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For attention of Kevin Hobbs

11 December 2017

Dear Sirs

Contracts between FMEL and CMAL for Hull Nos 801 and 802 dated 16 October 2015

We refer to your letter of 17 August 2017 which outlined your response to our letter of 3 August 2017. As we have agreed to look to resolve our differences on the additional cost impact areas by mediation, this letter sets out, on an entirely without prejudice basis and for the purpose only of trying to narrow the issues between us, our factual response to the detailed response from your technical team which was enclosed an appendix to your letter of 17 August 2017. This letter is to be treated as if it was produced confidentially in the context of a mediation.

Your letter of 17 August 2017 stated that the failure to provide vouching or calculations behind our claims suggested either a "lack of preparedness or a lack of substance to the claims". This statement is without merit. It was very clear from the initial discussions we had on the cost impact areas, that you did not accept the basis of our claims in principle. Accordingly at that time, there seemed little merit in providing further detail until we had agreed a way forward in trying to resolve the issues between us. Now that we have reached such agreement and are approaching this matter in a constructive manner, this letter sets out the detailed calculation of the claims, and justification for the increase in the contract price. We are hopeful that our response will give you a better understanding of our position and allow us to have a constructive meeting to further narrow the issues between us prior to the mediation process commencing.

In terms of the various cost impact areas, you will see that in certain areas, the cost items differ from those provided to you in July. We have included as an Appendix to this letter, an extract of our "CMAL

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Project 801 & 802 High Level Summary" spreadsheet, which shows the position as at July 2017 and the update December 2017 position. Whilst the overall position regarding the total current known cost impact areas remains unchanged at £14.7m, the change to the final delivery dates of Hull 801 and Hull 802 to 28 October 2018 and 24 May 2019 respectively, as communicated to the Transport Minister on 3 November 2017 results in a different profile of the costs between Hull 801 and Hull 802. We wanted to ensure that our calculations had correctly reflected the change to delivery dates. , This has resulted in a delay in sending this response to you, as it is important to ensure that the detail provided reflects the most up to date and accurate calculations we can provide.

In terms of the various calculations, we would note the following:

- As we are, subject to our comments below, building sister ships, the claims are common to both ships. Some of the claims to varying degrees, relate to forecast production costs on both Hull 801 and Hull 802, with the additional design costs in the main being attributed to Hull 801;
- The hourly rate for additional design hours used for the calculation of the claims is £46.30, with the production hourly rate being £31.50; and
- We have not provided details of our claim on Permissible Delays. Rather, our view is that the revised contractual delivery dates for each vessel should be agreed between all key stakeholders, taking into account recent discussions on this matter.

Before going into the detail on each area, we would also highlight that the cost impact areas only cover the known events which have arisen out of the areas set out in this letter and the unforeseen complexities of these vessels. The experience of this complex highly innovative project to date gives a reasonable expectation that it is more than likely that other as yet unforeseen circumstances, costs and further changes to specification may arise. In addition, our position to date only includes the impact these matters have had on our own operations/productions processes and have not factored in the increased costs which may have arisen for our sub-contractors for which they may claim.

Taking each of the items in turn and following the same headline areas outlined in your appendix:

Item 1: Material technical changes imposed on pioneering innovative project for requirements of LNG impact, class certification and customer operational requirement

As we have communicated to you and other key stakeholders in the project, none of the parties involved in this pioneering technical innovation fully appreciated at the time of award of the contracts, the complexity that would be generated by delivering these innovative prototype vessels which have

very high specifications and operational requirements for vessels of their size. We note from both your letter and indeed various presentations made by CMAL, that you likewise recognise the complexity and challenges of the vessels. Indeed as we have moved through the project, the other technically experienced 3rd parties involved in the project have also referenced and verified the unforeseen challenges and complexities:

- A key party in the design of these vessels has been [redacted] who developed the initial concepts for the design which went in to the CMAL Invitation to Tender ("ITT"). [redacted]
- Lloyds Register's certification process for the first UK LNG passenger ferry has been a long and protracted process. Lloyds Register's Assessment of Risk Based Design ("ARDB") process – described by them as being "for designs which deviate from existing Rules and Regulations, or for novel or complex designs for which prescriptive Rules and Regulations do not currently apply" - involves participants who have no direct contractual stake in the production of the vessel making decisions which have a direct bearing on the design and production. This has resulted in recommendations being made as we built the vessels which required modifications and changes to be made, which in a project of this complexity have an impact beyond the direct impact of those changes themselves. Indeed some of the actions from this process were beyond a direct interpretation of the LNG fuelled vessel rules being applied by Lloyds at that time – the draft IGF Code - and appear to be a "gold plating" of the application of the requirements in order to make the first UK LNG Ferry the safest possible. A prime example of this is the change detailed below at 1.2.1 in respect of the requirement for no access to the LNG room to compartments adjacent. The impact to the project from the changes to the requirements imposed as a result of ARBD process could not reasonably have been foreseen by either FMEL or CMAL, particularly as the IGF Code only entered in to force on 1 January 2017, a fact of which you will be well aware .
- Maritime and Coastguard Agency ("MCA") approval has been and will continue to be an iterative process given these are the first LNG passenger ferries to be operated in UK waters. Whilst a draft international standard existed, the UK interpretation of this up until now has been unknown. Given our experience to date, we now consider it is reasonable to expect that we will continue to encounter challenges in meeting the first UK regulatory interpretation, often post full Lloyds certification. This has added and is likely to continue to

necessitate additional requirements and changes to the design and production which could not have been known, or foreseen, at contract award.

Detailed below is the specific justification for each of the 6 claim headings within Item 1 (£2,184,358) as included in the 7 July 2017 spreadsheet, with the split by vessel.

	Hull 801 £	Hull 802 £
1.1 GA Update	245,520	243,000
1.2 LNG ARBD	201,600	182,700
1.3 Weight & Intact stability	210,750	195,000
1.4 Damage stability	152,824	145,264
1.5 Ducktail	132,550	133,400
1.6 First UK LNG vessels	178,750	163,000
Per Vessel	1,121,994	1,062,364

1.1 GA Updates

Of 444 GA revision changes made to July 17, a number have been identified as material changes beyond the specification requirements:

Changes	£
Senior Officer cabins made 7 fr's long	19,000
Pet Area increased in size.	13,000
Stores added on tween deck frame 6-9	2,500
Watertight Door to LNG tank space removed, two additional WTD's added for entry into AUX machinery spaces/Stabilizer rooms outboard of LNG tank space	25,000
Deck 5 - Showers added to toilets	2,500
Galley increased in size to 62.5m2 (previously 57.3m2)	7,000
Main Deck 1st Aid Room added, Fr.100-108 Stbd	57,000
Deck 6 - FRC Store added Fr.37.5-39 Stbd	2,250
Deck 3 - Main Deck - Rope Store added aft to Fr.-4 to Fr.0	2,500
Deck 5 - Office moved and addition of Tourist Information Area	1,250
Deck 6 - Aft Cabins (fr.36-53) increased in size	20,000
Deck 6 - Door added between changing room and Gym	1,000
Deck 6 - 2nd Pax Deck - Servery moved aft 600 to create more queuing area for food	2,500
Deck 6 - 2nd Pax Deck - Dividers between mess rooms and rec room to be concertina type	2,500
Deck 3 - Main Deck - Watertight Door added Fr.69-71 (S), Fr.72-73 (P) for access to stabiliser room	12,000
Deck 6 - 2nd Pax Deck - Alternative Lounge added Fr.107-119	61,000
Deck 3 - Main Deck - Carpenters Store added to Fr.-4 to 0 (P)	2,500
Deck 6 - 2nd PAX Deck - Fr.39-41 (P&S) FRC & FI-FI Stores increased in size	2,500
Mooring deck access modified at CMAL request	7,000
	243,000

These changes (which you have instructed us to proceed with) which have included changes to the specification, require additional outfitting material/costs, amounting to £243,000 per vessel (as itemised above). There is also an additional £2,520 in respect of additional design team hours. This cost has been applied to Hull 801.

1.2 ARBD Unforeseen Impacts

To date, the total cost of the most material and specifically identifiable areas of change to the design, specification and production which have arisen out of the ARBD process, is £201,600 for Hull 801 and £182,700 for Hull 802. As noted earlier in this letter, in calculating this claim, we have assumed that the additional design work is consumed in Hull 801.

Taking each of the three areas impacted to date by the ARBD process in turn:

1.2.1 The outcome from the ABRD process was that no access is to be permitted from the LNG room to compartments adjacent. This requirement has resulted in a massive technical challenge to make the changes to design to accommodate this. As you are aware, this change necessitates that the primary access to the stabiliser room is a vertical access from deck 5 and also required an escape from the Fuel Storage Hold Space ("FSHS") to Deck 5. In addition, we had to accommodate two additional sliding water tight doors ("SWTD") from the engine control room to the sewage treatment room and hydraulic room.

1.2.2 The ABRD process has necessitated additional structural fire protection of spaces adjacent to FSHS.

1.2.3 The ABRD process has resulted in additional ventilation requirements. The cost impact of the three material and specifically identifiable areas of change as noted above has been focussed solely on FMEL additional hours which are quantified using our standard hourly rate as follows:

	Hull 801 Design Hours £	Hull 801 Production Hours £	Hull 802 Production Hours £
Item 1.2.1	15,750	126,000	126,000
Item 1.2.2	1,575	28,350	28,350
Item 1.2.3	1,575	28,350	28,350
Total per Vessel		201,600	182,700

1.3 Weight & Intact Stability

During the early stages of post contract award design development, it became apparent that the high specification requirements within the dimensional constraints of the vessels, posed an extremely challenging weight and intact stability position to be able to achieve. In order to achieve the desired

weight and intact stability, the build of the vessels had to include an increased use of HT steel and aluminium, together with LWT insulation. The additional costs for these changes are as follows:

- Design hours (Hull 801only) £15,750
- Increased use of High Tensile ("HT") steel £120,000 per vessel being the premium to source the required HT steel
- Increased use of Aluminium £50,000 per vessel
- Light Weight ("LWT") Insulation £25,000 per vessel

1.4 Damage Stability

As you are aware, during the early stages of the development of the basic design for each vessel from the concept design, it became clear just how challenging the stability position was when balancing cargo and special requirements by CMAL for these particularly innovative vessels, with stability and centre of gravity. As a result, in order to ensure the damage stability, a new bulkhead to subdivide the engine room had to be added.

The additional costs for this design change were as follows:

- Design hours (Hull 801only) £7,560
- New Bulkhead £26,203 material plus £69,061 (2,192hrs) labour per vessel
- Split Engine room 2 New High Speed Shafts at £30,000 per vessel
- Additional Shaft Glands and SWTD etc £20,000 per vessel

1.5 Ducktail

As you are aware, the challenge of achieving the propeller design to achieve not only the contractual speed of 16.5 knots, but also to satisfy the request by CMAL that both vessels also operate at 14.5 knots was significant. This is further discussed below in relation to our claim surrounding the propeller decision.

In order to achieve the contract speed (16.5knots) but also to meet CMAL's requested operational speed (14.5 knots), we need to fit a ducktail. Due to the route which Hull 801 will service, CMAL have not permitted this to be fitted on Hull 801, but it will be fitted to Hull 802. Hull 801 has however been constructed in such a way that it will be able to have a ducktail fitted in the future.

As within other cost impact areas, all of the additional design work has been applied to Hull 801.

The total additional cost for the addition of the ducktail is as follows:

	Hull 801 £	Hull 802 £
Design Hours	15,750	
Third party design costs	24,000	
Class/MCA costs	50,000	
Production hours	37,800	113,400
Steel / modfications	5,000	20,000
Total per Vessel	132,550	133,400

1.6 First UK LNG vessels - Class & MCA highest interpretation of international standards

As we have noted above, additional costs have arisen due to the interpretation of the international standards by the regulatory bodies. As the classification authorities continue to review the design and build in conjunction with their interpretation of the standards and rules as they apply to the LNG vessels for the first time, based on our past experience we expect the following further costs to arise:

- Design hours (Hull 801only) £15,750
- Late Rework in Production for MCA requests 2,000 production hours per vessel

(£63,000)

- Unexpected equipment costs £100,000 per vessel

Item 2: Propeller Decision – Choice of Propellers – Different design considered as requested by CMAL to suit different operational route

The appendix to your letter of 17 August 2017 does not in our view accurately reflect the position in connection with this cost impact area.

The speed requirement for each vessel as per the contract is 16.5 knots. The technical specification as you correctly note states that:

> *"It is intended to operate the ship across a range of speeds, and corresponding propulsion powers, between 14.5 knots and 16.5 knots. The system will be designed to optimise efficiency and fuel consumption across the range"*

As your technical team will know, the difference of 2 knots in the vessel service speed as requested by CMAL in this specification is a doubling of the power required to drive the boat through the water. This causes huge design challenges and indeed it is fair to say that it has now been demonstrated that

having one propeller design for "sister" vessels which will operate in very different conditions, results more in a compromise in design rather than an optimisation. Leaving that aside however, in our bid to seek to "optimise" the efficiency and fuel consumption, [redacted] were engaged in a design study on the matter. [redacted] The challenges that the specification have brought to the project did in fact, ultimately lead to CMAL requesting the detailed consideration of different propeller designs for each vessel- a matter which would have been a clear change to specification. It therefore cannot be correct that direct consequences of considering how to address technical challenges which could not have been foreseen at the concept design stage (and which ultimately led to CMAL looking to change the specification) should be borne by FMEL.

Your letter seeks to suggest that CMAL's interaction on this area arose only on the 24th June 2016. That is simply not correct. In February 2016, CMAL were aware that separate propeller designs were being considered for each vessel. Specifically, the February 2016 project meeting minutes record that:

> *"designing propellers for both 14.5knots and 16.5knots is proving to be challenging for Wartsila design – FMEL to optimise design solution. Briefly we discussed the option of optimising one ship for 14.5knots and one for 16.5knots".*

This statement also confirms that in February 2016 the design brief for the propellers was underway. Indeed, this area of the design was a key focus for the FMEL design team through the period from February 2016 to end July 2016.

In addition, the minutes of the 7 April 16 project meeting show that CMAL's view on propeller preference was an important factor in the design optimisation, once again emphasising the collaborative approach that has been taken to the design process for each vessel since contract award stage. The minutes of the meeting note:

> *"Investigation into operating modes ongoing but dependent on propeller selection/operating draughts. CMAL to advise of decision."*

This was further raised in an email on 6 May 2016 from CMAL representatives stating:

> *"When we receive Wartsila reply we can discuss. Is there an option to optimise the propeller design for one ship at 14.5 knots and the other ship at 16.5 knots. If yes, how would the 14.5 knots optimised propeller perform at 16.5 knots?"*

Whilst you are correct in your statement that the first formal [redacted] propeller design study was issued to you on 24 June 2016, it is clear from the foregoing that you had very significant interaction on this process well before that.

We also do not agree with your position that CMAL provided final sign off on the propeller design on 18 July 2016. Whilst on the 18 July 2016 we did receive an email response from CMAL stating *"our thoughts are to stay with the intermediate propeller option, MCR = 3500 kW"*, this communication could not be viewed as a definitive design approval- it only confirmed that production would involve one propeller design common to both vessels. This email could not have been definitive design approval as at that time there were other open technical propulsion power related points which were not confirmed until a meeting on 2 August 16. Only at that point in time were FMEL then able to make firm order commitments to [redacted] the propulsion system supplier.

Your letter further states that:

> *"the final propeller design (be it single speed or a range of speeds) is an ordinary part of the ship design process for any design and build project."*

Our view is that the process involved in investigating the ability to "optimise" the propeller design for these vessels was not an ordinary part of ship design. To the contrary, a customer would not ordinarily be involved in this part of the design to the extent that CMAL was. The involvement of CMAL and the investigation into the ability to optimise efficiency and fuel consumption with one propeller design (noting that the extent of the optimisation is in fact in reality somewhat of a compromise), and the consideration of two different designs for each vessel, has resulted in a material delay to the design approval which has had material financial and programme consequences for FMEL, including FMEL missing the propeller production slot at Wartsila.

The total additional cost for this matter for each vessel is outlined below:

Cost Impact Summary

	Hull 801 £	Hull 802 £
Technical Impact	70,095	
Production Impact	5,248,125	2,738,840
Material Impact	144,000	144,000
Per Vessel	5,462,220	2,882,840

Once again we have applied the additional technical/design impact to Hull 801.

The £70,095 above consists of

- £35,595 for additional FMEL design hours
- £34,500 for external 3rd party design input, primarily Vera Navis.

The material cost impact of £144,000 consists of:

- £48,000 of additional logistic costs including airfreighting of certain components,
- additional £56,000 of steel costs including for L11 bulkhead
- £40,000 of outside contractors to maintain programme after delays.

The largest impact of the resultant disruption from this matter however has been on our own production. The following is the cost impact for this item:

Cost Impact Summary -Production Item 2

	Hull 801 £	Hull 802 £
Engineering (mechanical installation)	772,538	496,125
Scaffolding	74,592	37,296
Supervision	426,374	228,431
Fab Programme Inefficiency	2,013,795	1,012,662
Outfit Steel	510,300	170,100
Pipe Install Post Launch	654,066	276,334
L11 Bulkheads	94,500	63,315
Change Order	400,365	386,190
Re-work, Holding Primer	125,276	68,387
Re-work Paint	40,320	
Extra Logistics / additional crane	36,000	
Cranes / alongside berth	100,000	
Per Vessel	5,248,125	2,738,840

Item 3: Freshwater Tank – Owner intervention on Internal Structure of Fresh Water ("FW") tank

We do not dispute that it was agreed by CMAL that the FW tank could be constructed with the same steel grade as surrounding tanks, with appropriate epoxy coating added in March 2016. This matter was agreed between us with no contract price consequence. That matter however has no bearing on our claim in relation to the FW tank.

On 24 June 2016, Scantling Plans (drawing nos: M-519-797-1005&1006) were sent to CMAL with the structure of the FW tank noted. This was further communicated to CMAL on 23 August 2016 (revision

F drawing). As no comments had been received from CMAL within 14 running days we were then entitled to progress on the basis of client acceptance of the arrangements.

A Client Observation Form No 9 was however raised by CMAL on 21 September 2016. As we have previously outlined in our letter dated 3 August 2017, as a result of this Client Observation Form being issued,

> *"construction of impacted vessel blocks No 9, 10 and 11 had to be halted by FMEL. It was not until mid-November 2016 that FMEL recommenced construction of the FW tanks and impacted blocks after obtaining consent from CMAL".*

Accordingly our claim is focussed on the block level construction and not the unit level construction.

In your letter dated 17 Augusts 2017 you have outlined in detail the construction stage of certain units which form part of Blocks 9 and 10. We do not dispute the information you have shared on the units in terms of their advanced stage of completion around the time of the Client Observation Form No 9 being issued. In addition, we agree with the factual information in your letter dated 17 August 2017 on when block assembly commenced. Indeed, this information simply verifies the c. two month delay in our planned build programme that was created by the halting of the construction of the blocks caused by the issue of the Client Observation Form.

The halting of the block construction resulted in (i) significant programme implications due to the delay in block assembly when the units were available; (ii) the inability to move units in the yard which created a choke point in the production line; and (ii) delay in the design progression. These factors are at the heart of the resultant disruption and cost impact.

As the Client Observation Form did not raise any technical or specification points, the impact here was solely on production, with the following being the total cost impact of this item:

Cost Impact Summary -Production Item 3

	Hull 801 £	Hull 802 £
Engineering Hours (mechanical)	212,625	106,313
Supervision	149,179	52,871
Fab Programme Inefficiency	983,147	197,574
Outfit Steel	170,100	85,050
Pipe Install Post Launch	135,261	53,786
Change Order	138,317	138,317
Per Vessel	1,788,628	633,910

Item 4: Owner interpretations

In your letter you state that:

> *"There is a high level of involvement in many matters, more than would be required at other experienced shipyards".*

The inference of this statement is that were we experienced, CMAL would not be as involved. We strongly refute this inference. Firstly, whilst the contracting entity FMEL may be seen as a new company, the team delivering the vessels are extremely experienced. Secondly, the involvement of CMAL has nothing to do with our experience, it comes from the physical proximity you have with the yard and also the collaborative approach we have taken from the beginning of this project. It has been of your own volition to go beyond industry norms in terms of your "high level of involvement".

Whilst we agree this proximity is a benefit to our long-term relationship, the reality for us is that the proximity and interaction by CMAL has impacted us financially. The proximity and thus the ability to seek to enforce interpretations beyond specification, contract rights and industry norms has caused disruption and additional costs.

In the Spreadsheet of 7 July 2017, we note three specific areas which have led to increased costs being: (a) excessive interpretation of and requirement for engineering systems redundant beyond industry norms, (b) Loch Seaforth standard referenced and required to be applied to areas beyond accommodation and (c) direct customer interaction with yard personnel beyond reasonable expectations, contract rights and industry norms.

Given the size of the project we have proceeded on the basis of our reasonable assessment of the cumulative effect of the cost impact on these three areas. The following is the basis of the £835,000 value (if required, we would split each cost 50/50 between Hull 801 and Hull 802):

<u>Owner interpretations</u>

	801/802 £	% of contract value
Excessive intepretation of and requirements for engineering systems redundancy beyond industry norms	100,000	0.10%
Loch Seaforth standards referenced and required to be applied to areas outwith accommodation, for example (1) wheelhouse arrangement, (2) mooring arrangements, (3) all engine room piping systems, (4) windows, (5) crew cabins	250,000	0.26%
Direct customer interaction with yard personnel with high interaction seeking options and choices for high level of the specifications beyond reasonable expectations, contract rights and industry norms	485,000	0.50%
	835,000	0.86%

Item 5: LNG Bunkering requires to consider bunkering operations from car deck

It would appear from your letter that we are in agreement that the consideration of bunkering LNG from the vehicle deck was an additional work item which CMAL requested FMEL to undertake. The following is the breakdown of the £52, 644 claim which will hopefully allow us to reach agreement on this matter prior to mediation. You will note that whilst ultimately this option was not pursued, due to the uncertainty over customer requirements to the build programme within the area of LNG systems, there was also an impact to production. As with other technical areas these costs would apply to Hull 801.

	£
Technical Input (hours + £3k ARBD costs)	17,364
Production Impact : LNG pipiing inefficiency	35,280
Per Vessel	52,644

Item 6: Superstructure Compression of Schedule – Additional Warehousing / Manufacturing Space Required (Westway)

Contrary to the view set out in your letter, this particular cost impact area has not arisen as a result of the redevelopment of the yard. The requirement to lease additional space for warehousing and manufacture has arisen as a result of the compression of the build schedules for the vessels, which in turn has arisen from the cost impact areas highlighted in this letter. As a result of this compression, which involves the need for the pre-fabrication of aluminium panels offsite to facilitate a faster fabrication onsite, we have been forced to find additional space for manufacture of the superstructure.

As we could not have foreseen the events detailed in the cost impact areas already outlined in this letter, we therefore could never have envisaged having to rent such space in connection with the contracts.

In terms of costings the following is the breakdown of the £902,500 (if required, we would split each cost 50/50 between Hull 801 and Hull 802):

Cost Impact No 6

	£
	430,000
Logistics costs	150,000
Equipment	65,000
Storage costs	100,000
Labour inefficiency	157,500
	902,500

Currency Impact

Whilst the focus of this letter was to respond to the matters raised in your technical response, we also wish to further clarify our position on the currency issue.

The comments on this issue in your letter of 17 August 2017 would appear to question our foreign exchange hedging strategy. That is a matter for ourselves and is not relevant to the claim we are making. What is relevant is that we had a clear understanding at the bid stage and indeed at the time the First Minister made the announcement of the award of contract to FMEL, that a currency clause would be included in the contracts. The undisputable fact is that as this clause was unilaterally withdrawn by CMAL, as at July 2017, we have incurred a significant currency loss.

The following is the Euro/£ rates from August 15 to August 17 showing the significant unfavourable currency movement during the period:

Noted below is the proposal for the currency clause which was agreed by [redacted] of CMAL in an email to [redacted] of FMEL on 27 August 2015

> *"Any negative deviation from the Euro (EUR) rate (1.3686 *) against GBP pound of 5% or over shall be borne by the buyer to a maximum of gross euro exposure value €21,000,000.00 *Rate per FT.com at 26 August 2015"*

The following is a calculation of the currency loss adjustment which FMEL would have received under the application of this principle following the weakening of sterling after the Brexit vote.

Contract rate (FT 26 August 2015)	1.3686
Currency Clause Hurdle rate - 5% variance to be absorb by Builder	1.3002
Weighted average actual rate	1.1198

Gross Limit	€ 21,000,000
Currency Clause Hurdle Rate - £ value	£16,151,734
Actual rate - £ value	£18,753,148
Currency Clause Adjustment	**-£2,601,414**

As noted above, our proposal is that before we commence with the mediation process, we have a without prejudice meeting to try and narrow the issues between us and hopefully agree on some of the specific items detailed in this letter. To this end, once you have had a chance to review the detail of this letter, could you please let us have some suggested dates for such a meeting? We anticipate this meeting will need to involve both our commercial and technical teams.

Yours faithfully

[redacted]

Gerry Marshall,

Director

APPENDIX 1: CMAL Project 801& 802 High Level Summary

CMAL PROJECT 801 & 802 HIGH LEVEL SUMMARY

Updated November 2017

Item #	Cost Impact Area	By Area Impact	July Summary: Hull 801 (£)	July Summary: Hull 802 (£)	July Summary: Total Project Cost (£)	July Summary: Schedule Impact (Days)	Updated Summary: Hull 801 (£)	Updated Summary: Hull 802 (£)	Updated Summary: Total Project Cost (£)	Updated Summary: Schedule Impact (Days)
1	Material technical changes imposed on pioneering innovative project for requirements of LNG impact, class certification and customer operational requirements.	Technical Impact	£ [illegible]	£ -	£ [illegible]	[illegible]	£ [illegible]	£ -	£ [illegible]	[illegible]
		Production Impact	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
		Material Impact	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
2	Propeller Decision; Choice of propellers - Different designs considered as requested by CMAL to suit different operational modes 1) One type for the Arran (14.5 knots) 2) One type for the Uig run (16.5 knots)	Technical Impact	£ [illegible]	£ -	£ [illegible]	[illegible]	£ [illegible]	£ -	£ [illegible]	[illegible]
		Production Impact	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
		Material Impact	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
3	Fresh Water Tank Owner intervention on internal structure of FW tank	Technical Impact	£ -	£ -	£	[illegible]	£ -	£ -	£	[illegible]
		Production Impact	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
		Material Impact	£ -	£ -	£	[illegible]	£ -	£ -	£	[illegible]
4	Owner Interpretations				£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
5	LNG Bunkering request to consider bunkering operations from car deck.				£ [illegible]	[illegible]	£ [illegible]	£ -	£ [illegible]	[illegible]
6	Superstructure Compression of Schedule Additional Warehousing / Manufacturing Space Required [illegible]				£ [illegible]	[illegible]	£ [illegible]	£ [illegible]	£ [illegible]	[illegible]
	TOTAL				£ [illegible]		£ [illegible]	£ [illegible]	£ [illegible]	
7	Exchange Rate Clause				£ [illegible]				£ [illegible]	
	TOTAL (TAKING INTO ACCOUNT EXCHANGE RATE LOSS)				£ [illegible]				£ [illegible]	

Note: Material Items Excluded from above

	[illegible] Installation and Commissioning
	Existing agreed VTC as documented in the register already communicated along with those raised and in discussion between representatives at 6 July 17