

AUTUMN 2011 INDUSTRY TRENDS RESULTS
May – November 2011

**Business performance of the UK marine industry reflects conditions
facing wider economy**

1. EXECUTIVE SUMMARY

The UK leisure, superyacht and small commercial marine industry reports a slight decrease in business performance from the previous survey, according to the latest report from the British Marine Federation (BMF).

Business activity trends remained fairly consistent through 2010 and the first half of 2011, however there has been a slight decrease when comparing May-November 2011 to the same six month period a year ago, most notably in the export market. This is completely in line with the Gross Domestic Product (GDP) for the whole of the UK. When asked spontaneously what major problems they are currently facing, BMF members' responses were dominated by the general economy, particularly the recent Eurozone issues.

Headlines from the November 2011 survey results include:

- **Level of marine business activity over the last six months:** reported to have increased for 31% of members while 31% report it has decreased (net balance of 0%).
- **Future business prospects:** 29% state they expect the next 6 months to be good/excellent, 49% believe it will be ok and 22% poor

Compared to the same six months period of May-November 2010:-

- **Domestic market:** compared to May-November 2010, domestic workload is higher for 30% and lower for 31% (net balance of -1%) and 26% report a higher domestic order book value while for 37% it is lower (net balance -11%).
- **Export market:** 29% are reporting a higher export workload compared to a year ago and for 33% it is lower (net balance of -4%) and 26% are reporting a higher export order book value and for 39% it's lower (net balance -13%).
- **Level of investment:** trend is consistent over the last 18 months with 31% investing more and 20% less than the same period in 2010 (net balance +11%)
- **Turnover & Profit:** 41% report they have a higher turnover compared to May-November 2010 and 36% a lower turnover (net balance of +5%). However, profits are still reporting a negative trend with 47% reporting a lower profit and 29% a higher profit (net balance of -18%)

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 November 2011 was completed by 295 members (28% 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 May 2012. For further details or queries, please email research@britishmarine.co.uk.

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

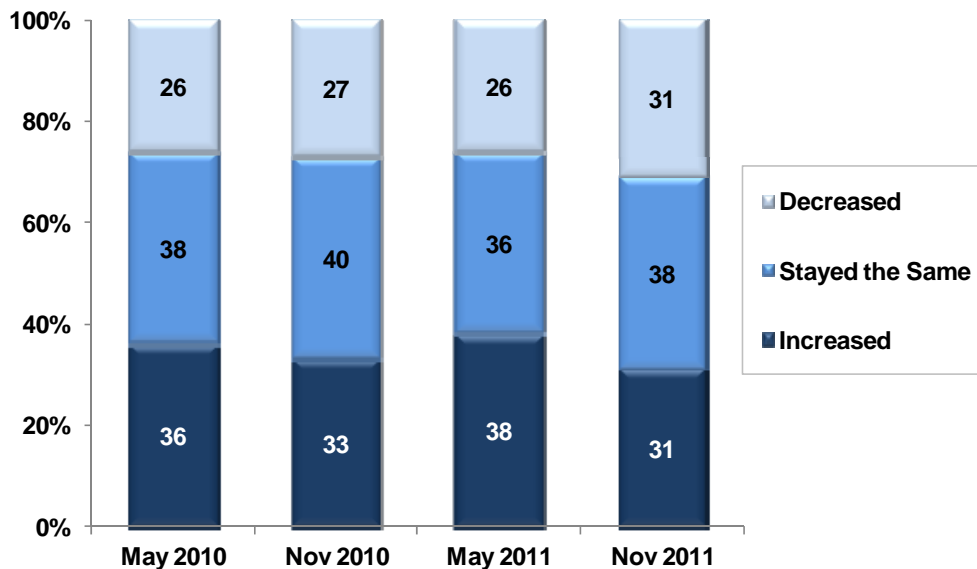
2. DETAILED RESULTS

2.1 Marine Business Activity

BMF Members are reporting a neutral trend in their business performance for the six month period between May – November 2011. 31% of respondents report an increased business activity compared to 31% experiencing a decrease, resulting in a net balance of +0% (i.e. the difference between those increasing and decreasing).

The results have decreased from recent 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



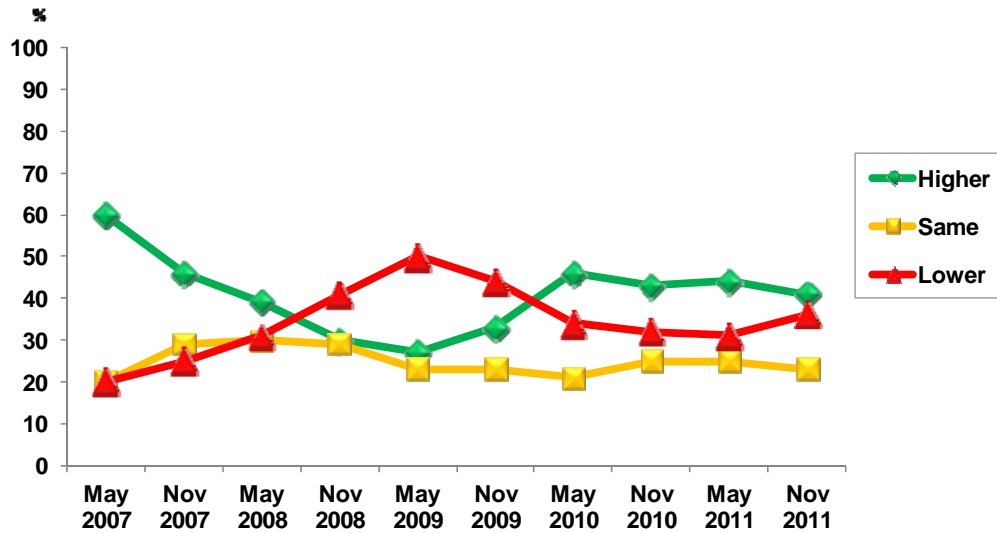
2.2 Marine Turnover & Profits

Following a period of stability in turnover trends reported in the surveys between May 2010, November 2010 and May 2011, the rating for turnover has decreased slightly. Members responding to the survey still report a positive trend with the net balance at +5% as 41% report a higher turnover compared to the same period a year ago and 36% a lower turnover.

However, this compares to a net balance of between +11% and +13% reported for the three surveys May 2010 and 2011 (+13% in May 2011, +11% in November 2010, +12% in May 2010).

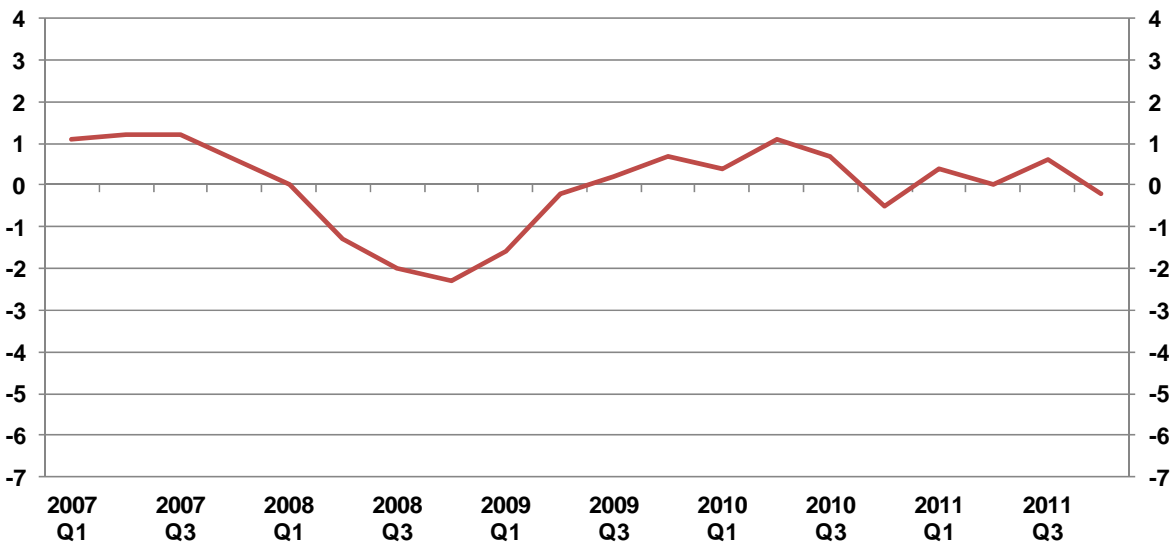
Boat manufacture and boat sales are still the sectors most affected by the global downturn when compared to equipment/accessories and related consumer and business services.

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



The findings of this marine industry survey are completely in line with the general economic conditions over the latter part of 2011 which saw a rise of 0.6% in quarter 3, but a decrease of -0.2% in quarter 4, as reported by the Office of National Statistics.

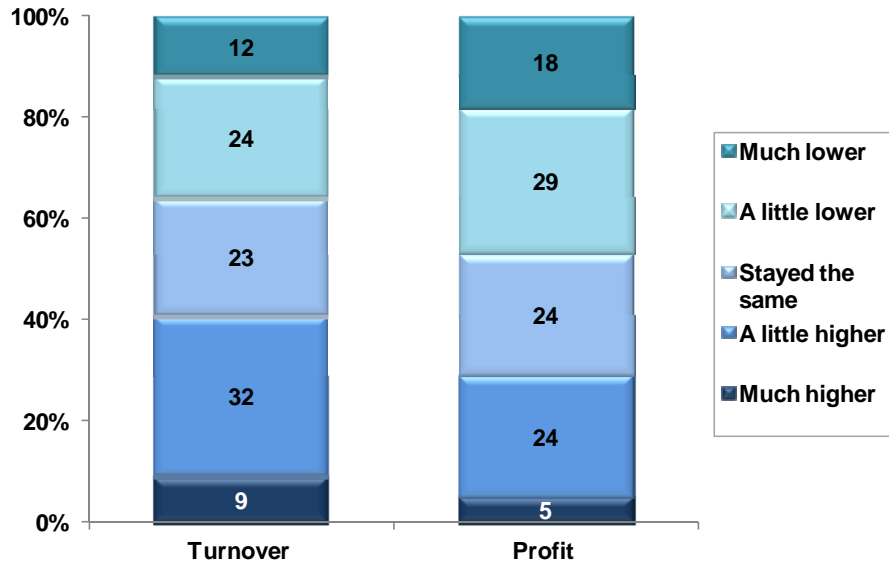
UK Gross Domestic Product: Quarter on Quarter growth: CVM SA (Office of National Statistics)



Profit margins have also been impacted by economic conditions over the last six months. The challenging marketplace has been evident in the rating of profits since the recession first hit in 2008/9 as it has been reporting a negative trend, and this trend has worsened slightly from the last survey

47% of companies are reporting lower profits compared to the same six month period a year ago and 29% a higher profit, resulting in a net balance of -18% compared to -10% in May 2011 and -8% Nov 2010.

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

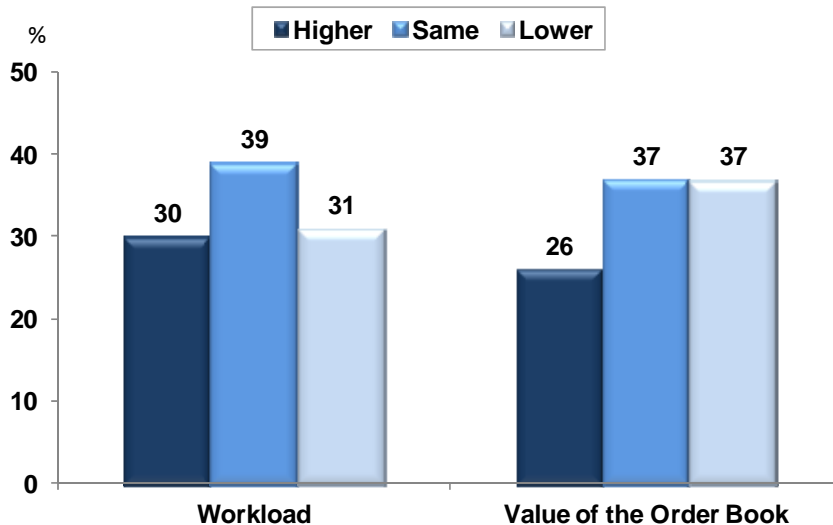


2.3 Home Market: Workload & Value of the Order Book

The home market business performance is fairly consistent with the results reported in November 2010, though lower than in the survey findings of early this year.

Domestic workload over the six months of May-November 2011 compared to the same period a year ago is higher for 30% and lower for 31%, creating a net balance of -1% . This compares to +8% in May 2011, +2% in November 2010 and +7% in May 2010. Value of the order book for the home market is reporting a negative trend with a net balance of -11% as 26% report it is higher than the same six months a year ago and for 37% it is lower. This compares to +3% in May 2011, -6% in November 2010 and -4% in May 2010.

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



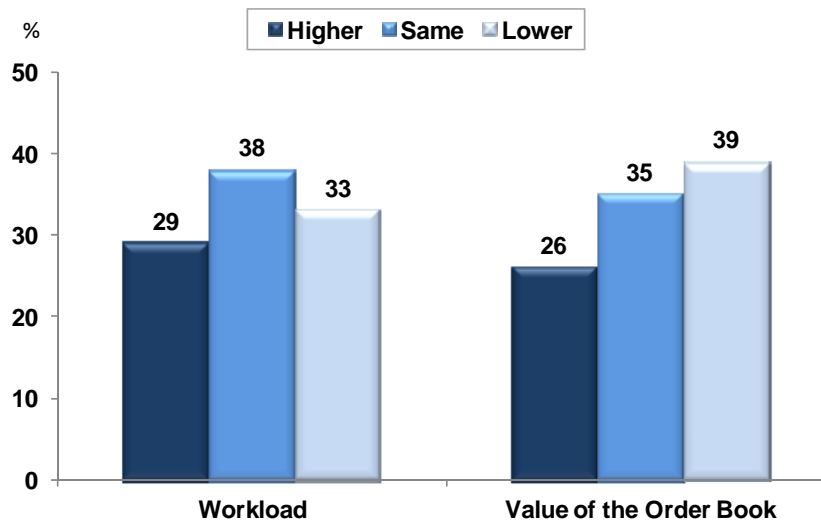
2.4 Export Market: Workload & Value of the Order Book

While the trends for the export market workload and value of the order book had been performing slightly ahead of the home market over recent years, now their results are almost identical. The export market is experiencing negative trends compared to the same six month period a year ago for workload and value of the order book for the first time since November 2009.

The workload of the export market is reported as higher for 29% and lower for 33%, resulting in a net balance of -4% compared to the same period of May-November 2010. This compares to +14% in May 2011, +12% in November 2010 and +15% in May 2010.

The value of the export order book is rated as higher for 26% for the last six months compared to the same period a year ago and lower for 39%, resulting in a net balance of -13%. This compares to +9% in May 2011, +2% in November 2010 and +10% in May 2010.

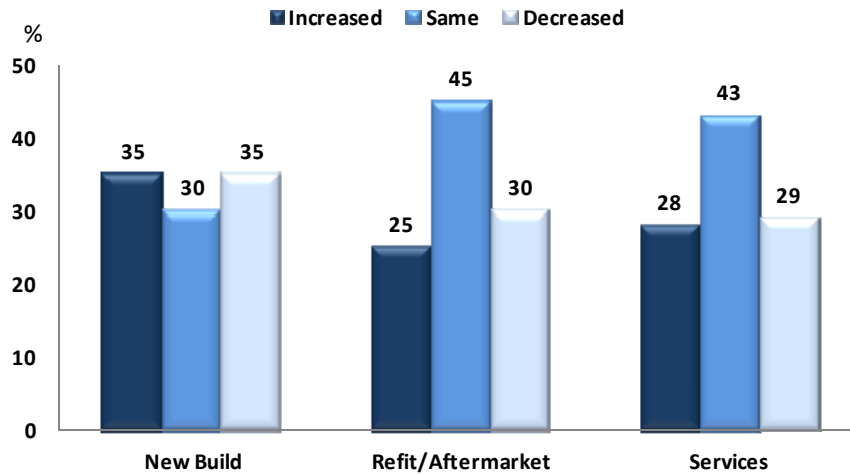
Export market workload and value of the order book over the last 6 months compared the same period a year



2.5 Business Performance by Marine Market

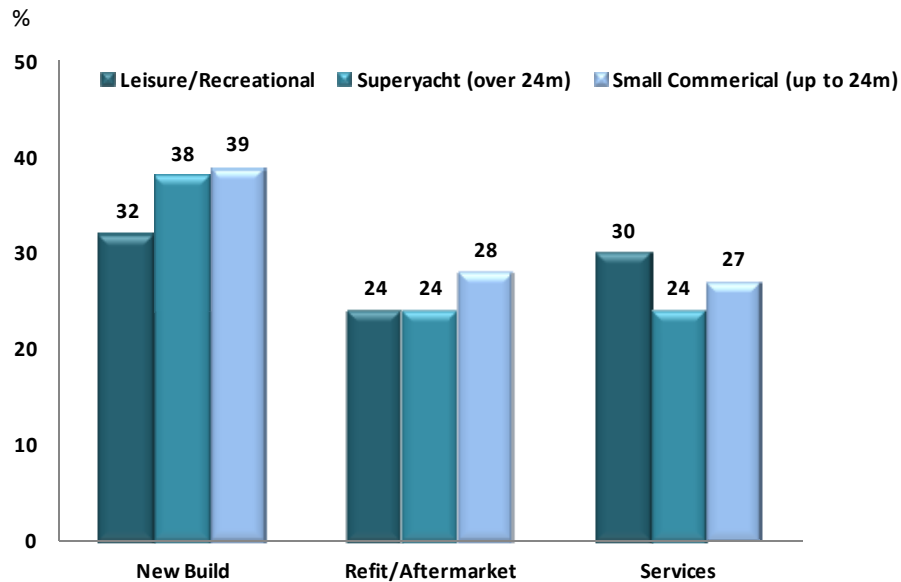
When monitoring business performance by market for the first time, it is evident that new build is most likely to be reporting an increased trend compared to the same period a year ago. Both refit and services are most likely to be reported as the same however all markets are showing a fairly flat net balance between increased/decreased performance from a year ago (new build +0%, refit/aftermarket -5%, services -1%).

Business Performance by Marine Market



Analysing the 'increased' responses to the above question further by specific market, the small commercial marine and the superyacht markets are performing slightly ahead of the leisure market. Encouragingly, all specific markets are higher for new build in business performance trends than refit and services, though boat manufacture was most affected during the recession so has further to recover.

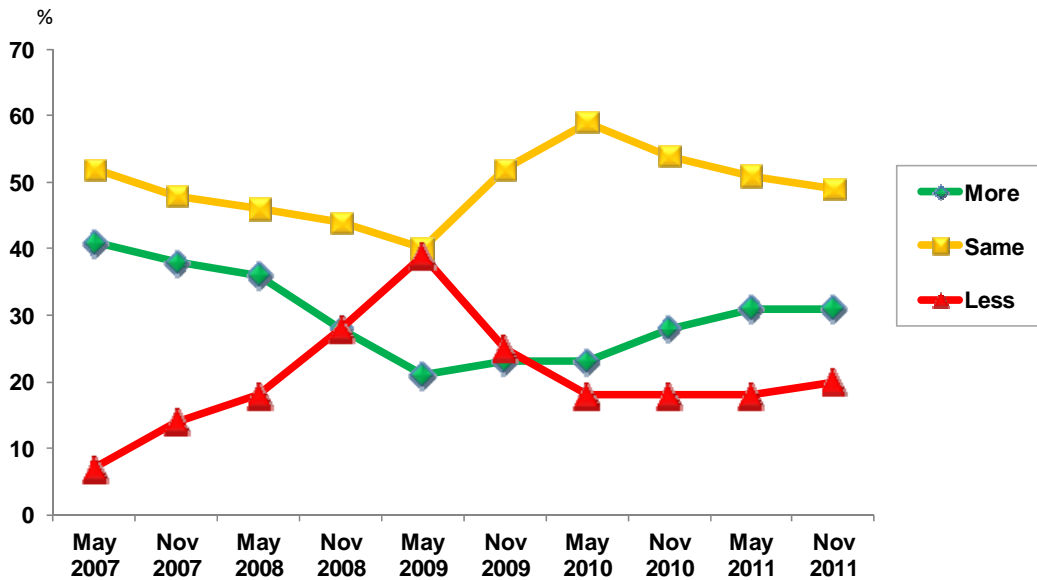
Increased Business Performance by Specific Market



2.6 Investments

Rating of investments trends to the previous year has remained consistent over the last three surveys months, with 31% now reporting they have invested more over the last 6 months compared to the same period a year ago; for 20% it was less, which is a net balance of +11%. This compares to +13% in May 2011, +10% in November 2010, +5% in May 2010.

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



2.7 Current Obstacles to Business

Mentions of the general economy / lack of customer confidence being the main obstacle to their business has doubled in responses from the last survey, often in reference to the recent Eurozone issues.

Other mentions continue to be consistent with previous surveys, including lack of orders, lack of finance / credit available, issues with cash flow / delayed payments, increasing costs, fluctuating exchange rates and regulation / red tape impacting their business.

Financial climate esp. Eurozone issues	45%
Lack of orders / sales	16%
Lack of Finance / Credit available	10%
Cash flow / Delayed payments	8%
Regulation / red tape	7%
General costs (esp. marketing and fuel)	7%
Fluctuating / Uncertain exchange rates	6%
Competition (cheap imports and undercutting)	5%
Lack of investment in market	4%
Delayed lead times / product delivery	3%
Lack of skilled / experienced staff	2%
Cost of raw materials	2%
Navigation authorities	2%
VAT increases	2%
Poor weather	2%
None	3%

2.8 Current Barriers to Exports

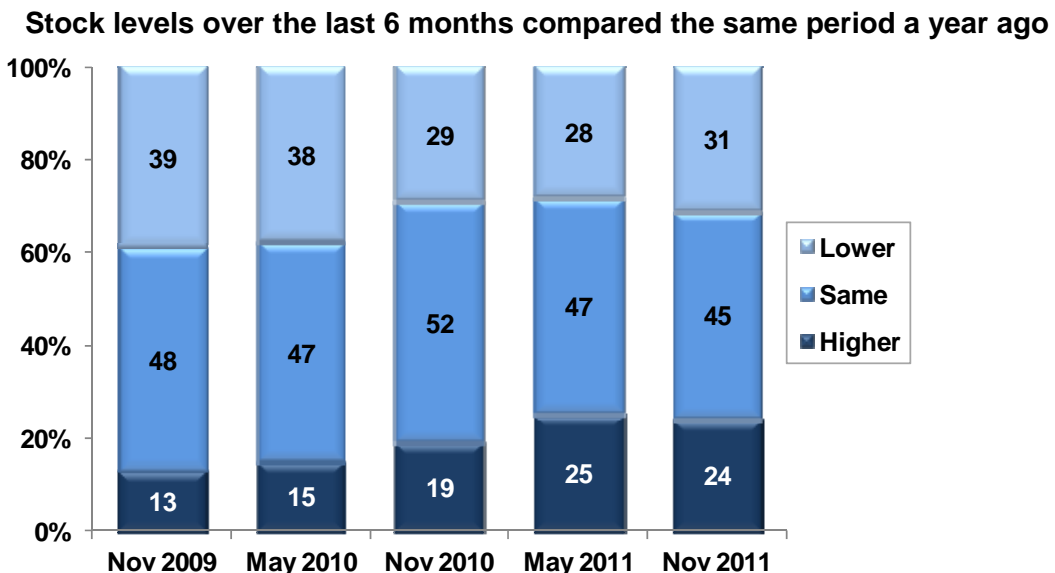
For the first time in 18 months, the global economic climate is the highest barrier to exports, especially the Eurozone. This is now mentioned more than exchange rate fluctuations which had been the highest barrier noted in the last three surveys. Other key barriers include general costs to export, particularly transport costs, lack of confidence/knowledge and regulation / red tape.

Financial climate esp. Eurozone issues	21%
General costs (esp. transport)	14%
Exchange rate fluctuations	11%
Lack of confidence / knowledge	9%
Regulations / Red tape	7%
Lack of Finance / Funding available	4%
Lack of orders / sales	4%
Finding Good Distribution / Networks	2%
Lack of time	2%
None	5%

2.9 Overheads Following a statistically significant increase in the last survey in May 2011 compared to November 2010, the rating of overheads is now almost identical. 59% perceive overheads are higher, 28% rate their overheads as the same as a year ago and 13% lower.

2.10 Research & Development There has been a marginal increase in the rating for Research & Development levels, but not to a significant degree given 27% report their R & D is higher than this time a year ago compared to 25% in May 2011 and 23% in November 2010. For 59% it is the same and for 14% it is lower.

2.11 Stock Levels Compared to a year ago, stock levels where relevant, are similar to those reported in the previous two surveys. 24% report higher stock levels and for 31% it is lower, resulting in a net balance of -7% compared to -3% in May 2011, -10% in November 2010 and -23% in May 2010

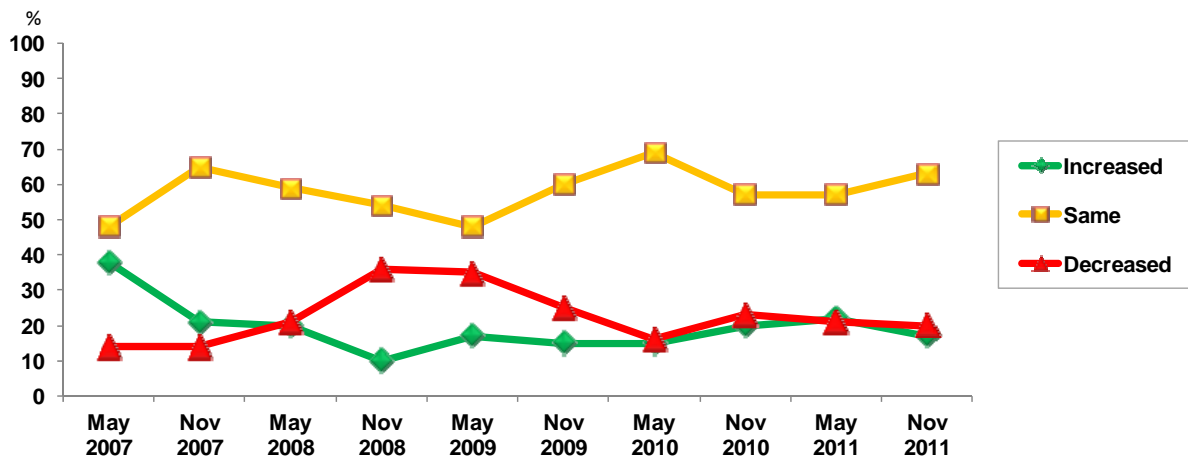


2.12 Workforce

Trends in workforce levels are being maintained at a stable level since the decline during 2009. There is minimal change overall though slightly more companies report they are staying the same than increasing compared to the last survey.

Compared to the same period a year ago, workforce is reported to have increased for 17% while 20% report a decrease, resulting in a net balance of -3% given the large majority are the same (63%). This compares to +1% in May 2011, -3% in November 2010 and -1% May 2010.

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



2.13 Current Vacancies

12% of respondents state their company is currently having difficulties filling a company vacancy which is a consistent trend over time, comparing to 13% in May 2011, 11% in November 2010 and 13% in May 2010.

The vacancies found most difficult to fill are most likely to be marine engineers but also sales, apprentices, managers (sales/product) and instructors.

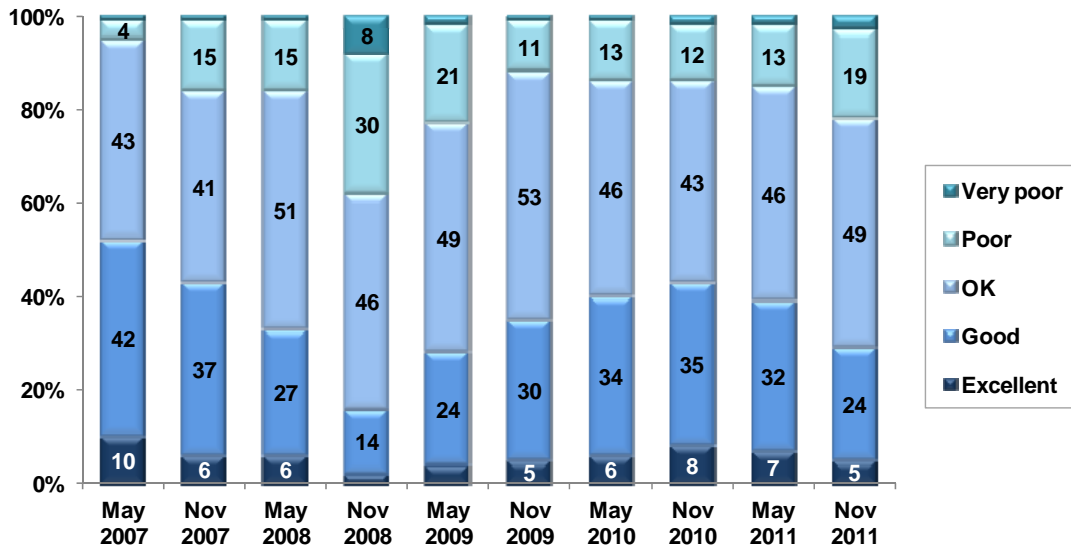
2.14 Future Prospects

In light of the challenges currently facing the marine industry and the wider economy, Members' perceptions for the next 6 months are realistic and are therefore slightly less positive than reported in recent surveys.

29% of those responding are expecting their business prospects over the next six months to be excellent/good, 48% predict it will be ok, and for 22% it is believed to be poor.

This is slightly lower than reported six months ago when 39% thought it would be excellent/good and 15% predicted it would be poor.

Future prospects for the marine business over the next 6 months



2.15 Pricing Strategy

Pricing strategy has remained relatively unchanged from the last survey with 44% intending to raise their prices over the next six months compared to 40% in May 2011. The remaining 45% intend to keep their prices the same, 2% expect to decrease them and 9% are unsure.

Expectation to raise prices over the next 6 months

