarly in the last survey at +0% and -5% respectively.

Business Performance by Marine Market



Analysing the 'increased' responses to the above question further by specific market, the small commercial market is performing ahead of others for new build and services whereas refit/aftermarket is fairly similar across all markets. Compared to the last survey in November 2011, year on year trends for small commercial have improved across all specific markets, whereas superyacht has improved in the aftermarket/refit particularly. Leisure/recreational has become slightly more negative in trend for new build especially.

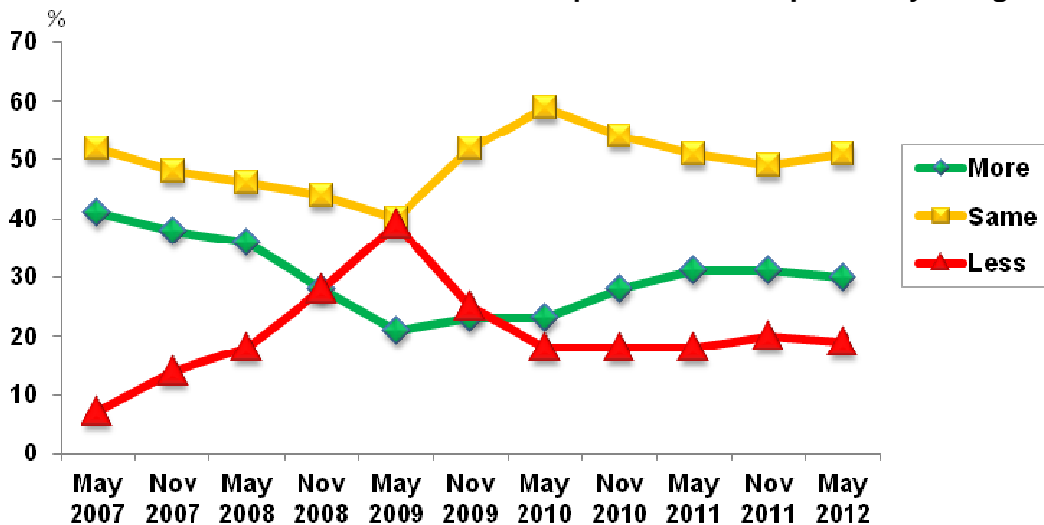
Increased Business Performance by Specific Market



2.6 Investments

Rating of investments trends to the previous year has remained very consistent since 2010, with 30% now reporting they have invested more over the last 6 months compared to the same period a year ago while for 19% it was less, which is a net balance of +11%. This compares to +11% in November 2011, +13% in May 2011 and +10% in November 2010.

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



2.7 Current Obstacles to Business

Not surprisingly, the general economy / lack of customer confidence is still the main obstacle to business, particularly in reference to the Eurozone issues and the tough austerity policies of Governments affecting businesses. Some note the negative media/press and general attitude is particularly affecting morale and level of business. Other mentions continue to be lack of orders, lack of finance / credit available, lack of credit available, red tape/regulation. There has been an increase in the weather being reported as main obstacle to business in light of the wet summer so far.

Financial climate / general economy 43%
Lack of orders / sales 15%
General costs (esp. fuel, VAT,) 11%
Lack of Finance / Credit available 9%
Lack of skilled / experienced staff 9%
Bad weather 9%
Regulation / red tape 8%
Competition (cheap imports and undercutting) 6%
Fluctuating / Uncertain exchange rates 3%
Cash flow / Delayed payments 3%
Delayed lead times / product delivery 3%
Lack of marketing / brand awareness 2%
Lack of time / capacity 2%
Cost of raw materials 2%
Navigation authorities/MMO 2%
Decline in participation 1%
Coalition Government 1%

2.8 Current Barriers to Exports

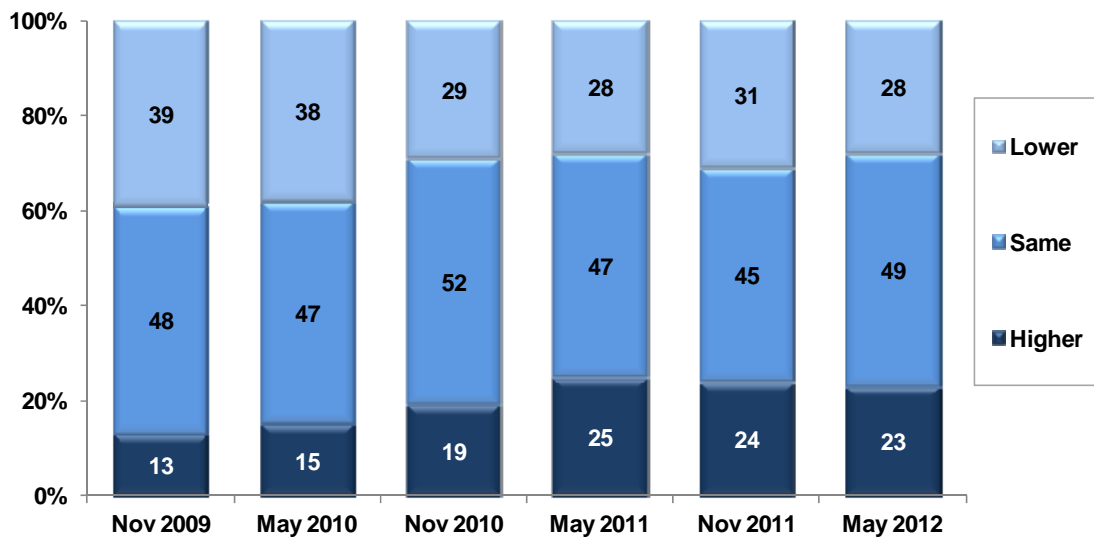
Global economic climate and the exchange rate are almost equal in terms of current barriers to export. Beyond this, the other reasons noted are broadly the same as the last survey including general costs to export, particularly transport costs, lack of time/capacity and regulation / red tape.

Financial Climate / Worldwide downturn 29%
Exchange rate fluctuations 28%
General costs (esp. transport) 13%
Lack of Finance / Funding available 10%
Lack of time 6%
Regulations / Red tape 6%
Lack of orders / sales 3%
Competition 3%
Government/lack of support 3%
Lack of skilled / experienced staff 2%
Amount of marketing/promotion needed 1%
Finding Good Distribution / Networks 1%
Lack of confidence / knowledge 1%
None 8%

2.9 Overheads Following a statistically significant increase back in May 2011, the rating of overheads has been fairly constant since. 53% perceive overheads as higher than the same six months a year ago, 35% rate their overheads as the same and 12% lower.

2.10 Research & Development There has been a marginal increase again in the rating for Research & Development levels, but not to a significant degree, given 29% report their R & D is higher than this time a year ago compared to 27% in November 2011, 25% in May 2011 and 23% in November 2010. For 58% it is the same and for 13% it is lower.

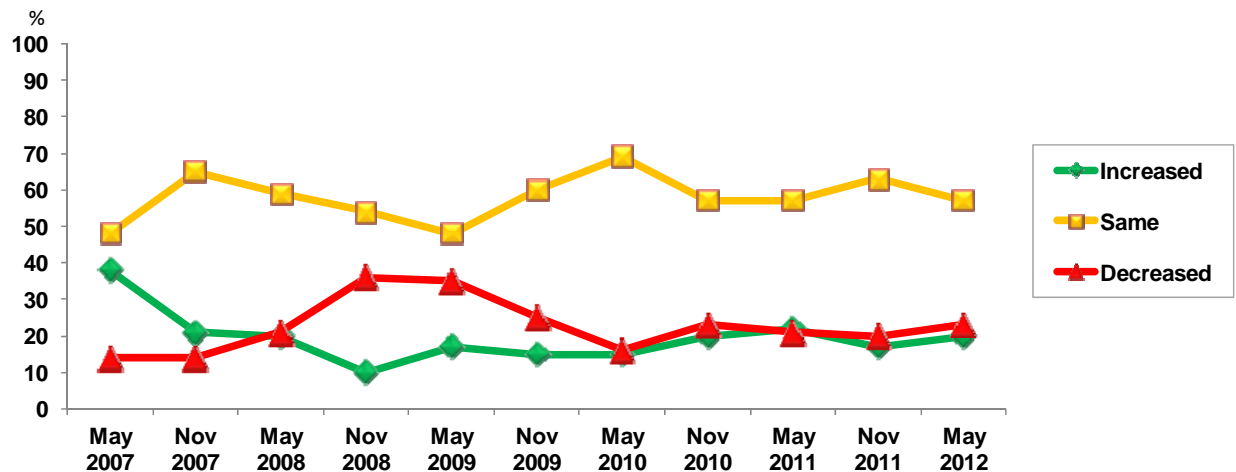
2.11 Stock Levels Compared to a year ago stock levels, where relevant, are similar to those reported in the previous three surveys. 23% report higher stock levels and for 28% it is lower, resulting in a net balance of -5% compared to -5% in November 2011, -3% in May 2011 and -10% in November 2010.



2.12 Workforce

Trends in workforce levels have maintained at a stable level since the decline during 2009. Compared to the same period a year ago, workforce is reported to have increased for 20% while 23% report a decrease, resulting in a net balance of -3% given the large majority are the same (57%). This compares to -3% in November 2011, +1% in May 2011 and -3% in November 2010.

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



2.13 Current Vacancies

There has been a significant increase in the respondents stating their company is currently having difficulties filling a company vacancy. 20% now state their company has vacancies they have not been able to recruit for compared to 12% in November 2011, 13% in May 2011 and 11% in November. This skills shortage is a likely impact of the static mobility of employees within the industry but also employees moving into different industries.

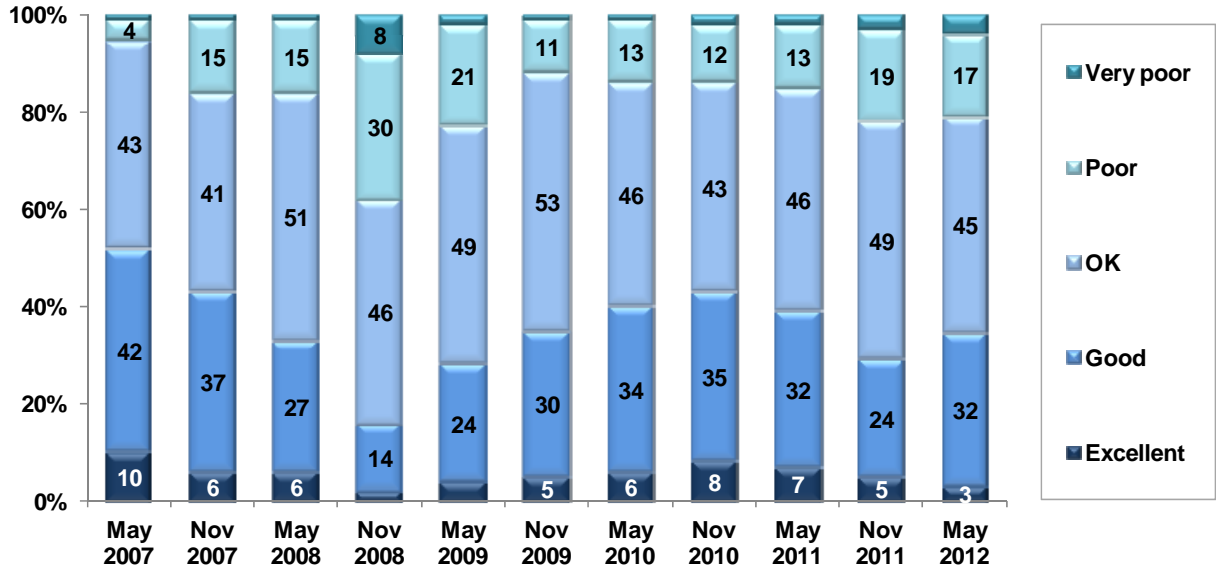
The vacancies that are most difficult to fill are marine engineers, but also electrical, and electronic fitters, laminators, spray painters, commercial controllers, sales and marketing, apprentice and skippers.

2.14 Future Prospects

The November 2011 responses indicated slightly more negative future prospects than this recent survey. There has been a slight increase in positivity for the next six months, though not to a statistically significant degree.

35% of those responding are expecting their business prospects over the next six months to be excellent/good, 45% predict it will be ok, and for 21% it is believed to be poor. This is a slightly better expectation than reported six months ago when 29% thought it would be excellent/good and 20% predicted it would be poor.

Future prospects for marine business over the next 6 months



2.15 Pricing Strategy

There has been a significant change in pricing strategy in light of the continuation of a challenging marketplace. This economic measure remained relatively unchanged during 2011, but now 34% report they are intending to raise their prices over the next six months compared to 44% in November 2011. The remaining 56% intend to keep their prices the same, 2% expect to decrease them and 8% are unsure.

Expectation to raise prices over the next 6 months

