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Clyde Blowers Capital

By email: [Redacted]

7 July 2019

Dear [Redacted]

FERGUSON MARINE ENGINEERING LIMITED (“FMEL”) AND FERGUSON MARINE ENGINEERING L HOLDINGS LIMITED (“HOLDINGS”) - CBC PROPOSAL

I refer to your letter on Friday afternoon to the Cabinet Secretary for Finance, Economy and Fair Work, responding to his letter to you, which we shared at Thursday’s meeting.

First, we acknowledge that the decision not to proceed with your proposal in the circumstances, is disappointing to you. As I said on Thursday, Scottish Ministers wished us to meet with you to convey this in person and explain clearly the position that has been reached.

I would like to re-iterate that we appreciate the time taken to meet with us to explore and consider your proposal. We have been working in good faith to examine the CBC proposal alongside all possible options for the future structure of FMEL. As well as meeting to discuss your proposal, there have been a number of other exchanges of information. Our team and advisers have been in daily contact with FMEL and your advisers in that regard.

When meeting with you we have made clear our view of some key implications for us of your proposal and we set out our structural concerns to you in writing in my letter dated 4 June 2019. We have considered and listened to your views of our position, and we acknowledge that you take a different view.

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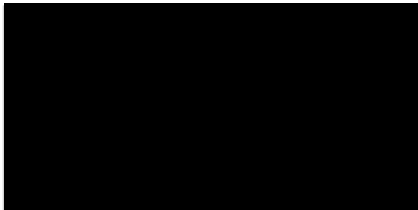
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In terms of how we could work with you at this stage, as explained at our meeting on Thursday, Ministers remain committed to completion of the vessels, securing the jobs, and to the future of shipbuilding at the site. We wish to work with you to ensure these aims are secured with a minimum of disruption and uncertainty.

We would be grateful if you could confirm when you would be available to meet in week commencing Monday 8th July, to discuss our option of exercising the right to buy CBC's shares in FMEL Holdings. While recognising that this is a challenging time for CBC, we want to work with you to protect the yard, and to minimise uncertainty to the workforce and further delays to the delivery of the vessels. We therefore encourage you to read this letter in the context of the wider ambitions that Scottish Ministers continue to pursue for the shipyard - namely, the successful completion of the 801/2 vessels, the protection of employment, and a viable future for shipbuilding at the yard.

Yours sincerely,



LIZ DITCHBURN

CC: Jim McColl