GE Capital

EUROPEAN SME CAPEX BAROMETER

Investment intentions and business sentiment based on a study of 2,250 SME decision makers across seven European markets

Q1 2013

www.gecapital.eu

Contents

Executive Introduction

When I look to the first quarter of 2013 – the time period that our latest SME barometer covers – one issue stands out to me in particular: the imbalance between investor confidence and economic fundamentals. Investors exuded confidence in the financial markets across the quarter, serving to drive the euro higher, increase stock prices and lower sovereign yields – whilst economic fundamentals continued to tell a very different, less positive story. This seemingly paradoxical dialogue for me really captures the challenges we are facing in 2013 – and we are closely watching both trends moving forward.

This is also reflected in our report – it looks to be a case of different markets moving at different speeds, as firms across EMEA battle towards the same goal of achieving growth. European SMEs are facing up to a prolonged, challenging economic environment. Firms are typically – and understandably – less willing to invest in declining or uncertain markets, but those that do could position themselves well to emerge stronger and more resilient.

But everybody needs a little help sometimes. I'm proud to say that, through being part of GE – one of the largest industrial companies in the world – we are able to offer SMEs access to the deep industrial heritage and manufacturing know-how of our parent company, helping them grow. Firms face myriad challenges – exporting to new markets; planning for effective leadership succession; training staff to become high-skilled employees and dealing with the increasingly cumbersome burden of regulation to name a few.

At GE, we have a long track record of facing these challenges and consistently overcoming them. Our customers also face these challenges every day. We are very proud that, through our Access GE Programme, we give our customers the ability to tap into our expertise and global network, offering them more than money.

In my business, every day I challenge myself and my team to outperform, take share, be simpler, faster and better connected. I believe SMEs across EMEA are facing these same challenges, and that if they continue to focus on building a culture of winning, they will truly be able to fulfil their potential and drive the wealth creation and growth that Europe needs.

Maurice Benisty
Chief Commercial Officer, GE Capital EMEA

Overview of Research Approach and Methodology

The European SME Capex Barometer is a report based on a GE Capital survey of more than 2,250 small and medium enterprises (SMEs) in seven markets.

The study provides a forecast of the future capital investment intentions of SMEs, the value of 'missed opportunities' due to lack of investment, an assessment of the obstacles currently restricting SMEs' ability to invest, and an assessment of SME business sentiment and employment.

- A quantitative survey, designed by Millward Brown Corporate London)
- SMEs were defined by number of employees, and within each market, the sample size was split about evenly between business with 2-9, 10-49 and 50-249 employees
- All respondents had buying responsibility in the asset areas covered in the report
- All research was conducted between 1st March – 3rd April 2013
- Interviews were conducted online (except for Czech Republic and Hungary where a combination of telephone and online was used)

Due to fluctuations in the exchange rates of local currencies, findings from this survey are not directly comparable to the results of our previous surveys. In order to make the comparison of key indicators possible, some data from the surveys released in Q1 and Q3 2012 have been re-calculated using current exchange rates (specifically for the CEE3 markets and the UK.)

Estimates were calculated using 2011 national SME business demographic information for each of the seven markets, as well as EU-level official data sources, as follows:

1. European Commission statistics agency **(Eurostat)**
2. UK Department for Business, Innovation and Skills **(BIS)**
3. The National Institute for Statistics **(Istat)**
4. The Bureau van Dijk database **(BvD Orbis)**
5. National Institute of Statistics and Economic Studies **(INSEE)**
6. Institute for Small Business Research in Bonn **(IMF BONN)**
7. Central Statistics Office of Poland **(STAT)**
8. Opten
9. Czech statistical office **(CZSO)**

Research highlights

A total of €412bn in capital investment is planned by SMEs across the seven European markets of France, Germany, Italy, the UK, Czech Republic, Hungary and Poland in the next 12 months

Capital investment across all markets is expected to be directed predominantly towards manufacturing equipment assets, (€190bn) with commercial vehicles set to account for €69bn of overall spend

2.4 million new jobs are set to be created by European SMEs in the seven markets – with Western European markets set to increase (EU4 +9% vs Q3) whilst CEE markets are looking to decrease headcount (CEE3 -20% vs Q3)

Sentiment is mixed across markets with German and UK SMEs most optimistic about growth in their sector, whilst SMEs in France, Italy and Hungary remain much more cautious

Traditional high street banks are the preferred financing option for 42% of SMEs in the EU4, but only a quarter said they are actually likely to secure a bank loan

Estimated loss of income due to out-of-date or inefficient equipment has decreased by 30% in EU4[1] markets and 3% in CEE3[2] markets (€52bn and €5.7bn respectively)

More than four in ten of total respondents across all markets cited the uncertain economic environment as the single main barrier to investment

A majority (51%) of all respondents cited upgrading existing equipment to enhance efficiency and productivity as a major reason for investing

[1]France, Germany, Italy and the UK
[2]Czech Republic, Hungary and Poland

THE UK

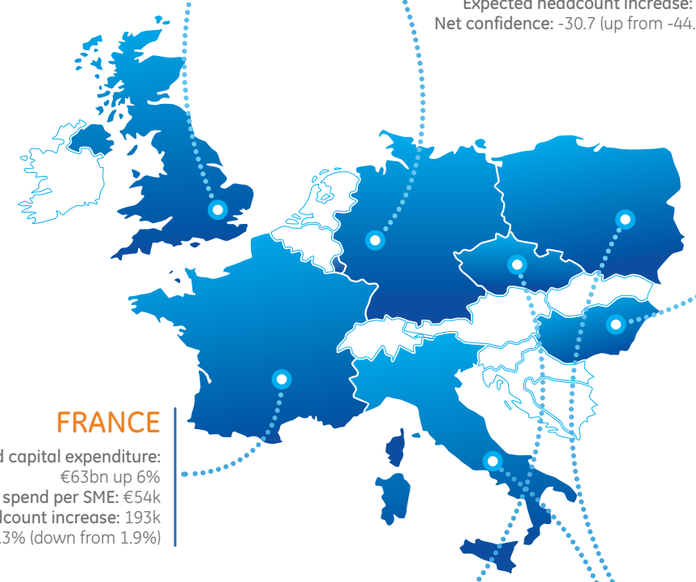
Total Intended capital expenditure: €59bn up 12%
Estimated average spend per SME: €58k
Expected headcount increase: 526k
Net confidence: 12.4% (up from -6.5%)

GERMANY

Total Intended capital expenditure: €164bn up 59%
Estimated average spend per SME: €138k
Expected headcount increase: 986k
Net confidence: 24.8% (down from 25.5%)

HUNGARY

Total Intended capital expenditure: €7bn (down 23%)
Estimated average spend per SME: €39k
Expected headcount increase: 48k
Net confidence: -30.7 (up from -44.9%)



FRANCE

Total Intended capital expenditure: €63bn up 6%
Estimated average spend per SME: €54k
Expected headcount increase: 193k
Net confidence: -16.3% (down from 1.9%)

POLAND

Total Intended capital expenditure: €24bn down 32%
Estimated average spend per SME: €93k
Expected headcount increase: 197k
Net confidence: 16.7% (down from 31.8%)

CZECH REPUBLIC

Total Intended capital expenditure: €17bn (-2%)
Estimated average spend per SME: €75k
Expected headcount increase: 92k
Net confidence: 14% (up from 13.1%)

ITALY

Total Intended capital expenditure: €79bn up 13%
Estimated average spend per SME: €70k
Expected headcount increase: 379k
Net confidence: -14.7% (up from -20.9%)

European Overview

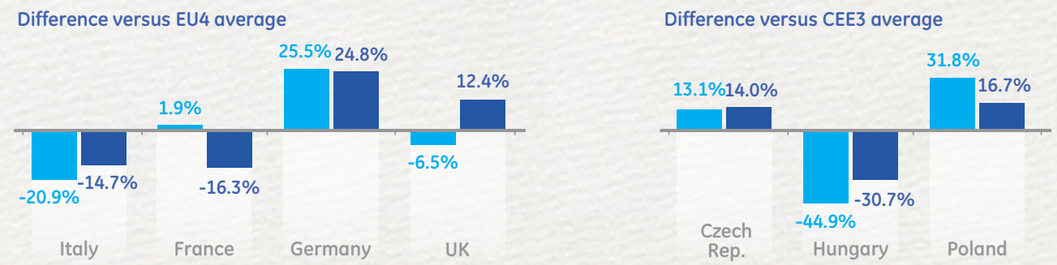
European SMEs are moving at different speeds

Economic conditions in Europe are undoubtedly tough right now, but our survey shows that SMEs – particularly in Western European markets – are becoming more bullish on their prospects for the year ahead. Interestingly, the findings also show a direct correlation between confidence levels among SMEs and the likelihood to increase investment and headcount.

Confidence fluctuating across markets

As in previous iterations of this report, we asked SMEs from the seven European markets surveyed to consider the broader sector in which they operate and to then give an indication of their optimism around future growth. We used their answers to create a net confidence score which we compared across the two different regions.

Annual change in net confidence amongst European SMEs[1]



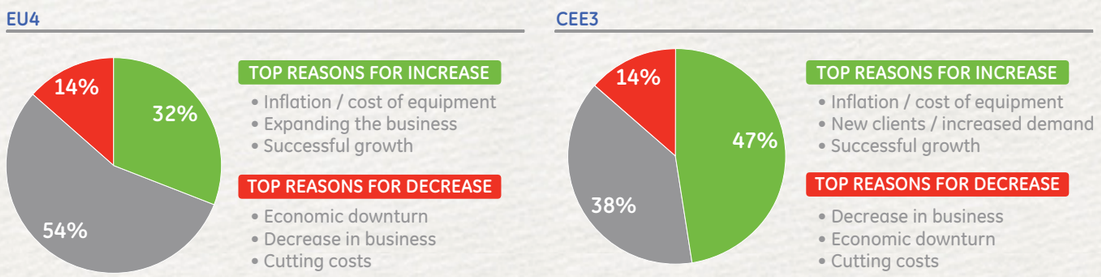
Confidence diverges significantly from one market to the next

We see that German SMEs are the most optimistic around sector growth, and despite seeing a drop in confidence over the last 12 months, Polish SMEs remain a reasonably bullish and confident cohort. At the other end of the spectrum, confidence amongst French SMEs has declined significantly over the past year – with only Hungarian SMEs posting lower confidence across all markets.

Who's investing, who's not – and why?

Based on their responses, a third of SMEs across the EU4 are looking to increase investment in the coming 12 months, whilst in the CEE3 markets, significantly more respondents are looking to invest (47%). The cost of inflation represents the major reason behind investing in both regions. Meanwhile, a third of respondents in the EU4 markets say that the economic downturn is the reason for why they are decreasing spend, whilst, worryingly, the main reason for decreasing investments for CEE3 respondents is decreasing business, with almost a quarter citing this factor.

Are SMEs increasing, decreasing or keeping capital investment level?



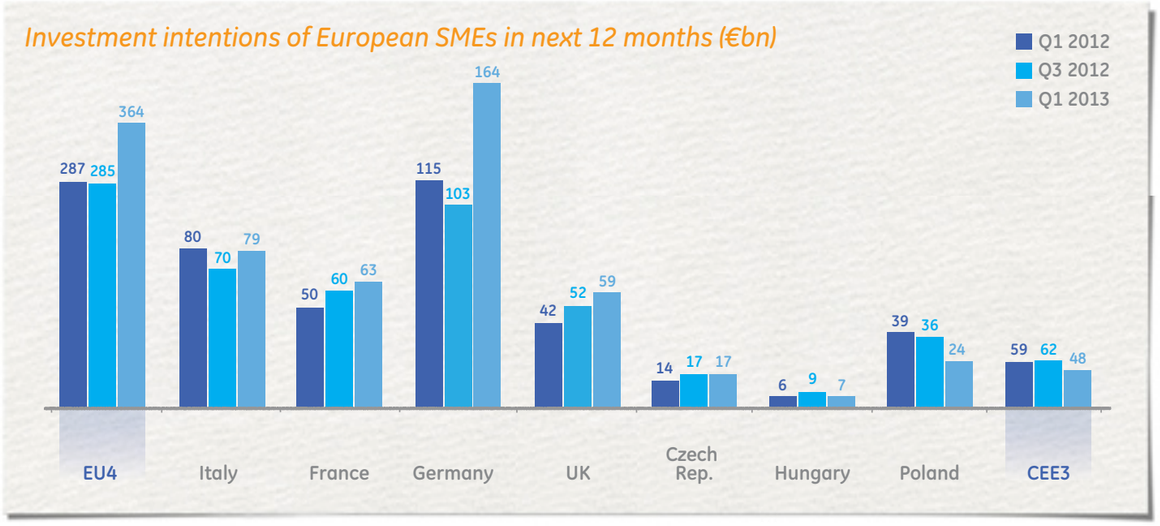
A third of EU4 SMEs and almost half of CEE3 SMEs aim to increase their investment spend this year

[1]Methodological footnote – for Q1 2013 this question was altered from an open-ended response to a closed response.
Direct comparisons between quarters is not recommended. As a result we are comparing markets using the EU4 and CEE3 averages as baselines

Capex set to rise, driven by Western European SMEs

SMEs across the seven markets surveyed intend to invest a total of €412bn over the next 12 months. Compared to the previous survey in Q3 2012, this represents an increase of €65bn. This is largely being driven by the EU4 segment, with spending set to rise across each of the Western European markets. These figures suggest that a clear appetite for investment still remains even in a tough market.

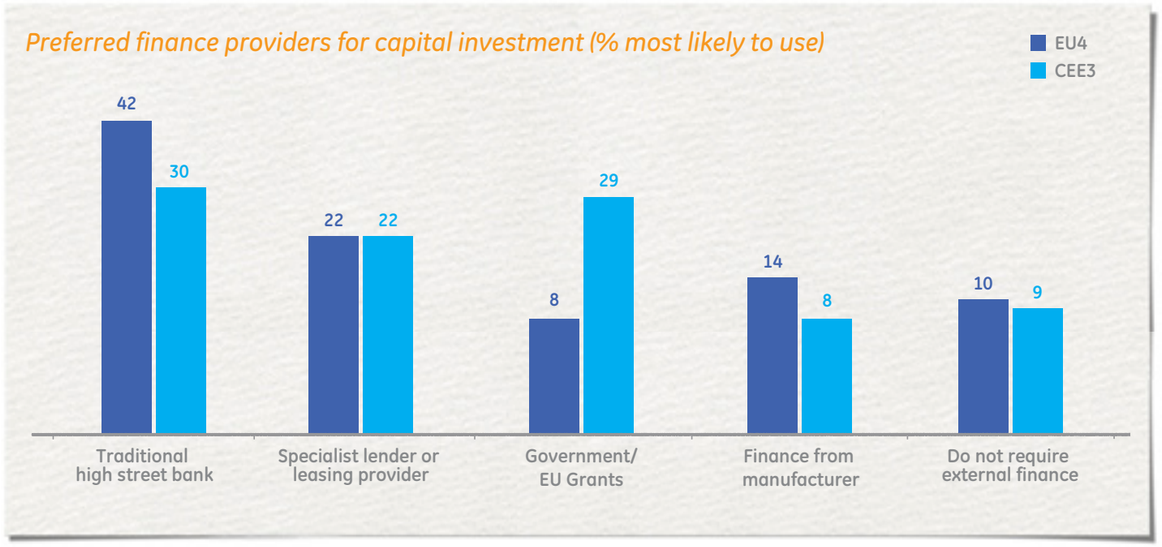
Conversely, the CEE3 markets are estimated to either maintain or decrease capital expenditure over the next 12 months. Much of the dialogue over the last quarter has focussed on how Euro-zone uncertainty has been impacting the economies of Eastern Europe countries. Our data suggests that this factor is certainly taking its toll.



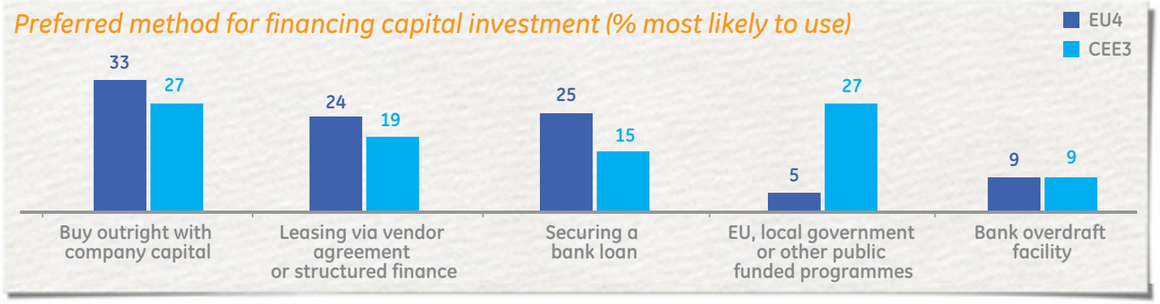
High street banks remain preferred source of finance

With availability of finance continuing to be a significant issue that dominates the news agenda, we looked to gauge the preferred source of investment methods of European SMEs. We found that over a third of SMEs across all markets surveyed say they are likely to use traditional high street banks to finance their capital investment – with this preference being higher in France (52%), Germany (48%) and the UK (41%).

A further fifth of SMEs say they prefer to use specialist lenders or leasing providers to finance their capital investment – with this preference being higher in Italy (33%), Czech Republic (28%) and Poland (25%). In contrast to the EU4 markets, reliance on government or EU grants is higher in CEE3 markets, in particular, Hungary (42%) and Poland (27%).

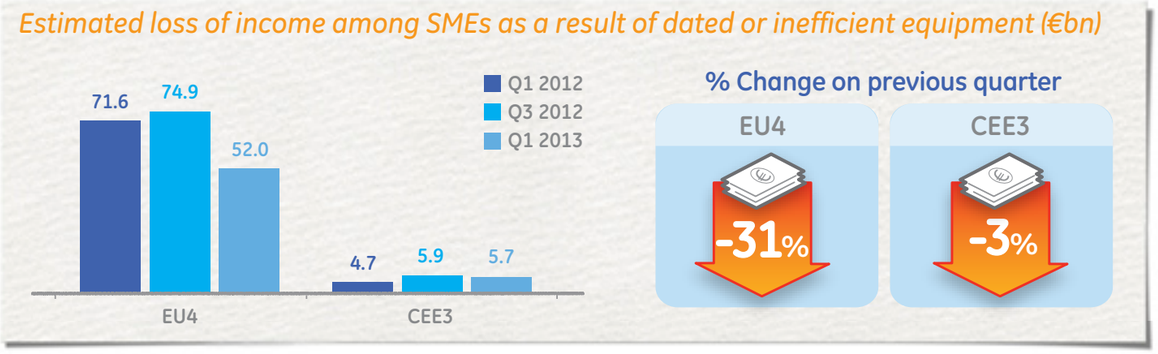


Interestingly, despite a third of SMEs stating a preference for using high street banks only a fifth are expecting to secure a bank loan to finance investment. In markets where preference was strongest (France, Germany and the UK) the actual likelihood of securing a bank loan is roughly half the number of those who would prefer to use high street banks – does this suggest a potential lack of access to credit?



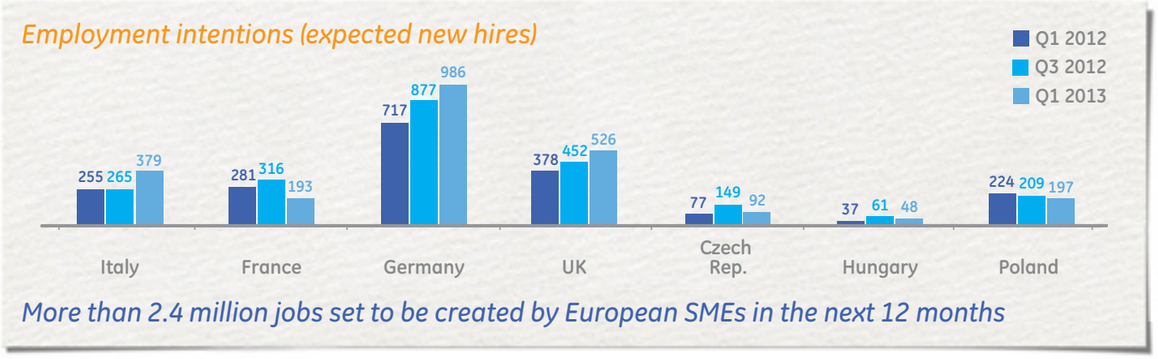
The cost of not investing

We asked business leaders from seven European markets whether they think their business has missed out on income or new business opportunities because of dated or inefficient equipment – and if so, by how much? Based on their responses, SMEs across the EU7 missed out on over €57bn of new business opportunities as a result of outdated equipment and lack of investment in Q1 2013 – down from €80.8bn in Q3 2012. The number of SMEs that told us they have missed opportunities has either remained the same or decreased, whilst the average estimated loss per SME has also decreased, overall. Does this suggest that a drive for modernisation is taking place?



Planned Employment

An estimated total of 2.4 million new jobs are set to be added across the EU7 in the next 12 months – with the greatest proportion of new jobs anticipated in Germany, reflecting the fact that Germany's labour market has held up well and that it has broadly weathered the wider recession in the euro zone. Increases in intended headcount are also evident in the UK and Italy. Outside of these three markets, SMEs look set to continue to increase headcount in the next 12 months but at a lower rate of increase than Q3 2012.



Country Chapters

Czech Republic

Key economic indicators

The Czech economy entered 2013 optimistically based on a relatively strong conviction of an economic revival – albeit expected in the second half of the year. Across the quarter, economic data has been mixed: Inflation came in at 1.9% in January, down 0.5% on December. Industrial production declined by 4.1% y/o/y in January, whilst business confidence showed signs of recovery, with the Czech PMI hitting its highest levels for many months.

In February, data released by the Czech Statistical Office showed economic and consumer confidence increased on the previous month, whilst conversely, the number of unemployed in February surged up by nearly 8k to 593.6k – hitting new, all-time highs.

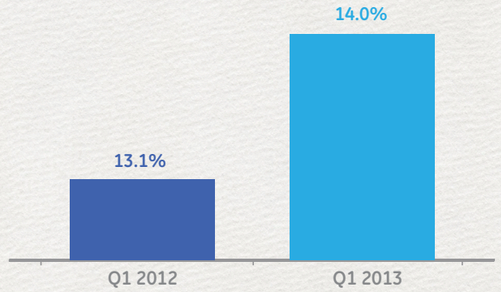
In March, the Czech manufacturing PMI index declined compared to February marking an accelerating deterioration in business conditions. The downturn in Germany, the biggest export market for the Czech Republic, was the main reason behind this slump.

The economy is likely to see low growth of around 0.3% this year, being impacted by a reliance on a tough export environment and with domestic demand a drag. With limited potential for improvement in the coming months, it is set to be a sluggish start to 2013 for the Czech Republic. Let's now turn to our research findings to see if there is more cause for optimism.

Confidence growing among Czech companies

Despite economic uncertainty, sentiment amongst Czech SMEs has remained positive compared with the previous quarter. The results show that Czech SMEs are significantly more confident that their Hungarian counterparts, and only marginally less confident than Polish SMEs. Confidence is particularly strong amongst larger Czech SMEs, with 50-249 employees.

Annual change in confidence amongst Czech SMEs compared to regional average



Net confidence of Czech SMEs, by company size

Q1 2013 Total	# of employees		
	2-9	10-49	50-249
21%	15%	20%	32%

Large SMEs with 50-249 staff are most optimistic about sector growth

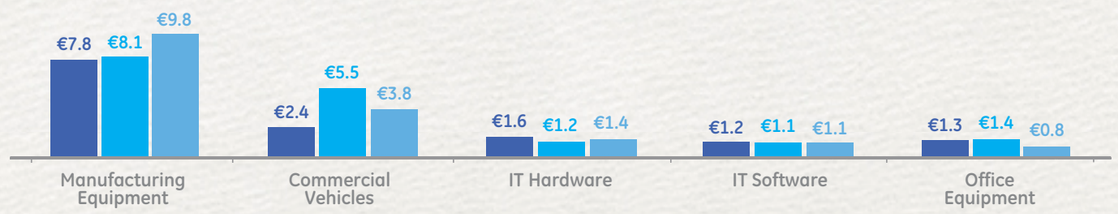
> *Despite a slight downturn in the Czech economy in recent months the Capex Barometer shows that Czech SMEs are positive about future development in their sector. Net confidence shows that 21% of Czech SMEs are optimistic and SMEs are planning to invest more than €17 billion over the next 12 months. Major investments will be directed towards manufacturing equipment where we expect increase of 20% in comparison with the previous quarter. Investments are in most cases driven by the need to increase productivity. Although the number of SMEs who missed business opportunities due to outdated equipment stays the same total estimated income loss for Czech SMEs has increased by 51% in Q1 2013 to almost €3.6 billion.*
>
> *Petr Gapko,*
> *Economist, GE Money Bank*

Czech capital investment set to remain flat on last quarter

Estimated capital expenditure amongst Czech SMEs is set to remain consistent with the previous quarter – albeit with a marginal decrease of 2% expected. Spend directed towards manufacturing equipment assets is expected to see an increase of 20%, with spend on IT hardware assets also set to see a small increase. Across all company sizes, the average estimated spend per Czech SME is €74.9k, down from €76.5k in Q3 2012.

Investment intentions of Czech SMEs in the next 12 months (€bn)

Intended investment by asset type (€bn)



More than half (55%) of Czech respondents told us they were predominantly looking to invest in order to upgrade existing equipment to help increase productivity, with a substantial number (52%) also looking to invest as a result of deteriorating equipment. Lack of affordable finance was cited as a barrier for investment amongst over a quarter (29%) of Czech SMEs.

Meanwhile, the total number of SMEs that said they have missed out on new business opportunities as a result of outdated or inefficient equipment has remained stable compared to previous quarter. This said, the total estimated income loss for Czech SMEs has increased by 51% in Q1 2013 to almost €3.5bn, due to the average loss of income per SME increasing by over half. When asked about their hiring intentions over the next 12 months, Czech SMEs said they would be looking to hire over 90,000 new employees – only a tenth of the amount German SMEs said they would be looking to hire. This is also a decrease of 38% compared to previous quarter intentions.

Case study – ČESKÁ VČELA s.r.o.

A leader in food production

Company name: ČESKÁ VČELA s.r.o.
Sector: Food production
Turnover: €32 million (2012)
Employees: 16
Headquarters: Rakovník, Czech Republic

Established in 1998, ČESKÁ VČELA is focussed around two main business activities: Honey trading and processing, and nanofibers production. Honey trading is predominantly geared around the domestic market, whilst the nanofibers business deals with a much broader range of customers – both domestic and foreign. ČESKÁ VČELA currently employs just under half of its employees at its nanofiber production plant, however as global demand for nanofiber products is increasing, the company has plans to significantly expand the plant over the next two years, as well as expanding its R&D capabilities. This expansion is vital to ensure that the company retains its competitive advantage as it looks to establish itself as the leader in the European nanofibers market.

REASONS FOR INVESTMENT

Top reasons for investing by Czech SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Upgrading existing equipment to enhance efficiency and productivity	55%	-4% (59%)	47%	55%	66%
Deterioration of existing equipment	52%	+5% (47%)	61%	46%	44%
To build capacity to service growth in new orders	22%	-4% (26%)	22%	26%	15%

Czech respondents cite upgrading existing equipment as the single biggest reason why they are planning to invest

OBSTACLES TO INVESTMENT

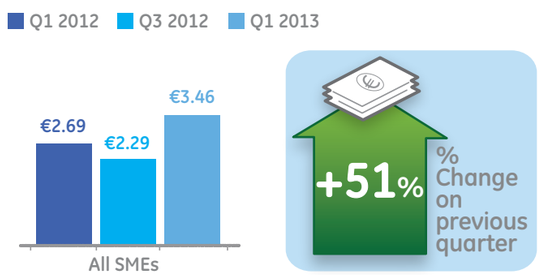
Main obstacles to investment for Czech SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	36%	-4% (40%)	39%	45%	19%
Lack of affordable finance	29%	+3% (26%)	41%	20%	20%
Decreasing / falling orders	19%	+4% (15%)	27%	14%	11%

Czech firms are cautious regarding the broader economic environment

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

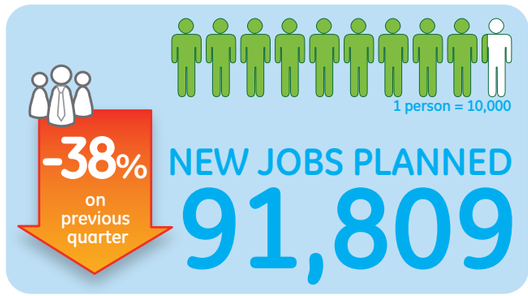
Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



Total estimated income loss amongst Czech firms has increased significantly compared to the last quarter

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)



Just under 100k new hires are expected to be made by Czech SMEs in the coming 12 months. A significant drop on the previous quarter

Country Chapters

France

Key economic indicators

It's been a tough start to the year for the French economy. Over the first quarter economic data have pointed to acute weakness in Europe's second largest economy.

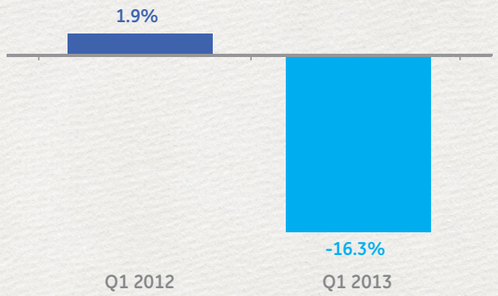
French business activity shrank in January at the fastest pace since the trough of the global financial crisis. Unemployment rose at the start of the year to 3.16 million according to the labour ministry, continuing to climb throughout the quarter before reaching new record highs. In February, INSEE data showed French industrial output rose more than economists forecast to 0.7% after a revised 0.8% decline in January. Meanwhile French 12-month inflation was stable at 1.0% at quarter's end, albeit sharply up on a monthly basis.

In March, the government announced revised growth forecasts for this year and next, which matched EC forecasts – with GDP growth of just 0.1% expected in 2013 and 1.2% in 2014. Previous growth targets of 0.8% were dropped. More recently, industry data showed business confidence weakening again at the end of the quarter. Against this backdrop, our research points to a mixed outlook for French SMEs: confidence is clearly down, but investment intentions are more bullish over the coming 12 months.

French sentiment lowest across Western European markets

Sentiment amongst French SMEs is the lowest amongst its Western European counterparts, with confidence worsening substantially over the past year, particularly when compared to the more upbeat Germany and UK. Larger businesses – those with 50-249 employees – are the most confident segment, whilst those companies with 10-49 employees are particularly downbeat.

Annual change in confidence amongst French SMEs compared to regional average



Net confidence of French SMEs, by company size

Q1 2013 Total	# of employees		
	2-9	10-49	50-249
4%	6%	-4%	10%

Large SMEs are most optimistic about sector growth

> *The research shows that despite the lack of visibility in the short and medium term regarding the conditions of a possible economic recovery, compounded by a difficulty in filling order books, French SMEs are willing to invest to remain competitive. This will be particularly important as the dialogue starts to move away from a focus on austerity and towards investing for growth. French SMEs are looking to be competitive on an international scale and by investing through the cycle this could form a real advantage to their long term development.*

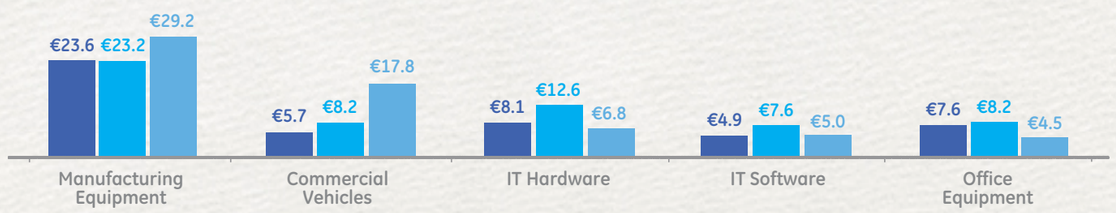
Patrice Coulon,
Deputy General Manager, GE Capital France

Capital expenditure set to increase marginally

Despite flagging sentiment, capital expenditure is set to rise marginally for a third consecutive quarter in France – and is set to be on par with UK capital investment. Interestingly, companies with 10-49 employees, whilst most downbeat, are expected to contribute a greater amount to capital expenditure in Q1 2013 in spite of this negative outlook towards growth. Across all company sizes, the average estimated spend per French SME is €53.8k, up from €50.9k in Q3 2012.

Investment intentions of French SMEs in the next 12 months (€bn)

Intended investment by asset type (€bn)



French respondents told us they were predominantly looking to invest in order to upgrade existing equipment. This was the case for nearly two thirds of all respondents. Meanwhile, uncertainty in the economic environment is at the forefront of French SME respondents' minds, with almost half citing this as the predominant barrier to investment. Based on their responses, we can see that the total number of SMEs that said they have missed out on opportunities has marginally decreased compared to previous quarter. This said, the total estimated income loss has halved compared to a year ago due to mid and large SMEs telling us they have missed out substantially less, on average.

We can also see a marked decrease in the number of planned new hires set to be made by French SMEs in the coming year. Over 190,000 new jobs are planned for the next 12 months – a decrease of 39% compared to the previous quarter. This is due to a reduction in the number of SMEs intending to increase headcount, coupled with an increase in the number intending to reduce headcount in the next 12 months.

Case study – Maison Jean-Claude Fromont

Company name: Maison Jean-Claude Fromont
Sector: Agriculture – Viticulture
Turnover: €33 million (2012)
Employees: 22
Headquarters: Ligny-le-Châtel, France

La Maison Jean-Claude Fromont is a French company based in Ligny-le-Châtel near Chablis, specialising in white wine making, strongly involved in the production of organic wine, with a focus on international trade. This company is one of the main operators for several wine appellations such as Chablis, Châteauneuf-du-Pape and Sancerre. It is active in 40 countries. In constant growth, the company wanted to invest in production lines while adapting to new standards. In 2010, the company opted for the installation of two fully automated bottling lines to meet its growth requirements. For this, the company sought an alternative to traditional banking solutions, a route it had already taken to finance its buildings.

One of GE Factofrance and Cofacrédit's factoring clients for 15 years, mainly for its export activities, the company benefited from readily available financing and already outsourced the management of its client portfolio. The additional funding needed was provided by GE Capital thanks to a seven year financial lease offer starting in July 2012.

REASONS FOR INVESTMENT

Top reasons for investing by French SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Upgrading existing equipment to enhance efficiency and productivity	63%	-2% (65%)	63%	63%	66%
Deterioration of existing equipment	41%	+1% (40%)	55%	40%	30%
Investing in new types of equipment to support diversification into new product lines	27%	+5% (22%)	6%	30%	46%

Nearly two thirds of respondents cite the need to upgrade existing equipment as the single biggest reason prompting them to invest

OBSTACLES TO INVESTMENT

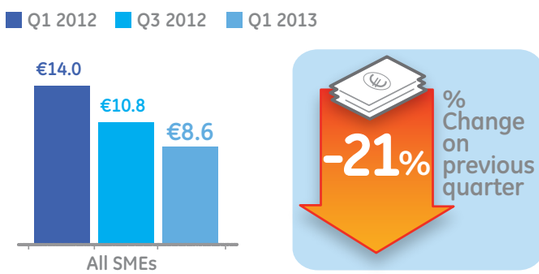
Main obstacles to investment for French SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	48%	+4% (44%)	50%	53%	41%
Lack of affordable finance	26%	-5% (31%)	28%	24%	26%
Have recently upgraded	18%	-2% (20%)	18%	23%	11%

The uncertain economic environment dominates respondents' concerns but lack of affordable finance is also a significant factor

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



Total estimated income loss has dropped by 21% compared to the last quarter due mainly to mid and large SMEs losing substantially less on average

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)

Intended headcount is set to fall significantly over the coming 12 months, driven by a drop in those SMEs looking to increase headcount, and a rise in those intending to decrease it

Country Chapters

Germany

Key economic indicators

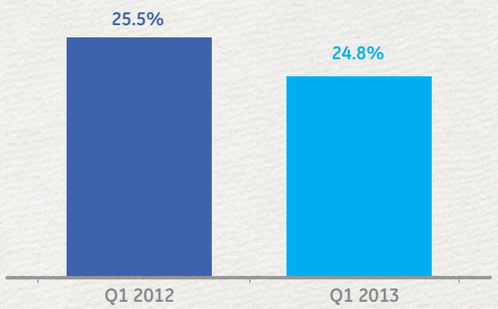
Germany's economy has long been the growth engine amid the eurozone crisis. The macro-economic picture may no longer as upbeat as it was a year ago, but economic data in Q1 has still been predominantly positive:

Markit's euro-zone PMI found business activity rebounded in Germany in early 2013, whilst Germany's trade surplus hit its second highest level in more than 60 years, official data show. The Bundesbank announced in February that Germany would avoid recession and return to growth in 2013, and German unemployment also unexpectedly fell in February after a contraction in Q4 2012. OECD data showed a modest rebound in German exports, whilst the Economy Ministry reported industrial production increased in February. Conversely, influential think tank Ifo reported in its regular survey that business confidence fell in April for the second consecutive month. The German Economic Advisory Council also revised its economic outlook down for Germany, contradicting outlooks from the IMF and the EC. Against this backdrop, how does our data compare?

German sentiment remains strong in Q1 2013

Sentiment amongst German SMEs is the highest across all markets, reflecting the stronger German economic position relative to other European markets. Within this, larger firms are significantly more optimistic than their smaller counterparts.

Annual change in confidence amongst German SMEs compared to regional average



Net confidence of German SMEs, by company size

Q1 2013 Total	# of employees		
	2-9	10-49	50-249
45%	25%	56%	59%

Large SMEs are significantly more optimistic about sector growth than small and micro firms

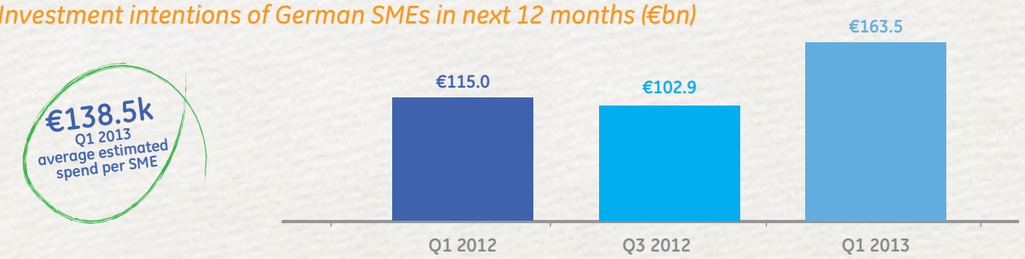
"The German Factoring Association notes that the SME sector in Germany is growing stronger. Additionally, almost 90% of factoring clients in Germany are mid-market companies, highlighting the ongoing importance of the German Mittelstand".

Dr. Alexander Moseschus,
Managing Director, the German Factoring Association

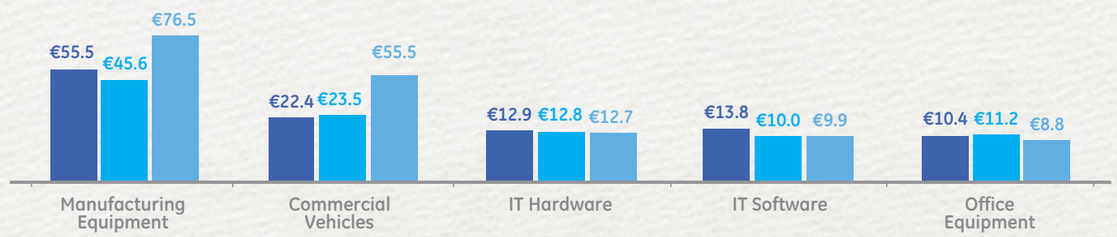
German capex and headcount set to increase in 2013

SMEs across Germany intend to invest about €163.4bn in the coming 12 months – an anticipated increase of nearly 60% of total planned investment in Q3 2012. This is the most out of all seven economies surveyed. The big increase in intended spend is mainly directed towards 'manufacturing equipment' and 'commercial vehicles' assets. This is a trend evident across markets.

Investment intentions of German SMEs in next 12 months (€bn)



Intended investment by asset type (€bn)



Interestingly, obstacles to investment such as 'financial health challenges', whilst still featuring in the top three challenges, this has become less important in Q3 2012 (decreasing by 7%), continuing its decline in importance over the past three quarters. Based on their responses, the research finds that the total number of SMEs that said they have missed out on opportunities has remained relatively stable compared to the previous quarter. However, the average value of opportunities missed has significantly decreased – leading to the total estimated loss for German SMEs falling significantly in Q1 2013.

When asked about their hiring intentions over the next 12 months, German SMEs suggested they would be looking to hire almost 1,000,000 new employees – the largest amount of any of the markets we surveyed.

Case study – FEUER powertrain GmbH & Co. KG

Leading manufacturer of auto components

Company name: FEUER powertrain GmbH & Co. KG
Sector: Automotive supply
Turnover: €84 million (2012)
Employees: 400 plus 50 trainees
Headquarters: Nordhausen, Germany

FEUER powertrain kurbelwellen • crankshafts

Feuer Powertrain is a German company which produces crankshafts for a variety of purposes, including agricultural harvesters, diesel automobiles, commercial vehicles and boats. Established in Germany eleven years ago, Feuer Powertrain has experienced rapid growth and is now the largest independent company of its kind in Europe, and the fourth largest in the world. With plans to set up production plants in the US in 2014 and China in 2016, the company cites growth as its main objective. This rapid growth has made Feuer Powertrain one of the largest employers in its region in Germany, going from five employees in 2002 to 400 employees, along with 50 trainees, spread across Feuer Powertrain's three plants in Nordhausen. Feuer Powertrain's growth ambitions and need to meet large scale orders from clients means that Capex and employee investment are its top priorities. As well as its plans to extend its operations to China and the US, Feuer Powertrain is looking to combat the challenges it faces as a result of high energy costs in Germany with plans to set up its own wind farm to generate the energy needed to fuel its plants.

REASONS FOR INVESTMENT

Top reasons for investing by German SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Deterioration of existing equipment	56%	-8% (64%)	71%	49%	46%
Upgrading existing equipment to enhance efficiency and productivity	45%	-3% (48%)	45%	44%	45%
To build capacity to service growth in new orders	32%	-3% (35%)	21%	38%	39%

Like last quarter, respondents cite deterioration of existing equipment as the single biggest reason why they plan on investing

OBSTACLES TO INVESTMENT

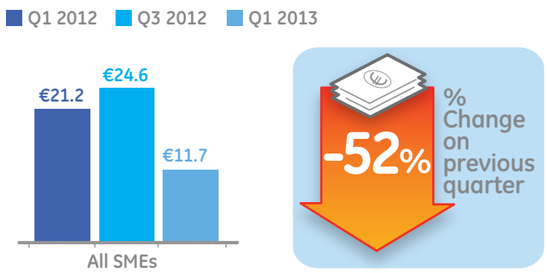
Main obstacles to investment for German SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	26%	-2% (28%)	26%	23%	29%
Lack of affordable finance	22%	-4% (26%)	21%	26%	20%
Financial health challenges	18%	-7% (25%)	17%	18%	21%

Respondents cite financial health challenges as the third biggest obstacle to investment – a swing of -7% on last quarter

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

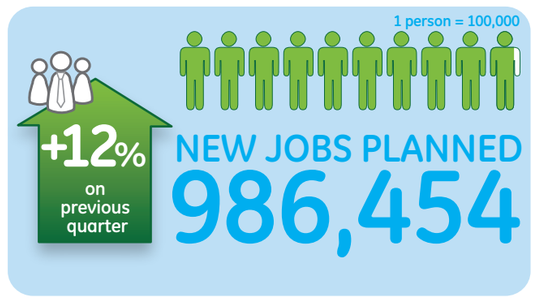
Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



The average estimated value of opportunities missed has significantly decreased leading to the total estimated loss for German SMEs falling dramatically

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)



With nearly a million new jobs intended to be created this year, German SMEs are more bullish on employment than any other market in our survey

Country Chapters

Hungary

Key economic indicators

The Hungarian economy is not expected to show any significant improvement in 2013, according to the central bank. The MNB forecasts 2013 GDP growth of 0.5% – somewhat more bullish than the EC, EBRD and OECD, all of which forecast economic contraction. Ever-decreasing interest rates could have a positive impact in stimulating lending. Over the past year, the MNB has cut the base rate from 7% to an all-time low 5%. This has led to lower lending rates, but it remains too early to see how this will contribute to an increase in investment activity and lending.

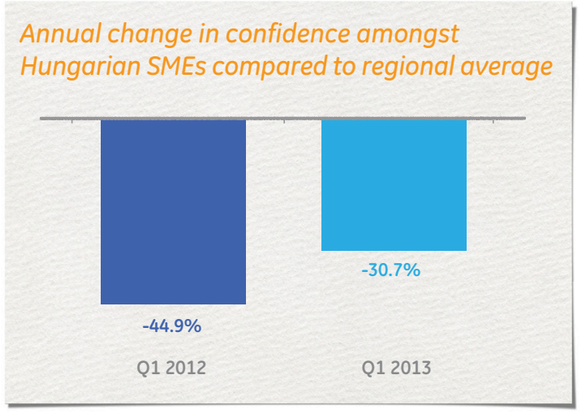
From a confidence perspective, business sentiment showed signs of recovery early in the quarter, with the Hungarian PMI hitting its highest levels for months and in February, economic sentiment rose to a ten month high. More recently, the MNB announced measures to boost lending, unveiling the "Funding for Growth Scheme," aiming to boost lending to microbusinesses and SMEs and reduce vulnerability through lowering the country's external debt.

The overarching low growth environment is due in no small part to the uncertain economic environment as businesses are seeing a decrease in investments and business activity. Our research also highlights how economic uncertainty represents a major barrier to investment. The following pages examine Hungarian investment intentions in more detail.

Hungarian SMEs are low on confidence

Despite confidence improving over the course of the last year, Hungarian SMEs are the least confident amongst the CEE market – and least confident across all seven markets surveyed. Whilst net confidence among all SMEs is negative, those companies with 10-49 employees are less pessimistic than their peers concerning sector growth prospects.

Annual change in confidence amongst Hungarian SMEs compared to regional average



Net confidence of Hungarian SMEs, by company size

Q1 2013 Total	# of employees 2-9	10-49	50-249
-24%	-40%	-9%	-13%

While net confidence among all SMEs is negative, those with 10-49 employees are less pessimistic than their peers

"Companies continue to show low business activity in Hungary, but a few sectors, such as agriculture or the processing industry, as well as companies producing for exports are in a slightly better situation and we are seeing some willingness to make investments and use external funds to carry out these plans.

But most businesses are postponing capacity investments, in many cases not even replacing amortized assets, which is also reflected in their limited financing needs. In this uncertain economic environment, it is understandable that businesses are more cautious when it comes to making investments, but it is in fact companies that find new take-off points and are able to acquire new markets and new clients that are able to gain a competitive advantage – and to achieve this, it is often indispensable that they invest in new developments."

Viktor Tóth,
Head of Commercial Banking, Budapest Bank

Spending set to drop in Hungary

Estimated capital expenditure is set to fall in Q1 2013 compared to expectations in the previous quarter – returning to levels more closely in line with Q1 2012. This is likely to be driven by a significant decrease in investment among companies with 2-9 employees – though larger SMEs are set to increase their investment over the next 12 months. Except for a significant decrease in the intended investment in manufacturing equipment assets, investment by asset type is set to remain relatively stable compared to the previous quarter.

Investment intentions of Hungarian SMEs in the next 12 months (€bn)

Intended investment by asset type (€bn)

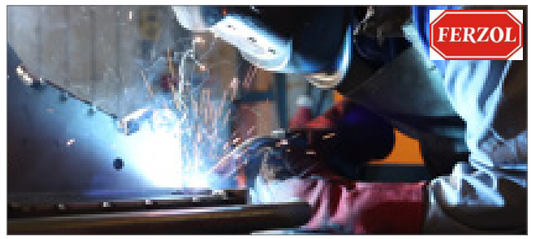
Whilst more than half (52%) of respondents said that deterioration of existing equipment is the main reason why they would be looking to invest, note the 15% drop in respondents citing "upgrading investing equipment to enhance efficiency" as a top reason for spending. This suggests there has been a round of modernisation, as we can see a corresponding 14% increase in respondents saying that they will not be investing due to having recently upgraded.

In turn, the number of SMEs who told us that they had missed out on new business opportunities due to outdated equipment decreased by 38% compared to the previous quarter. This decrease, coupled with a 50% decrease in the average loss of income for SMEs, led to a halving of the estimated total loss of income in Q1 2013. Fewer than 50,000 new jobs are planned for the next 12 months – the lowest total across all markets.

Case study – Ferzol

A leader in the metals industry

Company name: Ferzol
Sector: Metals
Turnover: €13 million (2012)
Employees: 260
Headquarters: Tápiószőlős, Hungary



Ferzol is a Hungarian company geared around the production, assembly and surface treatment of sheet metal. It supplies numerous multinational companies active in the production of equipment used in household and commercial heating and cooling, electronics, telecommunications, computer science, machinery, auto industry, agriculture, as well as equipment serving the banking sector. The company, established in 1990, initially manufactured tools but later, adapting to market needs, switched to the production of sheet metal, as well as their assembly and surface treatment. It is a supplier to numerous multinational firms.

Over the past few years, Ferzol has made significant capital investments enabling it to gain a competitive advantage and service its customers more efficiently. Its reliability, high-quality products and competitive prices ensure that it will be able to meet its growth plans for the current year as well. Planned investments for 2013 include the construction of a warehouse, various equipment purchases and the further development of its quality assurance systems, in order to become a supplier to the auto industry. As a result of these investments, Ferzol plans to further improve operating efficiency and acquire new customers. A 15–20% increase in headcount is planned for 2013.

REASONS FOR INVESTMENT

Top reasons for investing by Hungarian SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Deterioration of existing equipment	52%	+6% (46%)	54%	52%	47%
To build capacity to service growth in new orders	31%	-1% (32%)	36%	23%	33%
Upgrading existing equipment to enhance efficiency and productivity	26%	-15% (41%)	24%	30%	24%

15% less of our respondents cited upgrading existing equipment as a reason for investing this quarter

OBSTACLES TO INVESTMENT

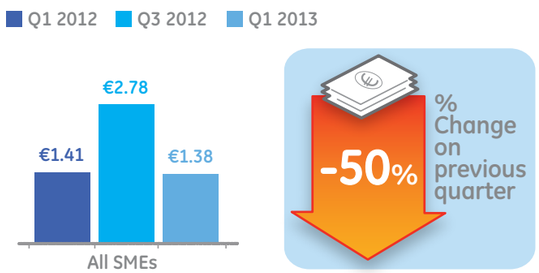
Main obstacles to investment for Hungarian SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	56%	-5% (61%)	72%	42%	46%
Decreasing / falling orders	24%	-6% (30%)	33%	18%	14%
Have recently upgraded	23%	+14% (9%)	17%	29%	28%

Almost a quarter of respondents cite "have recently upgraded" as an obstacle to investment – a swing of +14% on the last quarter

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

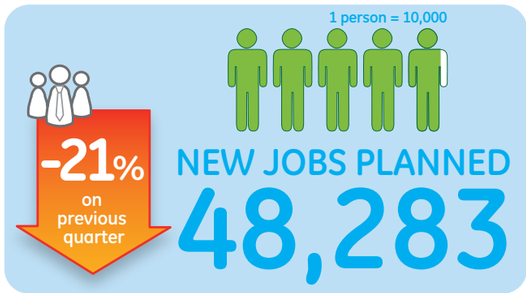
Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



The total number of SMEs that said they had missed opportunities has decreased compared to the previous quarter, returning to Q1 2012 levels

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)



With fewer than 50,000 new jobs planned for the next 12 months this is the lowest estimated job creation of all markets in our survey

Country Chapters

Italy

Key economic indicators

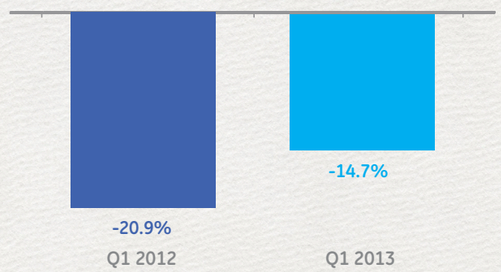
The year ahead is set to be a tough one for Italy, with a recessionary environment overshadowing the economy, political uncertainty and a tough austerity regime in place. In early 2013, Italy's economy minister stated the Italian economy will expand by about 1% a year from 2014 – enough to pull it out of recession but not to cut high unemployment substantially. The Bank of Italy was less optimistic, forecasting only a modest and uncertain revival in the second half of this year and growth of just 0.7% in 2014.

In January, inflation dropped to a 17 month low of 2.2% as recession deepened, Istat reported. Unemployment also rose more than the most pessimistic forecast in January, to 11.7%. Meanwhile ratings agency, Fitch, cut Italy's credit rating in Q1 due to the political uncertainty after an election impasse, deep recession and rising debt. The election stalemate threatened to paralyse the Italian austerity programme and served to create further instability in the Eurozone more widely. A welcome ray of light came for Italy through the Government's plan to speed payment in arrears to companies – a €40bn boost to the economy over the next 12 months. Given this backdrop, how does this affect the spending intentions and confidence of Italian SMEs?

Italian SMEs are low on confidence

Perhaps unsurprisingly, sentiment amongst Italian SMEs is amongst the lowest across the seven markets we surveyed – with only the Hungarian and French markets being less confident about prospects for growth in the sector in which they operate. This said, confidence in sector growth has improved marginally compared to a year ago – with larger SMEs most optimistic about growth prospects.

Annual change in confidence amongst Italian SMEs compared to regional average



Net confidence of Italian SMEs, by company size

Q1 2013 Total	# of employees 2-9	10-49	50-249
6%	-17%	11%	25%

Similar to Germany, large SMEs are significantly more optimistic about sector growth than small and micro firms

"The new Capex Barometer highlights some relevant trends, both from an economic and commercial perspective. On the one hand, we see the growth of investment in capital expenditure - with a return to the levels of early 2012. On the other, the increased consciousness among Italian entrepreneurs that a lack of capital investment has a negative impact on companies' ability to capture new business opportunities. Highly specialized and flexible financing tools are increasingly perceived by Italian companies as a valid alternative to traditional financial products, and can help drive business growth."

Massimo Macciocchi,
EF, Fleet and Auto Lease Commercial Leader, GE Capital Italy

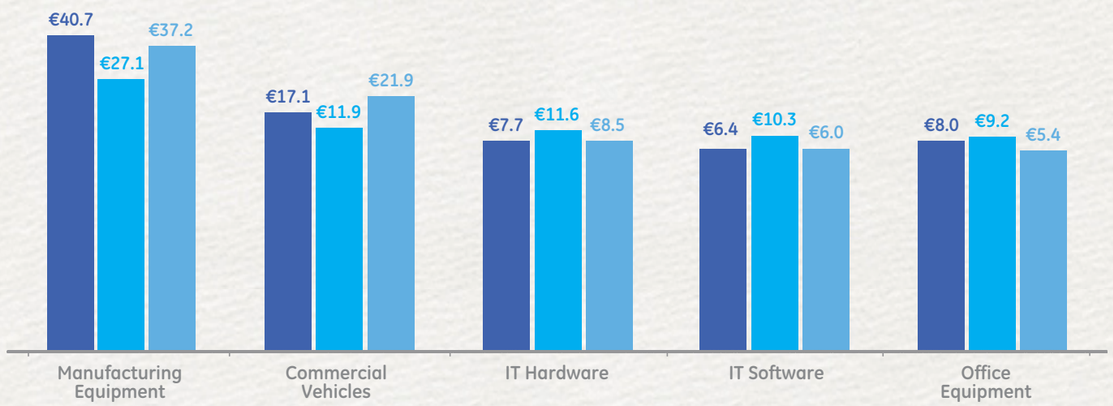
Italian SMEs are set to increase capital investment

Despite downbeat sentiment, capital expenditure is set to rise by 13% compared to the previous quarter, returning to levels seen in Q1 2012. This is set to be driven by investment in manufacturing equipment and commercial vehicle assets – a trend prevailing across European markets. Despite being more optimistic towards growth, large SMEs are only set to marginally increase capital expenditure in Q1 2013, with the majority of spend set to derive from smaller Italian companies.

Investment intentions of Italian SMEs in next 12 months (€bn)

Intended capital expenditure is set to rise against the previous quarter – returning to levels seen in Q1 2012

Intended investment by asset type (€bn)



Similar to their European neighbours, Italian firms are expecting to allocate the majority of capital investment into manufacturing equipment and commercial vehicles

Italian SMEs are keen to enhance efficiency and productivity, with almost two thirds of respondents telling us they would be upgrading existing equipment for these reasons. Again, the uncertain economic environment is the overarching factor impacting respondents' investment motivations. Based on their responses, we see that the total number of SMEs who told us they have missed out on new business opportunities as a result of deteriorating equipment has increased compared to the previous quarter. This has led to an estimated income loss of €24.4bn – an increase of 3% compared to the previous quarter, Italy is marked as the only Western European market where this estimated loss of income has increased.

Perhaps surprisingly given the national economic outlook, Italian SMEs are bullish around job creation in the next 12 months, with a 43% increase in headcount intentions on the previous quarter. The data show that more SMEs intend to increase headcount, whilst fewer SMEs intend to decrease headcount. It remains to be seen whether tough economic conditions will enable these intentions to be borne into fruition, but a clear desire to create jobs exists nonetheless.

REASONS FOR INVESTMENT

Top reasons for investing by Italian SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Upgrading existing equipment to enhance efficiency and productivity	61%	-4% (65%)	47%	61%	73%
Deterioration of existing equipment	38%	-2% (40%)	52%	23%	44%
To build capacity to service growth in new orders	37%	+4% (33%)	32%	32%	49%

Nearly two thirds of respondents said that upgrading existing equipment is the single biggest reason why they are planning on investing

OBSTACLES TO INVESTMENT

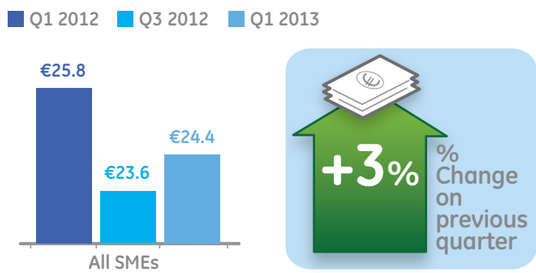
Main obstacles to investment for Italian SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	46%	-4% (50%)	52%	40%	45%
Financial health challenges	36%	+19% (17%)	45%	34%	27%
Lack of affordable finance	31%	+4% (27%)	27%	42%	24%

The uncertain economic environment is the overarching factor impacting respondents' investment motivations

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

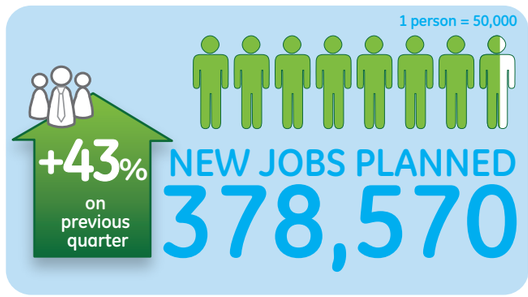
Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



Italy is the only EU4 market where estimated income loss has increased this quarter.

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)



Italian SMEs are bullish about job creation – 44% of respondents said they would be looking to increase headcount in the next 12 months

Country Chapters

Poland

Key economic indicators

Traditionally the powerhouse of the CEE region and a major economic player in Europe, Poland has faced difficulties in recent months. The first quarter of 2013 in particular saw the worst economic slowdown in Poland for 12 years, accompanied by ongoing deterioration in the domestic labour market. More broadly, the outlook for economic growth in Poland in 2013 is dampening, with low growth forecasted in the range of 0.6-2%, according to the Central Bank.

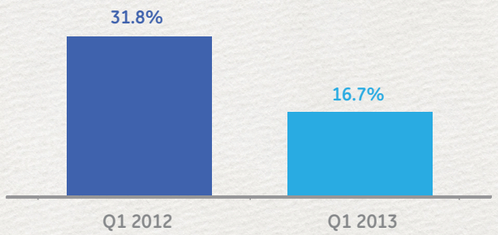
Mixed economic data emerged across the first quarter: In January, Polish industrial production increased at a significantly faster rate than expected (5.4 percent y-o-y). Poland's inflation rate continued to slow though, dropping to 1.7 percent, before dropping again to 1.3 percent in February, indicating a slowing of the economy. In mid-February Fitch upgraded Poland's credit outlook to positive from stable, triggered by the contraction of Poland's public deficit. More recently, the Polish manufacturing PMI index declined month on month, marking an accelerating deterioration in business conditions.

In March, the Central Bank cut interest rates for the fifth month in a row, dropping the benchmark rate 50 basis points to a record low of 3.25% in an effort to revive the slowing economy. The situation is not helped by the weak economic outlook of Poland's main trading partners, serving to hamper domestic confidence further. Against this backdrop, how do Polish SMEs feel they are coping and how bullish are they about prospects for growth?

Confidence among Polish SMEs has taken a knock

Perhaps unsurprisingly given the harsh economic conditions in Poland, sentiment amongst Polish SMEs has fallen significantly over the last year, from 31.8% to 16.7%. This means that Polish SMEs are no longer the most confident cohort, dropping below German SMEs in terms of confidence in sector growth prospects. Larger SMEs with 50-249 employees are most optimistic towards sector growth with companies with 2-9 employees being significantly more cautious.

Annual change in confidence amongst Polish SMEs compared to regional average



Net confidence of Polish SMEs, by company size

Q1 2013 Total	# of employees 2-9	10-49	50-249
24%	6%	30%	41%

Large SMEs are the most optimistic towards sector growth with smaller firms more cautious

> *SMEs constitute 99.8% of all companies in Poland and form 75% of jobs and 67% of GDP. Their sentiment and investment plans are extremely important for the Polish economy. The current economic situation – a visible slowdown - naturally reduces sentiment and intentions related to entrepreneurs' investment plans, which means that they focus on maintaining their current position rather than playing offense. We are also seeing a decrease in the use of credit lines and the accumulation of corporate deposits."*

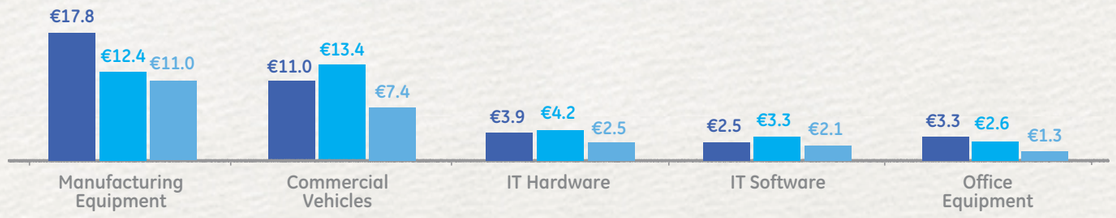
Grzegorz Jurczyk,
Chief Executive Officer, Deputy President of the Management Board, Commercial Banking Division, Bank BPH

Polish capex set to drop in coming 12 months

With sentiment dropping, capital expenditure is also set to drop for a third consecutive quarter in Poland. Across all company sizes, the average estimated spend per Polish SME is €92.6k, down from €146.5k in Q1 2012. Similar to other markets, the majority of investment is set to be directed towards manufacturing equipment and commercial vehicles assets.

Investment intentions of Polish SMEs in the next 12 months (€bn)

Intended investment by asset type (€bn)



Almost half of all Polish respondents said they are looking to invest in order to upgrade existing equipment. Meanwhile, economic uncertainty is a major barrier to investment – but worryingly we can also see a significant increase in the number of respondents citing 'decreasing or falling orders' as an obstacle to investment.

Based on their responses, the total number of SMEs that said they have missed out on opportunities as a result of outdated equipment has broadly remained stable compared to the previous quarter. Increases in the average loss of income among smaller companies has led to a marginal increase in the total estimated loss of income across the market in Q1 2013.

Polish SMEs are planning to create just under 200,000 new jobs in the next 12 months – a small decrease of 6% compared to the previous quarter. This is due to a marginal increase in the number of SMEs who intend to reduce headcount, in addition to a reduction in the average number of employees set to be recruited by large SMEs.

Case study – CM Michell

A leader in the production of beauty and cosmetic products

Company name: CM Michell
Sector: FMCG
Turnover: €2 million in 2012
Employees: 40
Headquarters: Piaseczno, Poland

CM Michell was founded in 1995 and specialises in the production of beauty and cosmetic products, distributing them to local retailers and wholesalers. The CM Michel and Mollon Cosmetics brands products are also successfully distributed to overseas markets including the UK and Russia. Whilst being highly popular in overseas markets, the company is working hard to increase brand awareness for its cosmetic range in the domestic market, where its products are not as well-known. CM Michell also faces a challenging environment in effectively managing its distribution network, both domestically and in the Russian market. Forthcoming investment will support the construction of new headquarters and a new warehouse set up in Poland, enabling CM Michell to maximise its domestic presence and improve its distribution capabilities.

REASONS FOR INVESTMENT

Top reasons for investing by Polish SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Upgrading existing equipment to enhance efficiency and productivity	49%	+5% (44%)	51%	44%	52%
To build capacity to service growth in new orders	42%	+1% (41%)	39%	43%	45%
Deterioration of existing equipment	32%	-1% (33%)	42%	29%	25%

Nearly half of all respondents cited upgrading existing equipment as a primary reason for investing

OBSTACLES TO INVESTMENT

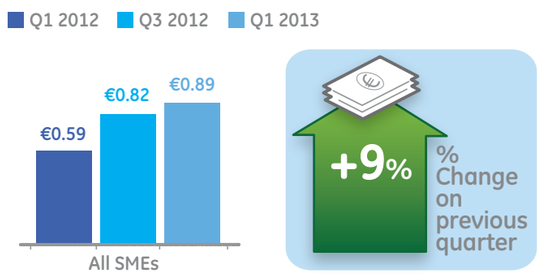
Main obstacles to investment for Polish SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	45%	+4% (41%)	56%	38%	40%
Decreasing / falling orders	28%	+7% (21%)	37%	20%	24%
Too much red tape / bureaucracy to access finance	21%	+6% (15%)	29%	16%	16%

Polish respondents cite economic uncertainty as a major factor preventing investment

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

Estimated loss of income among SMEs as a result of dated or inefficient equipment (€bn)



Increases in the estimated average loss of income among small and mid-sized SMEs has led to a marginal increase in the total predicted loss of income across the market

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)

Nearly 200,00 jobs are set to be created by Polish SMEs in the coming year, with 40% of respondents saying they wanted to increase headcount

Country Chapters

The UK

Key economic indicators

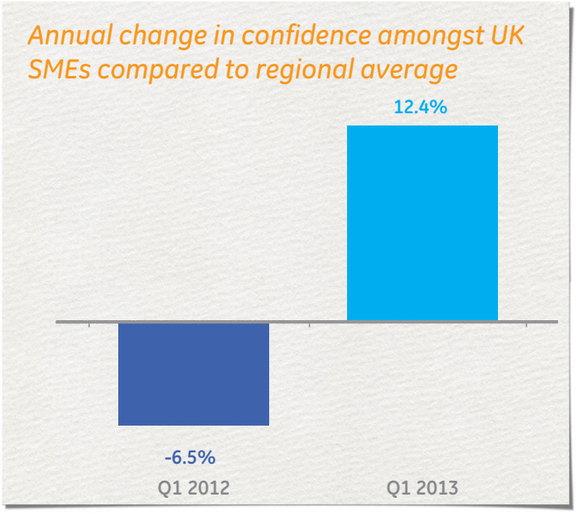
The UK economy at the start of 2013 has seen growth prospects tempered by various headwinds. In January the IMF cut its growth forecasts for the UK, predicting the economy would expand by just 1% this year – lower than previously expected. In February, a mixed month saw a pick-up in British exports and manufacturing output help cheer the view of UK growth, whilst industrial production also rose more than expected. The CBI's regular economic forecast predicted the UK economy to grow modestly in 2013, with the pace picking up in 2014. However, the month ended with Moody's downgrading the UK's prized credit rating from triple A to double A1. In the March Budget, the government revised down growth forecasts and admitted to having to borrow more than was previously expected. More recently, ONS data show the UK economy avoided a triple-dip recession during the first quarter of 2013 and the first stage of the state Business Bank launched, giving a boost to UK SMEs.

With recent data suggesting prospects for the UK are now starting to improve, how does this correlate with the findings from our survey?

UK SMEs continue to invest

Our research shows that sentiment amongst UK SMEs regarding growth in their sector is improving, with a cautious optimism returning – particularly when compared to counterparts in Italy and France. Similar to Germany, companies on the smaller side of the spectrum, those with 2-9 employees, are significantly less optimistic than larger firms.

Annual change in confidence amongst UK SMEs compared to regional average



Net confidence of UK SMEs, by company size

Q1 2013 Total	# of employees		
	2-9	10-49	50-249
33%	16%	42%	41%

Micro firms are significantly less confident than their larger counterparts

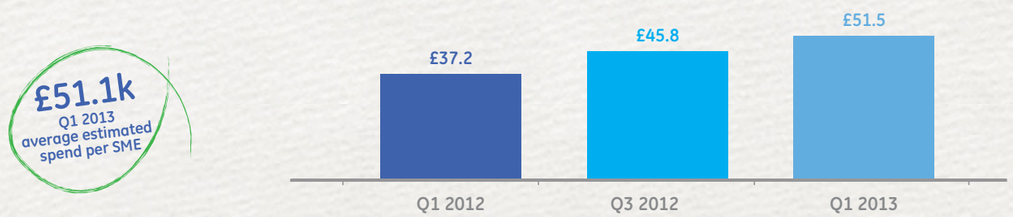
> *This Capex research is a good barometer in sentiment of the wider market here in the UK and shows a degree of positivity. However, whilst investment is increasing it's telling that replacement rather than growth is the key driver. Plans to increase hiring are extremely positive and if realised will build on the recent increases in UK employment levels and boost the overall health of the economy.*

Ilaria del Beato,
Chief Executive Officer, GE Capital UK

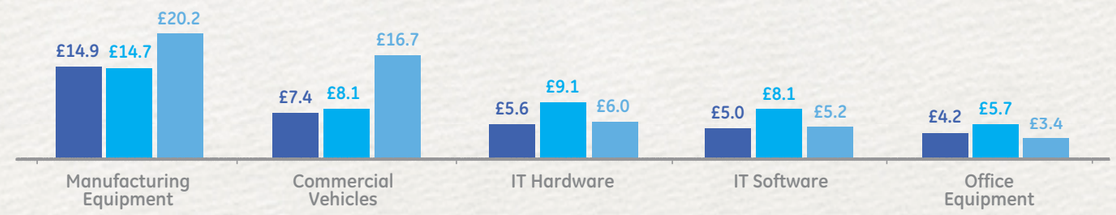
UK SMEs aim to increase capital expenditure

SMEs across the UK intend to invest £51.5bn in the coming 12 months – an increase of 12% on Q3 2012. This highlights a clear trend towards an increase in intended spend over three consecutive quarters. The average UK SME is likely to direct over £51k on capex in the coming 12 months. As in other markets surveyed, the majority of capital expenditure is expected to be directed towards manufacturing equipment and commercial vehicle assets.

Investment intentions of UK SMEs in next 12 months (£bn)



Intended capital investment by asset type (£bn)



The drive for productivity and efficiency in the UK seems to be continuing. Judging by their responses, the principal reason that SMEs in the UK are planning to invest is to replace and upgrade existing equipment, to enhance efficiency and productivity.

UK respondents cite the uncertain economic environment as the overriding obstacle to investment. This trend remains consistent with the Q3 2012 research findings. Meanwhile, the total number of SMEs that told us they have missed opportunities due to having outdated equipment has decreased compared to previous quarter. The impact of this is the resulting estimated income loss has halved compared to the previous quarter (to £6.4bn).

Headcount is set to rise across the UK SME landscape. UK businesses are planning to create more than 500,000 new jobs over the next 12 months – an increase of 16% on previous quarter. This is driven by two factors: A decrease in the number of SMEs planning to reduce headcount and an increase in the average number of new jobs planned per SME.

Vinyl Compounds Ltd and Eagley Plastics Ltd

Company name: Vinyl Compounds Ltd and Eagley Plastics Ltd
Sector: Manufacturer of PVC compounds
Turnover: £20 million (2012)
Employees: 75
Headquarters: Chinley, near Stockport

Vinyl Compounds Ltd is one of the UK's leading independent PVC compound manufacturers with over 35 years' industry experience The company has capacity to produce in excess of 80,000 tonnes of PVC per annum and currently supplies materials throughout the UK, Europe, America, Asia and Africa. As an industry leader, Vinyl Compounds is committed to on-going capital expenditure, spending on average £1.5 million per year, for each of the last 3 years, on plant machinery and equipment. Its modern manufacturing facilities have allowed the company to develop and formulate materials that meet the exact requirements of customers and enabled year on year increases in sales. Recent capital expenditure projects include three new compounding lines to increase production volume and efficiencies, automated packaging and an enhanced logistics network to boost distribution capabilities to a global marketplace, and IT software and hardware to maximise back office efficiencies.

REASONS FOR INVESTMENT

Top reasons for investing by UK SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Upgrading existing equipment to enhance efficiency and productivity	58%	-7% (65%)	46%	65%	62%
Deterioration of existing equipment	47%	+7% (40%)	53%	39%	50%
To build capacity to service growth in new orders	32%	-2% (34%)	20%	35%	39%

Respondents cite "upgrading existing equipment" as the single biggest reason for planned investment

OBSTACLES TO INVESTMENT

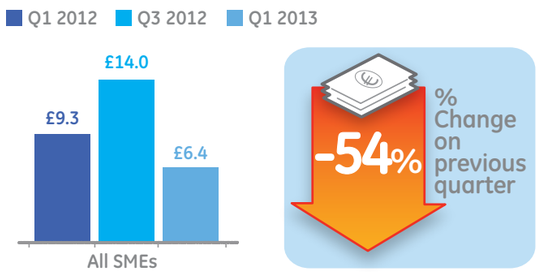
Main obstacles to investment for UK SMEs

	Q1 2013 Total	vs. Q3 2012	# of Employees 2-9	10-49	50-249
Uncertain economic environment	40%	-4% (44%)	47%	38%	35%
Lack of affordable finance	21%	-2% (23%)	27%	21%	15%
Building cash reserves	19%	-% (19%)	20%	18%	20%

40% of respondents cite an uncertain economic environment as a major obstacle to investment

ESTIMATED MISSED INCOME AND NEW BUSINESS OPPORTUNITIES

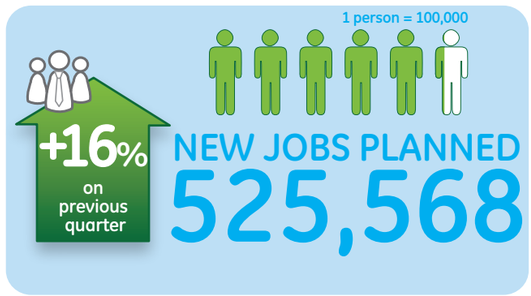
Estimated loss of income among SMEs as a result of dated or inefficient equipment (£bn)



The total estimated loss of income amongst UK SMEs has halved compared to Q3 2012

EMPLOYMENT OUTLOOK – PLANNED HEADCOUNT INCREASE AND DECREASE

Employment intentions (expected new hires)



With more than half a million new jobs set to be created over the coming year, UK SMEs are clearly in hiring mode

Disclaimer

Caution concerning forward-looking statements

This document contains "forward-looking statements"– that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," believe," "seek," "see," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include, without limitation: the level of demand and financial performance of the major industries we serve; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks; strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature.

These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forwardlooking statements. Whilst all reasonable care has been taken in the preparation of this publication, we, our employees and agents accept no responsibility for any errors or omissions therein. No liability is accepted for any direct or consequential losses arising from the use of this information. Furthermore, nothing contained herein is intended to constitute tax, accounting, financial or legal advice by GE Capital to any person. Recipients should consult their own professional advisors for any such advice.

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