

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

19 July 2019

Dear Liz

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

As you will have seen, there are numerous press reports today containing speculation about the possible nationalisation of the Group. This is creating increased uncertainty amongst our workforce, and for our customers, regarding the future of the business.

I refer to your letter of 15 July 2019 in which the Scottish Ministers again confirmed to the directors of FMEL that they continue to pursue a solvent solution for the Group (through exercising their 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**").

Given the above, it is imperative that the Scottish Ministers now provide more clarity to the directors of FMEL regarding the proposed timescale for the implementation of the Solvent Solution. In your letter of 15 July 2019 you state that "it remains the intention of Scottish Ministers to complete a transaction as quickly as possible and certainly within the time period stated in the Subscription and Shareholders Agreement". Can you therefore confirm the following matters:

1. we have fully engaged with your advisers on diligence and understand that an updated report is due to be issued to Scottish Ministers this week. Please therefore confirm that this completes your due diligence process and you will therefore now share with us details regarding the proposed nature and quantum of the funding of the Solvent Solution;

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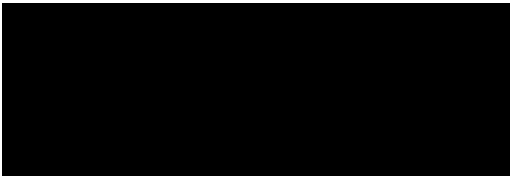
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4. alternatively, are the Scottish Ministers seeking to rely on a failure of CBC to subscribe for more equity in FMEHL, and are therefore seeking to acquire the relevant shares for fair value? If so, has the process for expert determination of the fair value of the relevant shares been commenced?;
5. in either event, again, when do you anticipate being in a position to complete the Solvent Solution and what is the target date for such completion?

You will appreciate that it is critical that the directors of FMEL receive the answers to these questions to assist them in their management of the financial position of the business. We need visibility on when the Solvent Solution will be implemented.

Please provide confirmation on the matters set out in this letter as a matter of urgency and by no later than 12 noon on 22 July 2019.

Yours faithfully



Director, Ferguson Marine Engineering Limited