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Dear Liz

I refer to the independent QC review which the Scottish Government has instructed, and to my letter of 25 April 2019 agreeing to support such process.

In my letter, I confirmed that based on the Scottish Government's decision to intervene, the directors would not take steps to start the redundancy programme. In my letter, I also outlined the critical need for the directors of FMEL to have regular updates throughout the process.

Whilst we have been having weekly calls with your colleagues, unfortunately they have not been able to provide us with a firm timetable for the process, despite over one month having elapsed. From our discussion with your colleagues on Wednesday, we were told that the QC's opinion would likely be received by today but that it was unlikely that we would have any feedback until the week commencing 17 June 2019 at the earliest. I was however updated yesterday that the QC's opinion will not now be received until the end of next week meaning that any feedback to us is likely to be the week commencing 24 June 2019. Knowing the critical situation that the business is in, it is astonishing that the Scottish Government does not have its advisors working to a specific and fixed timetable. Once we do however receive the feedback from the QC review, it is also very unclear what the process and timetable will be if we assume (as we do) that the QC confirms we have a valid claim.

Leaving aside the directors and the implications for their duties arising out of the lack of clarity, we also have numerous stakeholders to manage from suppliers to most importantly employees. The uncertainty in the business at present has already resulted in the departure of key skilled workers. If this continues, it will only lead to more damage to the business which we have worked so tirelessly to re-establish.

Not only have we worked hard to re-establish the shipbuilding capability at Port Glasgow, we have also been focusing on developing green technologies for the industry. Indeed, FMEL is now recognised as one of the global leaders in zero-emission marine propulsion technology and we are looking forward to delivering a series of Scottish 'World Firsts' over the next couple of years. I am sure you will have seen in the press over the recent weeks, FMEL's success at the Greentech Festivals Green Awards 2019 where Ferguson Marine collected the "Innovation of the year" accolade, against impressive international competition, for our work on renewable hydrogen as a marine fuel.



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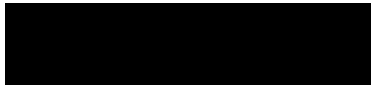
This expertise has also been recognised domestically. We now represent the marine sector on the Clean Maritime Council (“**CMC**”). Indeed, so valuable is our input, that next month, the meeting of the CMC will take place at our shipyard in Port Glasgow- the first time it will have been held outside of Westminster.

Along with becoming technology leaders, we are also building an increasingly capable engineering team in Port Glasgow. Last week, two of our young engineers were awarded “Innovator of the year” and “Engineer of the year” respectively at the ScotRenewables Young Professionals Awards in Glasgow.

It has been nearly two years since we raised the additional costs with the Scottish Government. The failure to resolve the matter has already done significant damage to the business and has set back its growth both in terms of pursuing new opportunities and attracting and retaining key individuals. It would be disastrous if the uncertainty around the current process completely destroys our ability to build on the successes the business has managed to achieve so far, despite the claim, both in terms of prospects and workforce. I would therefore be grateful if you can provide much greater visibility on the timetable and the process for resolution, should the QC confirm the existence of a valid claim so that we can provide the necessary reassurance for key stakeholders.

I look forward to hearing from you.

Yours sincerely

A solid black rectangular box used to redact the signature of Gerry Marshall.

Gerry Marshall CEO