

Liz Ditchburn
Director General Economy
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

15 July 2019

Dear Liz

Ferguson Marine Engineering Limited ("FMEL") and Ferguson Marine Engineering (Holdings) Limited ("FMEHL") (together the "Group")

We have been contacted by HCC International Insurance Company PLC ("HCCI") who have advised that the Scottish Ministers have put a proposal to them which involves HCCI making a payment to Caledonian Marine Assets Limited ("CMAL") resulting in a release of the bonds in place for vessels 801 and 802 in favour of CMAL, and all security held by HCCI in relation to FMEL to be discharged (the "HCCI Proposal"), thereby resulting in the Scottish Ministers being elevated to first ranking secured creditor status in FMEL.

Firstly, given the nature and impact of the HCCI Proposal, we would like to understand the capacity in which the Scottish Ministers approached HCCI with the HCCI Proposal? Was this proposal made by the Scottish Ministers on behalf of, and with the consent and instructions of, CMAL? Please confirm this point.

The Scottish Ministers have repeatedly reassured the directors of FMEL that they are working together with FMEL to pursue and implement a solvent solution for the Group (through exercising its option to purchase the shares held by Clyde Blowers Capital in FMEHL), to secure the successful completion of the 801 and 802 vessels, the protection of employment and a viable future for shipbuilding at the yard (the "Solvent Solution"). The Scottish Ministers have also confirmed to the directors of FMEL on a number of occasions that the Scottish Ministers are discussing matters with FMEL on a transparent basis.

We are therefore extremely disappointed that, despite repeated requests by FMEL for more clarity on the structure of the Solvent Solution, the Scottish Ministers have failed to share with FMEL that, during the due diligence process, a compromise with HCCI is being sought as part of the Solvent Solution.

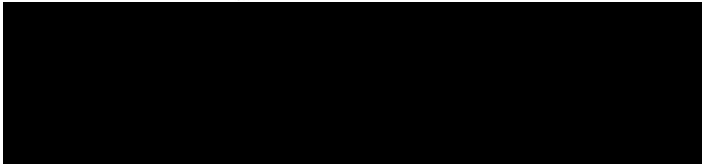
This development has raised some serious concerns for the directors of FMEL around the transparency and deliverability of the Solvent Solution which the Scottish Ministers have repeatedly confirmed to FMEL they are pursuing, and ultimately, whether the Solvent Solution is a bona fide, genuine proposal which will in fact be delivered by the Scottish Ministers.

Given the above, it is imperative that the Scottish Ministers confirm the following as a matter of urgency in order that the directors of FMEL can give due and careful consideration to their position and that of FMEL in light of this development:

1. whether the acceptance of the HCCI Proposal, or an alternative proposal involving HCCI, is an absolute condition of the Solvent Solution being implemented. If so, then what impact does this have on the timescales for (i) completion of the due diligence exercise being carried out by the Scottish Ministers; and (ii) the deliverability of the Solvent Solution itself;
2. as previously requested on several occasions, when do you anticipate completing the due diligence required for the purposes of confirming more details around the nature and purpose of the funding of the Solvent Solution? You indicated at the meeting held on 8 July that the end of July would be the target date for completion of the due diligence process;
3. when do you anticipate being in a position to complete the Solvent Solution itself and what is the target date for such completion.

Please provide confirmation on the matters set out in this letter as a matter of urgency and by no later than close of business on 16 July 2019.

Yours faithfully



Director, Ferguson Marine Engineering Limited