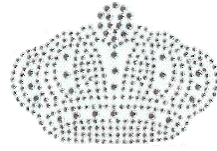




Imperial Cruise Line Services

CRUISE INDUSTRY MARKET STUDY

a division of
HEADWINGS, INC
NEW YORK

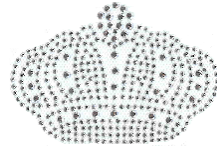


The cruise industry in general terms, offers a large market for product sales. At the beginning of the decade, the size of the market was expected to grow at a rate of 5% until 2010, however in the three years after the terrorist attacks on September 11th 2001, the growth of the market has so far ***exceeded*** its projected rate by almost 3%.

The recent world economic crisis has also left the industry comparatively unscathed.

In reviewing the data contained in this report, numbers relative to market volume and indeed Dollar potential can be obtained.

The trend of developing 'mega-ships' means that in the near future, cruise lines will have the capacity to carry between 2800 and 4800 passengers per cruise, and assuming that the lines operate at 75% of capacity, the average mega-ship can carry between 2100 and 3600 customers per cruise.

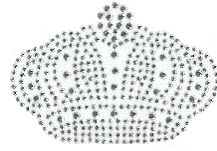


While mega-ships are the future of the industry, it is necessary to concentrate at the capacity per ship across the industry.

In 2005 there were in excess of 5.25 million people who traveled on cruise ships. Over the course of 52 weeks, and with approximately 100 ships running throughout the year, this equates to 1009 passengers per ship, per week. Clearly 100 ships may not travel each and every week but it gives a suitable average to work with.

By the end of year 2010, the cruise industry should exceed sales of \$20 billion per year and assuming that the number of passengers reaches only 8 million by the end of the decade, this equates to an average cost of \$2,850 per person.

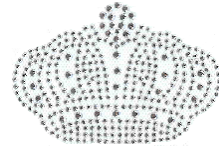
Statistics show that 2.7 million passengers in the Caribbean alone spent \$1.42 billion in port. This equals \$526 per person, and gives a broad and enticing indication of the potential for on-board sales.



Studies of port lecture programs indicate that 80% of passengers end up buying products onboard in spite of that fact that 55% had no interest in shopping.

If we take data from the year 2005, there were 6.7 million people on cruises and 80% of these spent an average of \$550 onboard, the sales revenue was \$2.9 billion in 2005 alone.

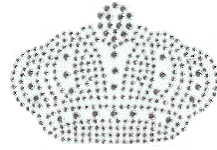
Taking this logic one step further and knowing that there are approximately 100 ships working, we can see that the revenue potential for product sales can reach around \$400,000 per ship per week.



The key to obtaining a substantial quota of the sales revenue that the cruise industry generates is to find the right products to match the right clientele of the cruise lines.

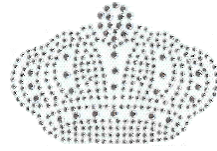
Headwings ICLS., operates in the consumer and luxury goods market that services the cruise industry, and has consistently been able to select product types and brands, and through passenger surveys, has been able to identify brand names that passengers themselves have *requested* to be present on-board.

The nature of the cruise line industry, has afforded us the opportunity to obtain information from a “captive” audience, namely the passengers themselves.



The following abbreviated list of brands that consumers would like to see in on-board boutiques, was obtained from a broad cross section of passengers on Caribbean Far East, Mediterranean, Hawaiian and Australian routes.

Hermes – leather goods, watches, silks. **Louis Vuitton** – leather goods. **Rolex** – watches. **Omega** – watches. **Gucci** – leather goods, watches, jewelry, silks and apparel. **Bulgari** – timepieces and jewelry. **Prada** – leather goods. **Fendi** – leather goods and silks. **Burberry** – leather goods and ties. **Ferragamo** – leather goods and shoes. **Coach** – handbags and wallets. **Dunhill** – wallets, ties, belts and leather goods. **MiuMiu** – leather goods. Balenciaga – leather goods.



On board passengers who shopped both in port and on board the ships as well were requested to fill in a simple form asking their opinions as to which brands they would like to see on board and what category of product.

A CLIA (Cruise Line Industry Association) study of some 3000 cruisers identified 6 market segments in the industry:

Enthusiastic Baby Boomers – take cruises for relaxation

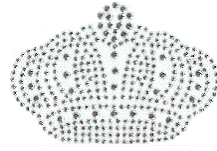
Restless Baby Boomers – new to cruising, experiment with a new vacation experience

Luxury Seekers – looking for deluxe accommodations

Consummate Shoppers – value seekers

Ship Buffs – cruise the most, enjoying the “on-board” experience

Explorers – well traveled and intellectually interested in the destinations



The Major Cruise Lines

Holland America

Carnival Cruises

Commodore Cruise Lines

Costa Cruise Lines

Cruise Holdings

Crystal Cruises

Cunard Line Ltd

MSC Cruises

Disney Cruise Line

Majesty Cruise Line

Norwegian Cruise Line

Oceanic Cruises

Premier Cruise Lines

P & O Cruise Lines

Princess Cruise Lines

Radisson Seven Seas

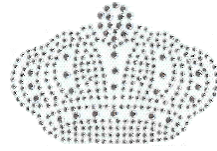
Regal Cruises

Royal Caribbean

Royal Olympic

Silversea Cruises

Windjammer Cruises



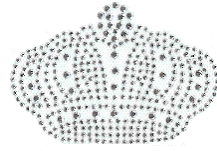
In 2005, the Big Three – Carnival, Royal Caribbean and Princess increased their share of berths by some 10 percentage points to 60%, with 29% for Carnival, 19% for Royal Caribbean and 12% for Princess Cruises.

One analyst went on to project a 10% annual growth for the Big Three and added that they are virtually isolated from trends in the rest of the industry.

Line Descriptions:

Carnival

Glitzy with bright lights and shiny surfaces. Its casinos and spas are among the biggest at sea. The clientele are newlyweds, families with children, middle aged couples and retirees.



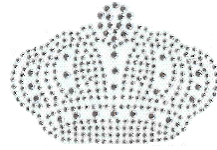
Seabourn (Carnival Group)

Advertising as – *“Seabourn.....More expensive, but Worth It!”*

Itineraries in Europe, Mediterranean, Africa, India, Asia, South Pacific, South America, Alaska, Caribbean, Scandinavia, Australia

Royal Caribbean

Offers 54 itineraries and 134 destinations in the Caribbean, Bahamas, Bermuda, Baja, Mexican Riviera, Panama Canal, Alaska, Hawaii, Mediterranean, Europe, Scandinavia, Russia, Far East, South East Asia. Clientele; all American, couples, honeymooners and singles in their twenties and thirties. 25% are repeat customers, 50% first time cruisers. Positioned at the lower end of the premium market and the upper end of the volume market.

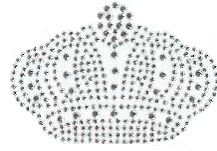


Celebrity (Royal Caribbean Group)

Five-star fleet has set the standard for premium cruising. Award winning cuisine. Exceptional service quality and value. Upscale without being pretentious. Sleek and fashionable

The cruise industry has recently taken delivery of \$ 9 billion worth of new ships. The larger companies are introducing the new “mega-ships” that range in size from 70,000 to in excess of 100,000 tons and holding more that 4,000 passengers.

Salomon Brothers reported that the cruise industry’s megaships enjoyed 104% occupancy last year compared with the average 82% for all other categories of cruise ships.

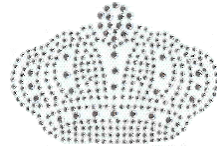


On-Board shopping and Port shopping

Many of the cruise lines today have realized the tremendous revenue potential that on-board shopping can offer.

The numbers of on-board boutiques has grown in recent years and the demand for products of all kinds continues to grow.

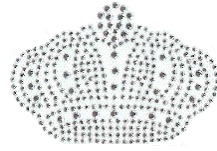
The so called “captive audience” (the passengers themselves) are highly motivated to buy, it is a well known fact that people buy more when they are relaxed.



On-Board Casinos

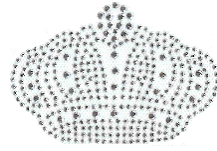
A number of the cruise line companies have established gaming facilities on-board. Many of the high-end items such as designer handbags, jewelry and watches are offered in lieu of monetary winnings.

For example, a Franck Muller watch that retails on-board for \$ 7,000 may be offered instead of a \$ 5,000 dollar cash prize won at the gaming tables. This benefits the cruise line company first and foremost (if the watch retails at \$ 7,000, they will have paid somewhere in the region of \$ 3,800 for the item, it makes excellent sense for the cruise line to offer the watch to a winning client rather than the cash!). Also, the lucky winner is getting a good deal on a fashionable timepiece.



It is of paramount importance to understand the kind of products that the consumers are interested in buying. We can see from this report that the top designers brands are first on the list of priorities.

As a final note, it is important to consider that although almost 55% of all passengers have no interest in shopping on-board or in port, at the end of their vacation, +80% of all passengers purchase products due to the interest generated during their on board travelling experience.



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