AUTUMN 2010 INDUSTRY TRENDS RESULTS

May 2010 – November 2010

Marine industry shows resilience through challenging economic climate

The UK leisure, superyacht and small commercial marine industry is continuing to show resilience as it slowly recovers from the recession, according to the latest trends survey from the British Marine Federation (BMF).

The bi-annual survey of BMF members shows no statistically significant change on responses to the majority of economic measures from the last survey in May 2010, when it was reported that turnover had a positive net balance* for the first time in 18 months. While the results are marginally lower on some questions, the industry is still reporting an increasing trend for business activity and turnover and there is a slightly more encouraging outlook for the next 6 months.

The November 2010 survey results include:

- 43% of respondents perceive the next six month's prospects as good or excellent while only 14% view it negatively

- 33% have increased their marine business activity over the last six months, and 27% report it decreased, resulting in a net balance of +6%

- 43% report a higher turnover over the last six months compared to the same period a year ago and 33% a lower turnover, resulting in a net balance of +11%

- The export market continues to perform slightly ahead of the domestic market, compared to the same period last year for both workload and value of the order book.

- Investment levels are slightly higher than reported in the last survey given 28% 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, a net balance of +10%

- The impact of the economic downturn is still evident, as in the last survey, given profits are resulting in a negative balance of -8% as 41% report a lower profit than the same six month period a year ago, while 33% report a higher profit

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

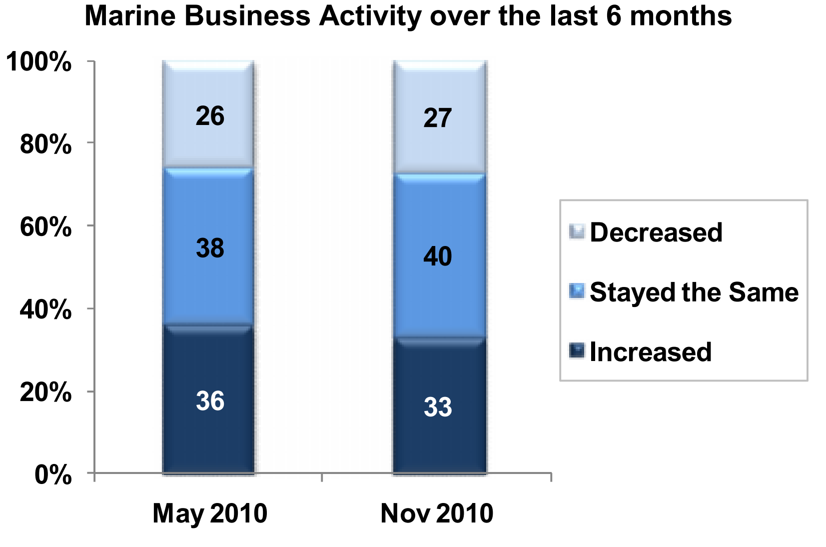
- The financial climate/general economy (30%)
- The lack of finance and credit available (13%)
- The lack of orders and sales (10%)
- VAT increases (9%)
- Regulation / red tape (8%); and
- Fluctuating / Uncertain exchange rates (8%)

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

DETAILED RESULTS

The industry continues to report a positive trend as marine business activity is still increasing more than decreasing over the last six months. 33% report increased activity compared to 27% reporting a decrease, resulting in a net balance of +6% (i.e. the difference between those increasing and decreasing).

The results have decreased marginally from May 2010 when the net balance was +10%, but this difference is not a statistically significant amount.

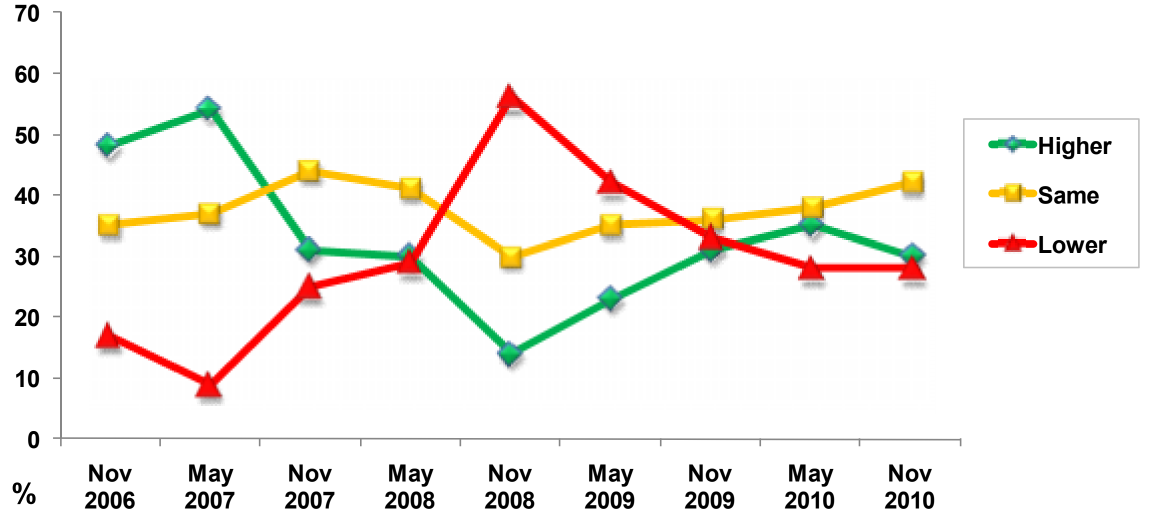


MARINE TURNOVER & PROFITS

In the last survey in May 2010, a positive trend for turnover of the industry was reported for the first time in 18 months (net balance +12%) in comparison to the same six months a year ago.

Encouragingly, the rating of turnover is still exhibiting this trend given 43% are reporting a higher turnover while for 32% it is lower, a net balance of +11%.

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

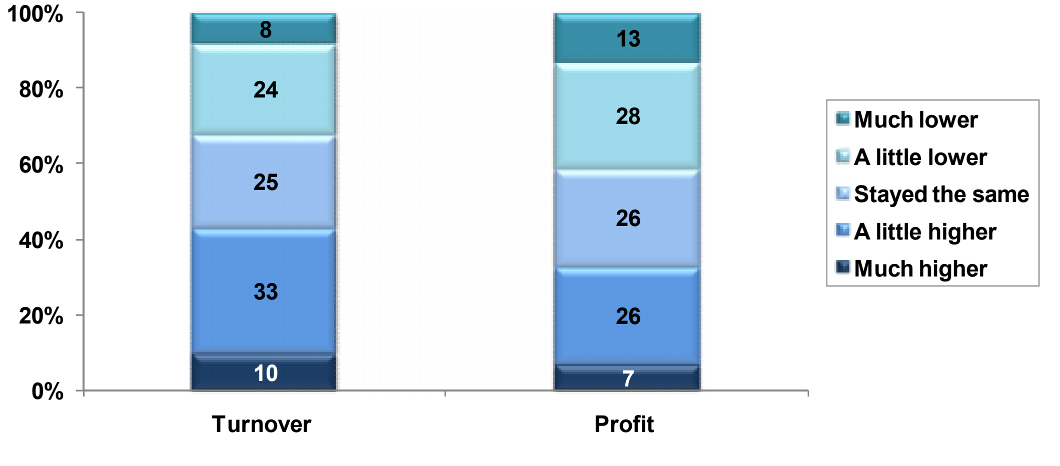


However, when comparing turnover to profits, the effect of the economic downturn is still evident given profit margins are still reporting a negative trend.

33% report a higher profit over the last six months compared to the same period a year ago compared to 43% reporting a higher turnover. Those reporting a lower profit is 41% compared to 32% declaring a lower turnover.

These results are marginally lower than reported in May 2010 as the net balance for profit is now -8% compared to -4% previously.

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



OVERHEADS

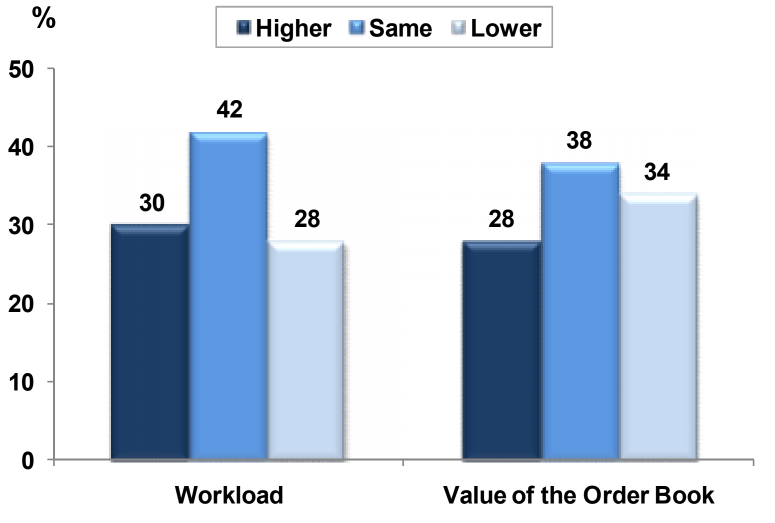
Asked for the first time in this survey, overheads were rated compared to the same six month period a year ago. 40% perceive overheads to be higher, 45% rate them the same and lower for 15%.

HOME MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The home market workload was rated as higher for 30% over the last six months compared a year ago and lower for 28%, resulting in a net balance of +2%. Compared to May 2010, the home market workload is being rated marginally lower, but not to a significant degree, as the net balance was +7% in the previous survey.

The value of the home market order book is still slightly lower than the workload measure as 28% report it as higher and for 34% it was lower, resulting in a negative net balance of -6%. Value of the order book for the home market is reporting similar levels to the last survey when it was -4%.

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



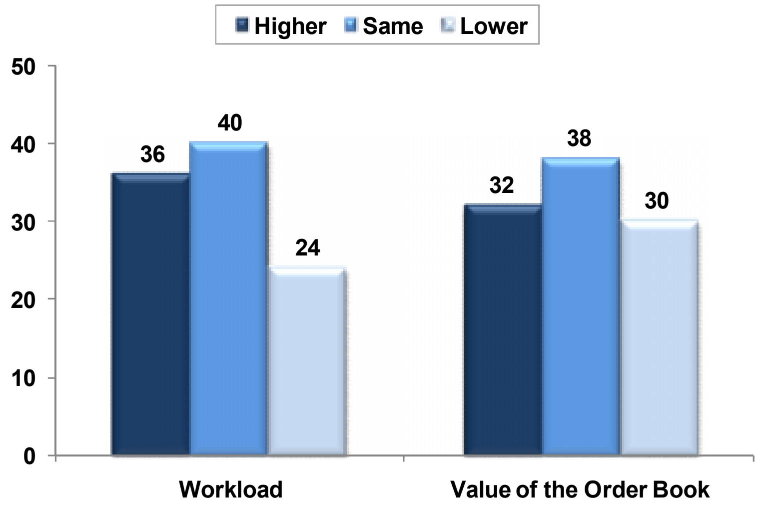
EXPORT MARKET: WORKLOAD & VALUE OF THE ORDER BOOK

The export market workload and value of the order book are performing slightly ahead of the home market in economic trends over the last six months compared to a year ago.

The export market workload was higher for 36% over the last six months compared to the same period a year ago and lower for 24%, creating a net balance of +12% (compared to +15% in May 2010).

Similarly to the home market, the value of the export market order book is rated lower than workload, with 32% reporting it higher and for 30% it was lower, a net balance of +2%. This is a decrease in trend from the last survey when the net balance was +10%

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

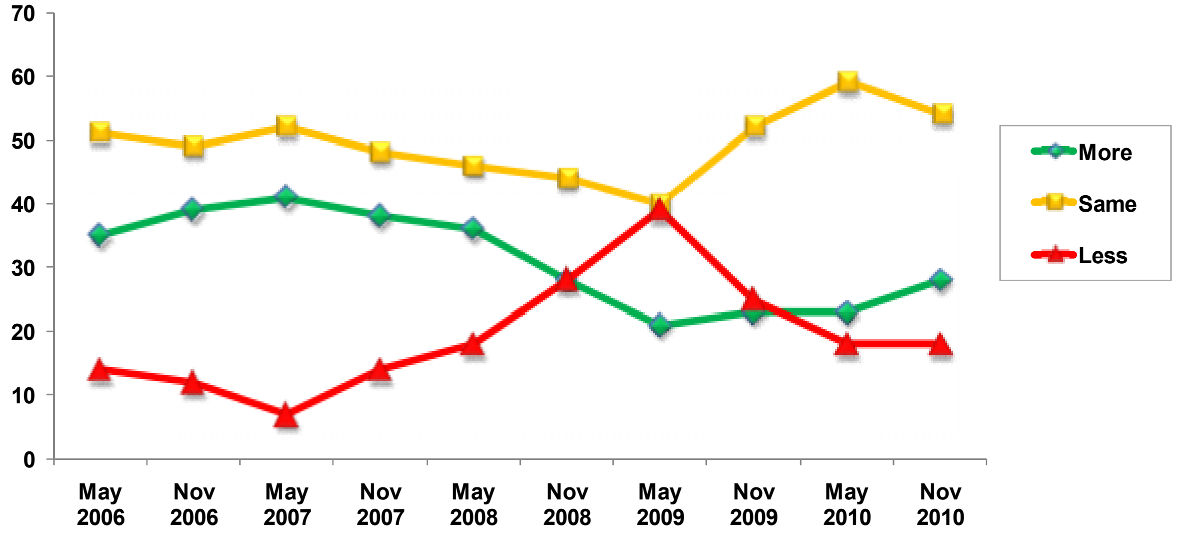


INVESTMENTS

Rating of investments has continued to improve from the last survey in May 2010 as there is a slight increase in respondents investing more than this time a year ago.

28% 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 +10%. This is a little more positive than the net balance of +5% reported in the last survey

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



RESEARCH & DEVELOPMENT

Research and Development levels were also measured for the first time to determine comparisons to this time a year ago. 23% report their R & D is higher than last year, for 60% it is the same and for 17% it is lower.

CURRENT OBSTACLES TO BUSINESS

Not surprisingly the main obstacle to business is still dominated by the financial climate, along with the lack of finance / credit available and lack or orders/sales. A new higher mention is the impending VAT increase and the coalition Government. The fluctuating exchange rates and regulation/red tape are continuing to impact on business.

Financial climate / general economy 30%
Lack of Finance / Credit available 13%
Lack of orders / sales 10%
VAT increases 9%
Fluctuating exchange rate 8%
Regulation / red tape 8%
Lack of skilled / experienced staff 4%
Coalition Government 3%
Cost of raw materials 3%
Cash flow / Delayed payments 3%
Competition (cheap imports and undercutting) 2%
Delayed lead times / product delivery 2%
Navigation authorities 2%
None 5%

CURRENT BARRIERS TO EXPORTS

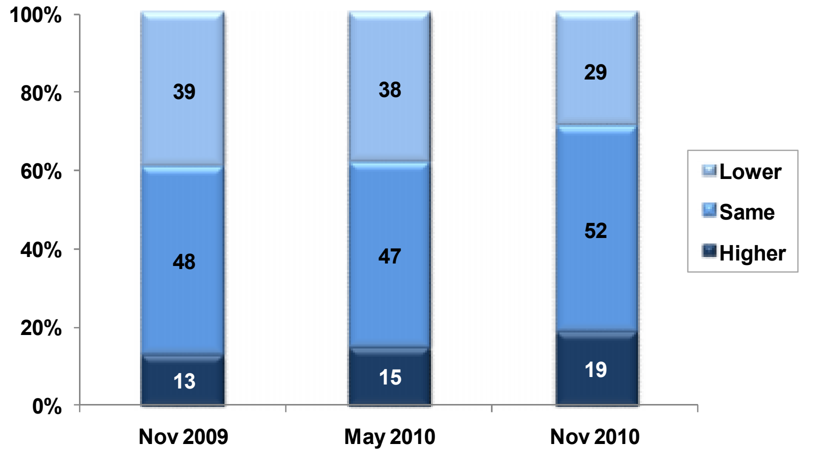
As reported in the last survey, the fluctuating/uncertain exchange rate is still the highest barrier to exports and the impact of the financial economic downturn. Other barriers include finding good distributors and the high level of general associated costs to export.

Fluctuating / Uncertain exchange rate 16%
Financial Climate / Worldwide downturn 12%
Finding Good Distribution / Networks 5%
General costs (esp. transport) 5%
Lack of orders / sales 4%
Lack of time 4%
Regulations / Red tape 4%
Amount of marketing/promotion needed 4%
Lack of Finance / Funding available 3%
Lack of skilled / experienced staff 3%
Language barrier 3%
Government cuts/lack of support 2%
Lack of confidence / knowledge 2%
None 14%

STOCK LEVELS

Stock levels are measured compared to this time a year ago, where relevant. The rating for stock levels has shown a significant change from the previous surveys as fewer members rate their stock level as lower (29%) compared to 38% in May 2010 and 39% in November 2009. 19% report higher stock levels and for just over half of the respondents (52%) stock levels are the same.

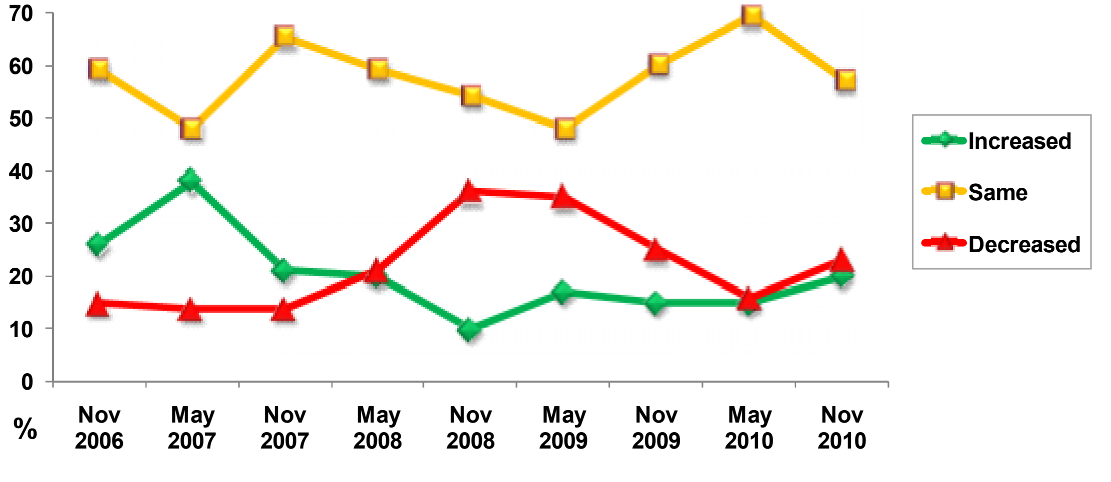
Stock levels over the last 6 months compared the same period a year ago



WORKFORCE

Workforce levels have polarised slightly compared to the last survey in that more have increased and more have decreased their workforce compared to the same period a year ago. 20% report an increase in workforce, for 57% it has stayed the same and for 23% it has decreased. The net balance of -3% remains consistent with the -1% in May 2010 when the workforce levels went back up to trends last reported in May 2008 (net balance results had been reported as between -26% to -10% in the previous surveys).

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



CURRENT VACANCIES

11% of respondents state their company is currently having difficulties filling company vacancies compared to 13% reported in May 2010 2009 and 12% in November 2009.

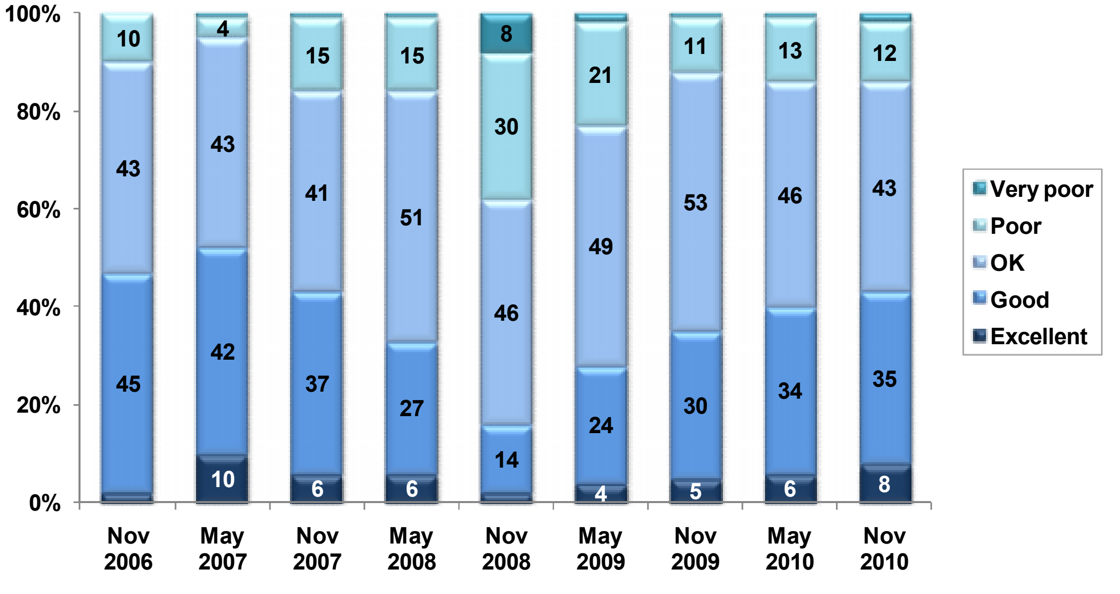
The vacancies found most difficult to fill are still marine engineers but also manager positions are mentioned more than the last survey. Other roles include skilled boat builders/repairers, electricians, software/IT, instructors, and skippers/crew.

FUTURE PROSPECTS

Members' perceptions of the marine industry for the future six months have been steadily increasing in each survey since the trough in November 2008.

It is encouraging that future perceptions have improved again from the last survey. Those perceiving the next six months to be excellent / good is now 43%, while 14% have negative expectations, resulting in a net balance of +29%. This reflects a gradual improvement on future perceptions from the net balance of +26% reported in May 2010 and +23% in November 2009.

Future prospects for the marine business over the next 6 months

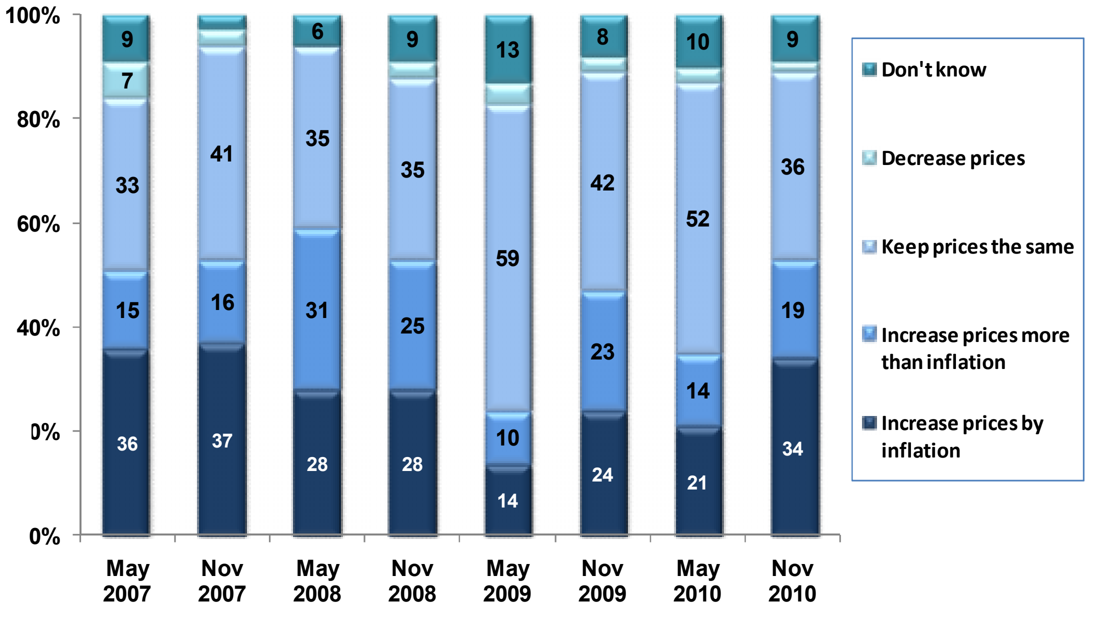


PRICING STRATEGY

Pricing strategy is one of the economic measures that has altered significantly in response from the last survey as more companies are expecting to increase their prices rather than keeping them the same.

Just over half now intend to raise their prices (53%) compared to 35% in May 2010, 36% will be keeping them the same, 2% decreasing them and 9% unsure.

Expectation to raise prices over the next 6 months



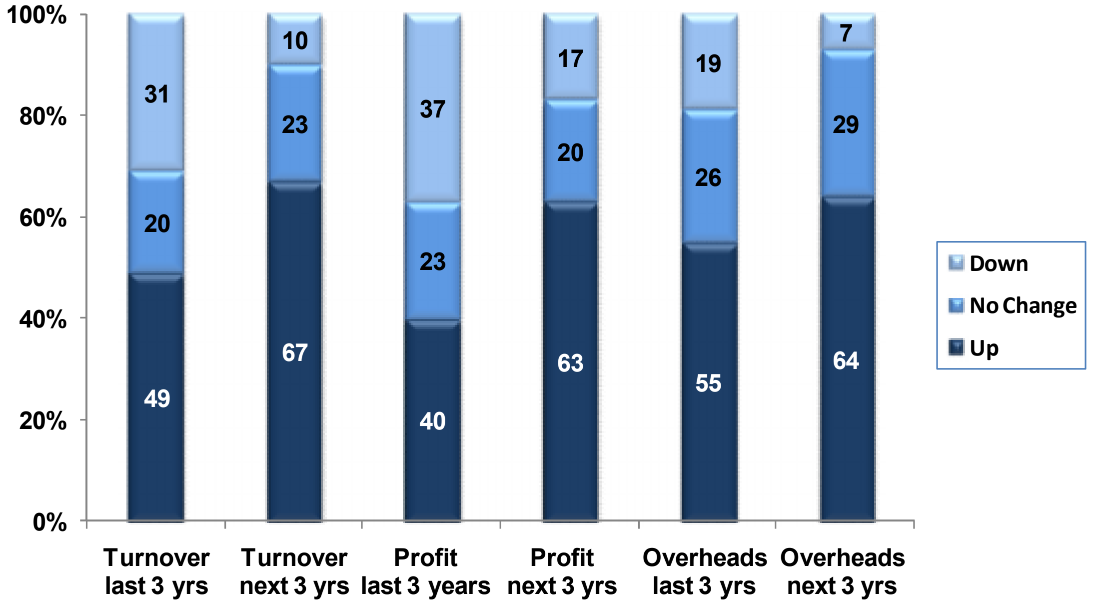
EXTRA MILC QUESTIONS

In this survey, a few extra questions were asked on behalf of a Department of Business, Innovation and Skills led initiative, The Marine Industries Leadership Council (MILC). MILC is developing a strategy for growth which aims to help the marine industry benefit from collaborative action, with better recognition of the sector, better skills availability, more innovation and better export support. These final questions were asked about activity of leisure marine, superyacht, small but also large commercial marine, naval and renewables, if applicable.

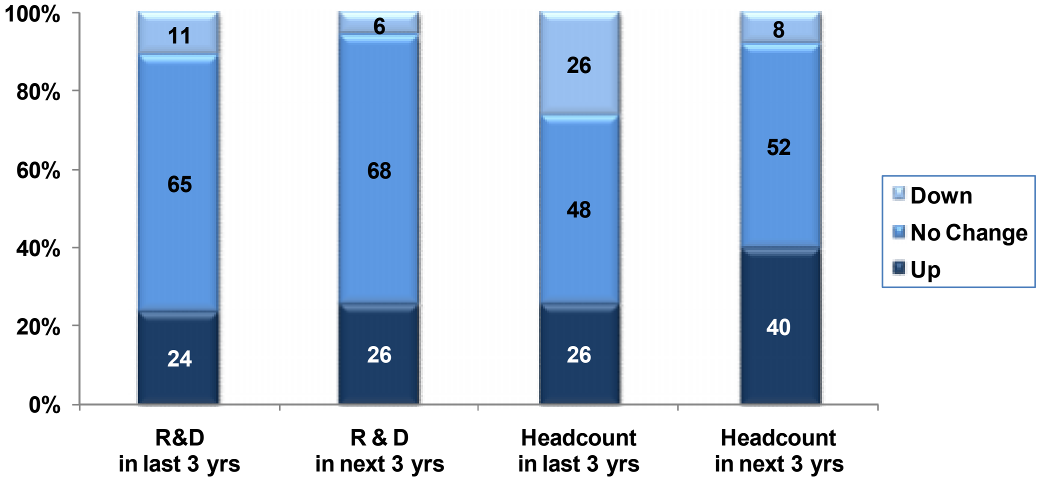
In summary, the following charts clearly show that despite the challenging times over the last 3 years, the future has a more positive outlook, demonstrating the resilience of the industry. Around a third of members were down on turnover and profits over the last 3 years but around two thirds are expecting both of these measures to be up over the next 3 years. Also headcount is expected to rise by comparison to the previous 3 years. The results report that around two thirds expect overheads to rise over the next 3 years and R & D is expected to stay at similar levels for the majority.

The main strengths of the UK marine industry are perceived to be quality, innovation, British Excellence, professionalism, current weak pound and global brands. Weaknesses include the restrictions of being an island and high costs of importing/exporting, red tape and lack of skilled employees. Threats include the economic climate and banks not lending, competition through imports and undercutting, inflating costs such as fuel, EU regulation and VAT increasing. Opportunities are largely perceived to be more innovation/design and also in international exporting, especially to the emerging markets such as BRIC countries of Brazil, Russia, India and China. Also in the UK home market increasing through more participation, UK holidays and the Olympics 2012. Environmental opportunities such as wind farms and also offshore commercial marine are also noted.

Rating of Business Trends – last 3 years/next 3 years I



Rating of Business Trends – last 3 years/next 3 years II



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 November 2010 was completed by 374 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 May 2011.

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