SPRING 2011 INDUSTRY TRENDS RESULTS
November 2010 – May 2011

UK Marine industry reports a consistent level of performance

The UK leisure, superyacht and small commercial marine industry reports a consistent level of performance in its recovery from the recession, according to the latest trends survey from the British Marine Federation (BMF).

Encouragingly, there has been a slight improvement in the trend reported for the value of the order book, notably for the home market, though the export market continues to perform slightly better overall. The bi-annual survey of BMF members shows minimal change in the trends for the majority of other economic measures from the last two surveys in November and May 2010, with turnover and business activity reported with a positive balance, but with profit margins still reporting a negative trend due to the challenging economic climate.

Expectations for the next six months are comparable to the previous two surveys with 39% of respondents perceiving prospects as good or excellent, 46% as okay and only 15% view it negatively.

The May 2011 survey results for the last six months include:

- **Level of marine business activity:** reported to have increased for 38% of members while 26% report that it has decreased, resulting in a net balance of +12%

- **Turnover:** 44% report they have a higher turnover compared to the same period a year ago and 31% a lower turnover, resulting in a net balance of +13%. The trend over time for turnover is very similar to that of the general economy, mirroring the pattern of Gross Domestic Product over recent years

- **Value of the order book:** there has been an increase in the trend reported for both the domestic market (net balance +3%) and export market (net balance +9%) compared to a year ago

- **Level of investment:** trend continues to improve slowly but steadily with 31% investing more and 18% less than the same period in 2010

- **Profits:** the impact of the economic downturn is still evident given 42% of respondents are reporting lower profits than the same six month period a year ago and 32% a higher profit, resulting in a net balance of -10%

When asked to spontaneously list the most common problems they are currently facing, BMF members responded: the financial climate/general economy (22%); the lack of finance and credit available (14%); the lack of orders and sales (13%); cash flow / delayed payments (9%); fluctuating/uncertain exchange rates (9%); regulation/red tape (8%); cost of fuel (4%); VAT increases (4%); competition (4%).

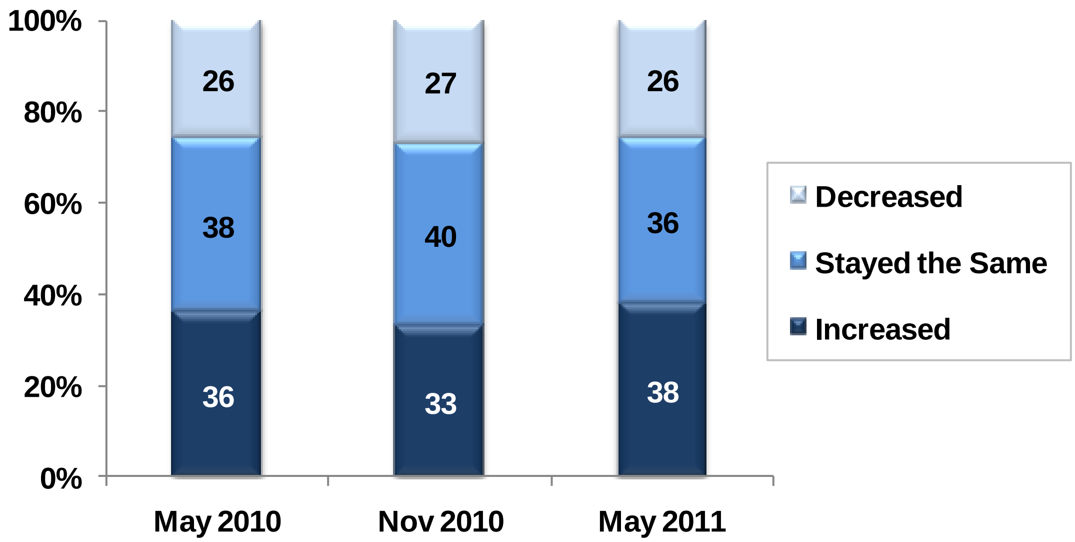
* net balance reflects the difference between members reporting a positive and negative response per question

DETAILED RESULTS

The marine industry is reporting a positive trend in business performance for the six month period between November 2010 and May 2011. An increased business activity was experienced by 38% of respondents compared to a decrease for 26%, resulting in a net balance of +12% (i.e. the difference between those increasing and decreasing).

The results have increased slightly from the last survey when the net balance was +6% but comparable to this time a year ago when it was +10%.

Marine Business Activity over the last 6 months



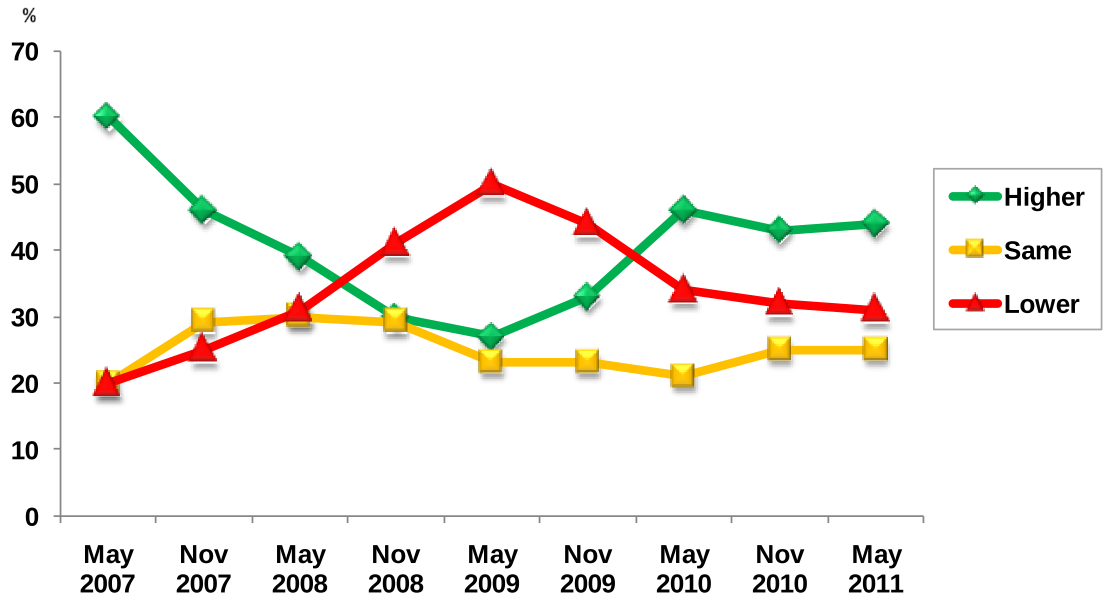
MARINE TURNOVER & PROFITS

Turnover trends have been maintaining a consistent level since May 2010 when a positive net balance for the industry was reported for the first time in 18 months.

This plateau is still being displayed with 44% stating they have a higher turnover than a year ago while for 31% it is lower, creating a net balance of +13% (compared to +11% in November 2010, +12% in May 2010).

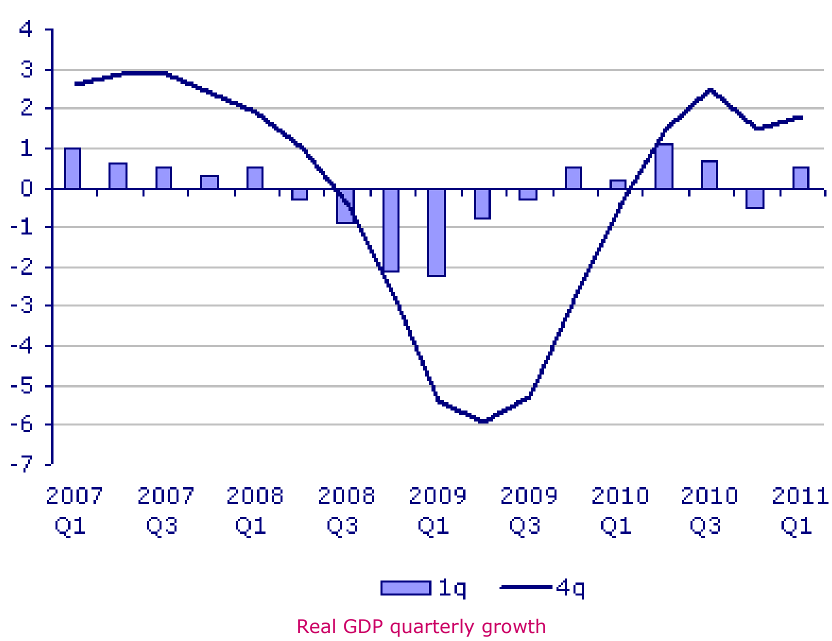
Boat manufacture and boat sales are still the sectors that are most affected from the current state of the industry and general economy.

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



When comparing the marine turnover above with the general economy, it is clear to see the pattern is very similar. The 'higher' rating shown in the above chart mirrors the pattern of the Gross Domestic Product for the general economy below in the 4q line (4q also compares to the same period the previous year). NB different scales.

UK GDP Growth (Office of National Statistics)



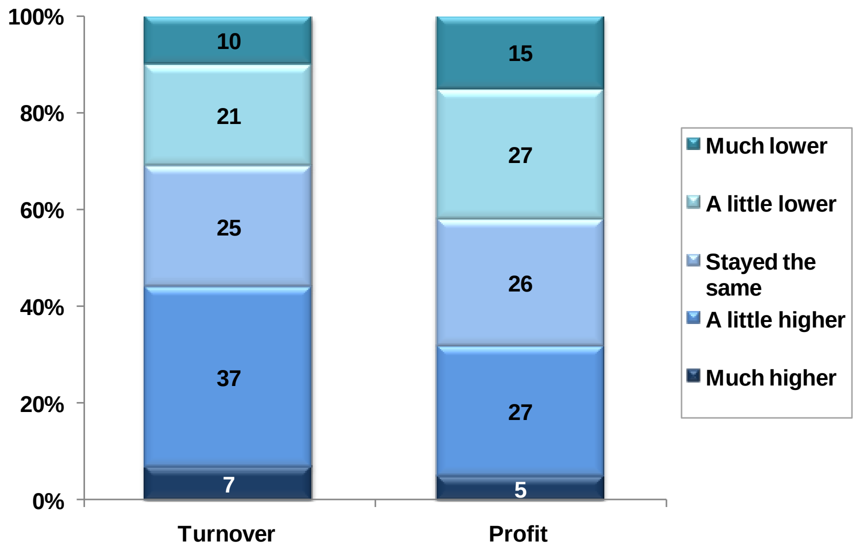
Source: Office for National Statistics licensed under the Open Government License v.1.0

There has also been little movement in the rating of profit margins which is still reporting a negative trend, reflecting that the marine industry is still experiencing a tough market.

32% report a higher profit compared to the same period a year ago and 42% a lower profit which is lower than the ratings for turnover.

These results show a slightly declining trend on profit levels, but not to a statistically significant amount, as the net balance for profit is now -10% compared to -8% November 2010 and -4% in May 2010.

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

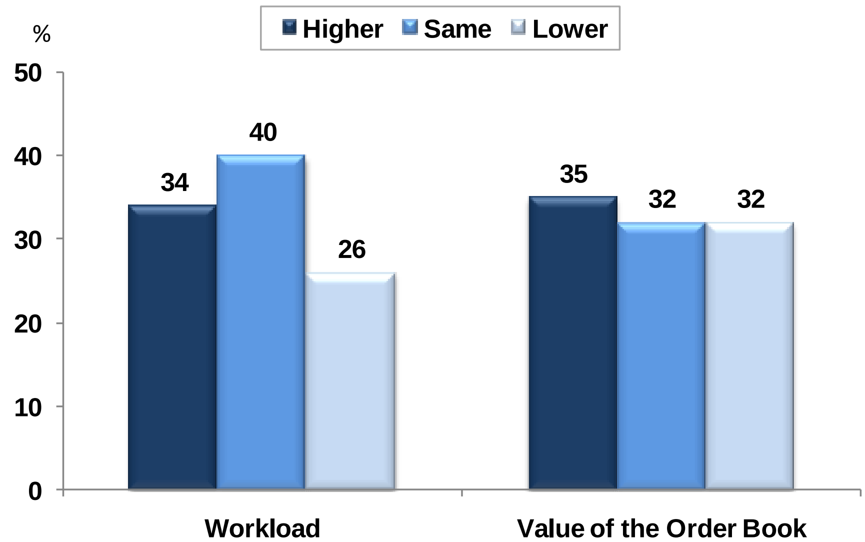


HOME MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The home market workload was rated as higher for 34% over the last six months compared to a year ago and lower for 26%, resulting in a net balance of +8%. The home market workload is being rated marginally higher than in November 2010 when the net balance was +2%, but this is not to a significant degree. Workload is now back to the same trend as reported in May 2010 when the net balance was reported as +7%.

Encouragingly, the value of the home market order book has improved from recent surveys to now show a positive net balance of +3% compared to the negatives of -6% in November and -4% in May 2010. A total of 35% rated their home order book value as higher over the last six months compared to a year ago, while for 32% it is lower.

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



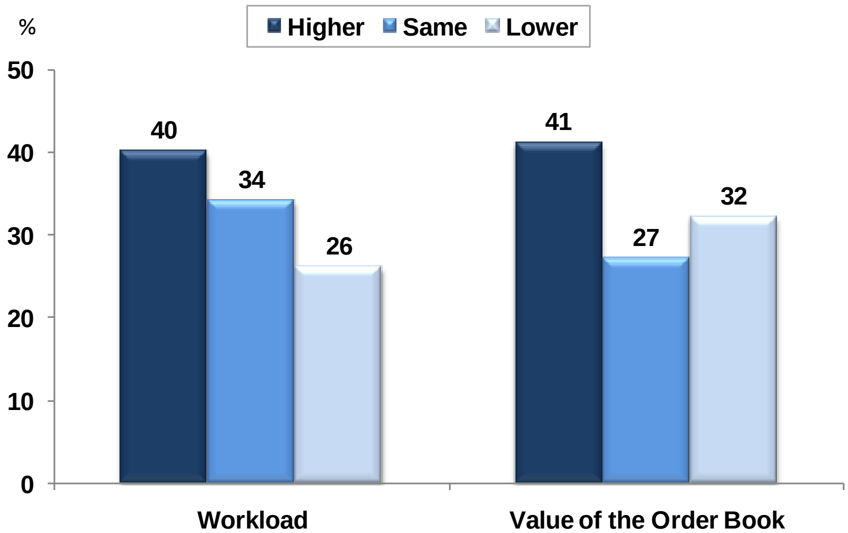
EXPORT MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The export market workload and value of the order book are still performing slightly ahead of the home market over the last six months compared to a year ago. However, the gap is closing in this margin.

The export market workload has remained fairly consistent over the last 18 months. It is now rated as higher for 40% for the last six months compared to the same period a year ago and lower for 26%, creating a net balance of +14% (compared to +12% in November and +15% in May 2010).

The value of the export market order book has improved from November 2010 slightly as the net balance is now +9% compared to +2%, to now be comparable to the trend last seen in May 2010 when the net balance was +10%. 41% are now reporting the export order book value is higher than this time a year ago, while for 32% it is lower.

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

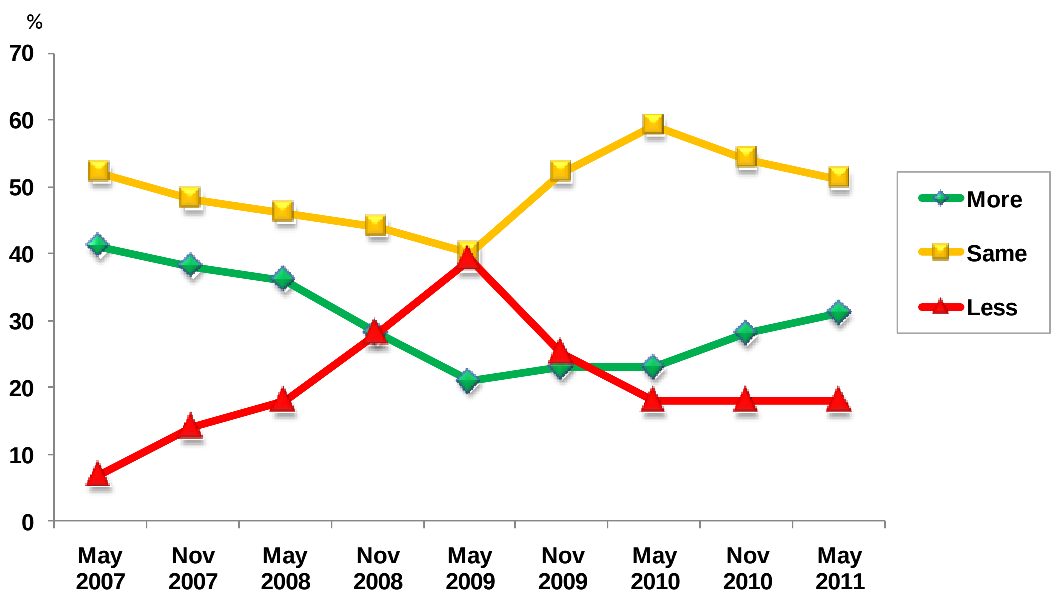


INVESTMENTS

Rating of investments has continued to improve steadily over the last 18 months, with a slight increase reported in the current survey in respondents investing more.

31% report they have invested more over the last 6 months compared to the same period a year ago, and for 18% it was- less, which is a net balance of +13%. This is a little more positive than the net balance of +10% reported in November 2010 and +5% in May 2010.

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



CURRENT OBSTACLES TO BUSINESS

As mentioned in the recent surveys, the main obstacles to business is still being dominated by the financial climate, along with the lack of finance / credit available and lack or orders / sales. Other mentions are mainly related to increasing costs and fluctuating exchange rate but also cash flow issues through delayed payments, and delayed lead time / product delivery impacting their business.

Financial climate / general economy 22%
Lack of Finance / Credit available 14%
Lack of orders / sales 13%
Fluctuating / Uncertain exchange rates 9%
Cash flow / Delayed payments 9%
Regulation / red tape 8%
General cost increases 8%
Red diesel/Cost of fuel 4%
VAT increases 4%
Delayed lead times / product delivery 4%
Competition (cheap imports and undercutting) 4%
Price of fuel 4%
Lack of skilled / experienced staff 4%
Increased VAT 4%
Cost of raw materials 3%
Lack of time 3%
Other mentions < 2% Government, weather, overcapacity in inland marinas, lack of advice on business development
None 6%

CURRENT BARRIERS TO EXPORTS

As reported in the last survey, the fluctuating/uncertain exchange rate is still the highest barrier to exports and the impact of the financial economic downturn. Other barriers include finding good distributors and the high level of general associated costs to export.

Exchange rate fluctuations 27%
Financial Climate / Worldwide downturn 21%
Regulations / Red tape 13%
Cashflow/lack of finances 11%
Cost of transportation 11%
General costs 9%
Lack of orders / sales 9%
Internal constraints 9% (lack product/resource/policy)
Finding Good Distribution / Networks 7%
Lack of confidence / knowledge 7%
International Competition 7%
Import duties 7%

Current barriers cont.
Amount of marketing/promotion needed 7%
Lack of skilled / experienced staff 7%
Cost of raw materials 5%
Increased VAT 5%
Lack of time 4%
Language barrier 2%
Government 2%
None 5%

OVERHEADS

There has been a statistically significant increase in the rating for overheads compared to the last survey as 59% perceive they are higher compared to 40% in November 2010. The remaining 29% rate their overheads as the same as a year ago and 12% lower.

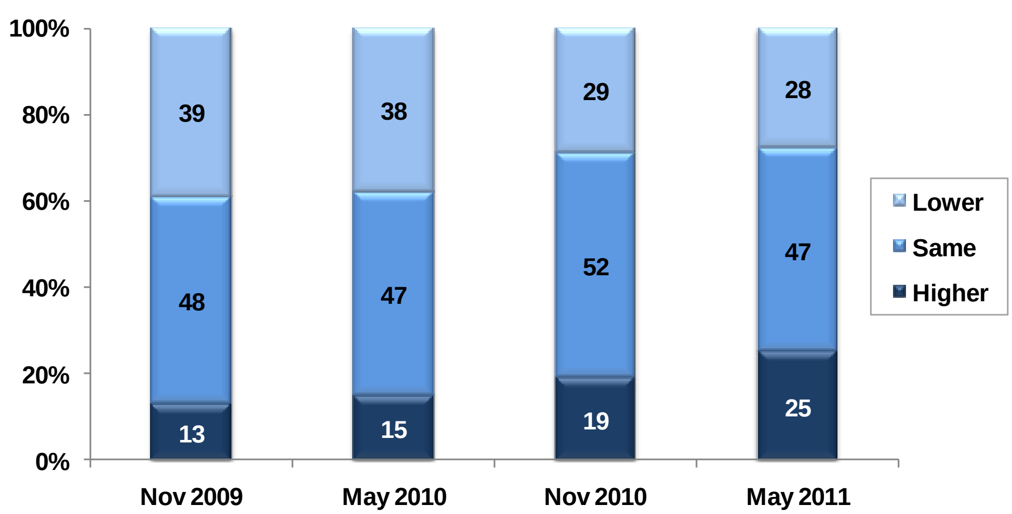
RESEARCH & DEVELOPMENT

The has been little change in Research & Development levels given 25% report their R & D is higher than this time a year ago compared to 23% in November 2010. For 57% it is now the same and for 17% it is lower.

STOCK LEVELS

Stock levels are measured compared to this time a year ago, where relevant. More respondents are rating higher stock levels than a year ago compared to the last survey given the 25% response compared to 19% in November 2010. The number reporting their stock levels are lower than the previous year is similar however (28% now and 29% in November 2010).

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

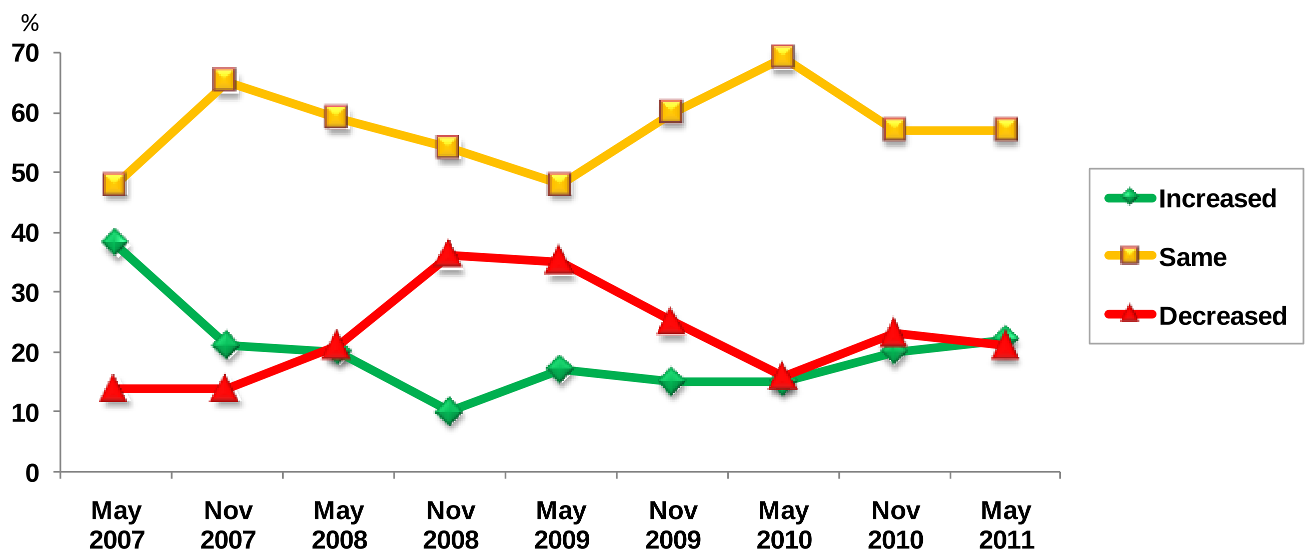


WORKFORCE

Trends in workforce levels are being maintained with minimal change from the previous survey, with 22% now reporting an increase in their employee numbers compared to the same period a year ago. 21% have reported a decrease in their workforce, therefore resulting in a net balance of +1%.

This is the first time in recent years that the net balance is showing a positive trend, albeit a marginal one (+1% now compares to -3% November 2010, -1% May 2010, -10% November 2009, -19% May 2009).

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



CURRENT VACANCIES

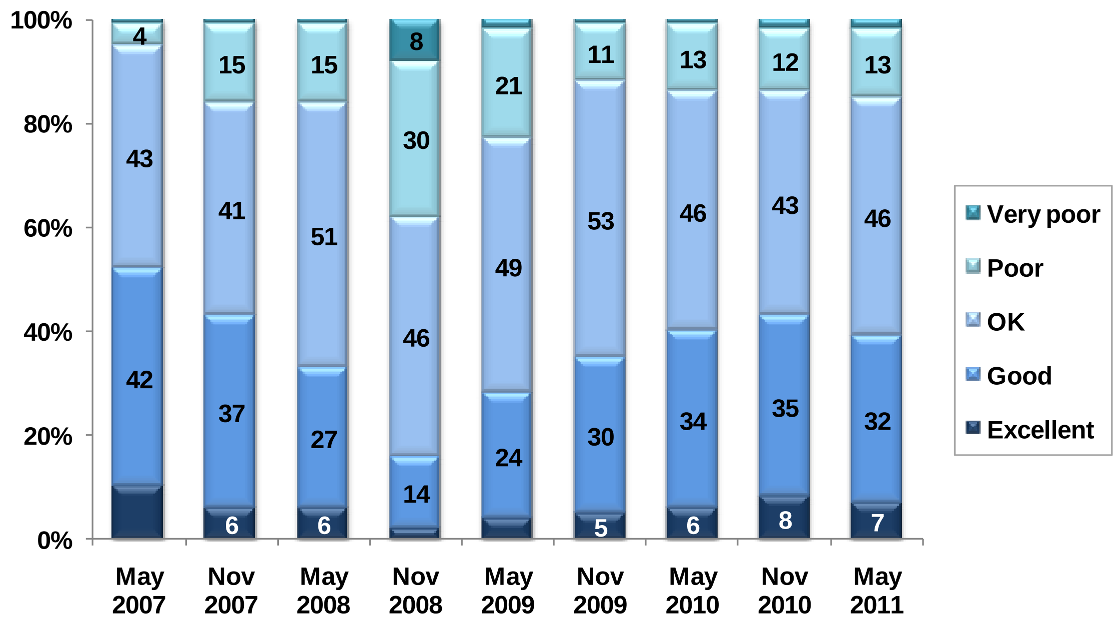
13% of respondents state their company is currently having difficulties filling company vacancies compared to 11% reported in November 2010 and 13% in May 2010.

The vacancies found most difficult to fill are most likely to be marine engineers but also managers (sales/product), sales, international roles, designers, marketing roles, electricians/electronics, carpenters, painters and lawyers.

FUTURE PROSPECTS

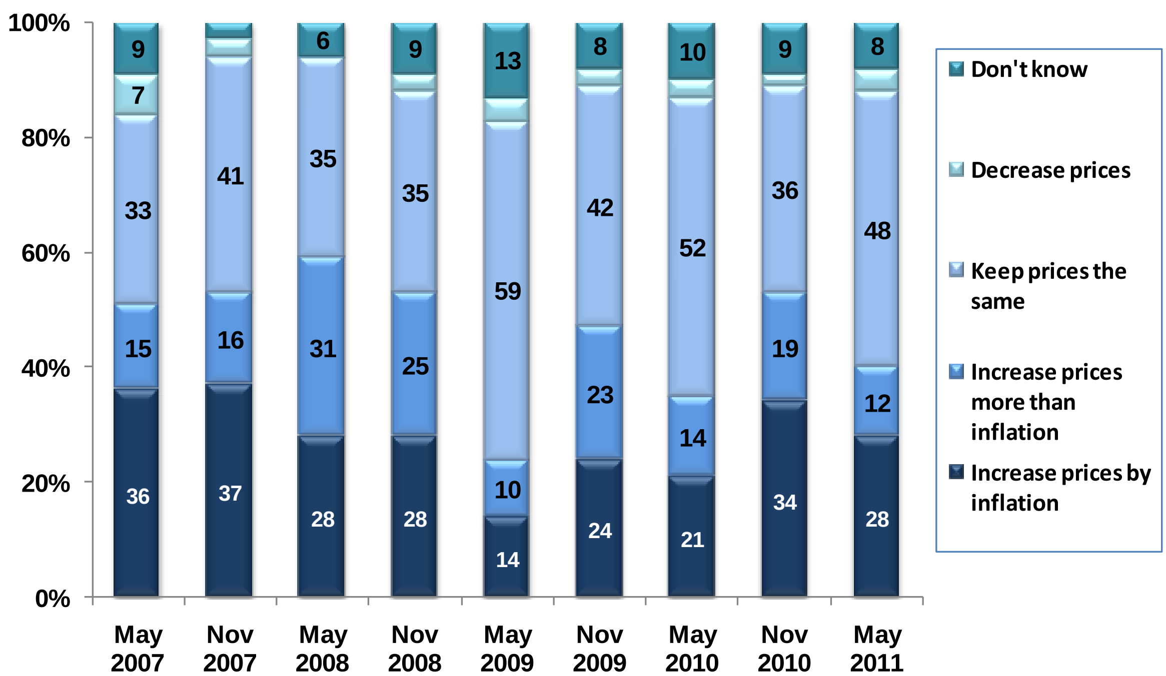
Reflecting a steady level of business performance, Members' perceptions for the future six months is very similar to their forecasts attained over the last two surveys.

Those perceiving the next six months to be excellent / good is now 39%, while 15% have negative expectations, resulting in a net balance of +24%. This is comparable to previously given those with a negative impression for the future is the same (15% now, 14% November 2010). Slightly more Members perceive the next six months to be 'ok' compared to 'excellent or good' but not to a statistically significant amount.



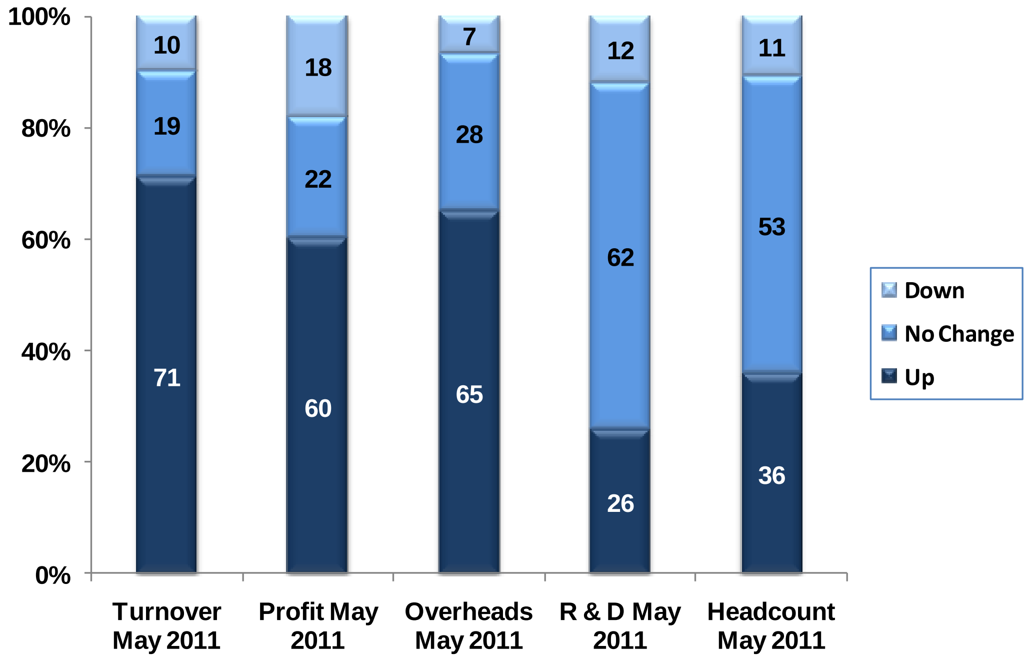
PRICING STRATEGY

Pricing strategy was one of the economic measures that had changed in the last survey to a greater expectation to raise prices; however this perception has altered back now to be more likely to keep prices the same over the next six months. 40% intend to raise their prices in the next six months compared to 53% in November 2010, while 48% intend to keep them the same, 4% decrease them and 5% are unsure.



Looking to the next three years, the majority of responses are similar to those reported in the last survey. Again, around two thirds are expecting turnover and profits to be up over the next 3 years but also so are overheads. Headcount is expected to stay at similar levels for 53% and 62% expect the same amount of R & D.

Rating of Business Trends – next 3 years



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 2011 was completed by 295 members (24% 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 2011.

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