

STRICTLY PRIVATE AND CONFIDENTIAL
BY EMAIL

To
Board of Directors
Isles of Scilly Steamship Company Limited
Hugh Town, St Marys, Isles Of Scilly, England, England, TR21 0LJ
United Kingdom

Via
Alistair Feeney
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17 November 2023

RE: Isles of Scilly Steamship Group – Initial Proposal

Dear Alistair,

Initial Proposal

Harland & Wolff Group Holdings plc (**H&W, our, we** or **us**) is pleased to submit this initial non-legally binding indicative proposal (this **Initial Proposal**) for the potential acquisition of 100% equity interest of the Isles of Scilly Steamship Company Limited and its subsidiaries (collectively, the **Company**) (the **Proposed Transaction**).

About us

Harland & Wolff is by far the most famous shipyard group globally and has been in the ship building business for over 163 years. Although the H&W group is only 4 years old from a current corporate structure perspective, it has over 800 personnel, with decades of experience.

The two sites that are principally involved in shipbuilding are Belfast and Appledore. Both sites have a rich history and have been involved in building some of the biggest vessels. Appledore has built ferries that work on the Penzance – Isles of Scilly route. Belfast has a roster of cruise and ferry clients that it services on a repeated and regular basis. These services include dry docking of vessels, refurbishments and refits of cruise vessels. The H&W group is currently preparing to build three support vessels for the Royal Fleet Auxiliary (RFA) under the Fleet Solid Support Programme. This is a £1.6 billion programme. In addition, the H&W group has a barge build programme with the Cory Group.

The H&W group has been on an aggressive growth curve since 2020. Commencing with zero revenues in 2019, it is projecting between £80-100 million of revenues for 2023 and £200 million for 2024. The aim is to get to £500 million per annum on a consistent basis from 2026 onwards. The contracted backlog of the H&W group currently sits at over £1 billion across the next 5 years.

The H&W group's ultimate parent company, H&W, is an AIM listed entity. Therefore, a significant amount of information is available in the public domain. This link should be able to provide the capabilities of the H&W group across all markets.



We are prepared to commit significant internal and external resources to move expeditiously towards successfully executing the Proposed Transaction. This Initial Proposal has strong support of our management.

Proposed Purchase Price

Our offer price to purchase each share of the Company is at 20% discount to the current share price at 395 pence per share, making the offer price at 316 pence per share. Therefore, the total consideration offered for the Company is £4,599,184, on a cash free, debt free basis with a normal level of working capital at the closing of the Proposed Transaction (the **Closing**). We must point out that the H&W group will be introducing a new high speed fast ferry service on the Penzance – Isles of Scilly route from Spring 2024. This high speed fast ferry service is likely to affect the Company's revenues significantly, in turn, potentially leading to a significant reduction in the share price. We, therefore, believe that our current offer should be attractive to the Company's shareholders.

Conditions

Initial Proposal: This Initial Proposal has been carefully reviewed by and has the full support of the executives at H&W, including discussion at the level of the Group Management Committee of H&W. The submission of this Initial Proposal has also been approved by the Board of Directors of H&W.

Final Proposal: The final proposal and the definitive agreements is subject to the following conditions (**Conditions**):

- (a) satisfactory outcome of the usual and customary due diligence (due diligence checklist to be provided should this Initial Proposal be accepted in principle);
- (b) parties entering into legally binding definitive agreements for the Proposed Transaction;
- (c) grant of applicable internal and external approvals including (i) H&W corporate, board and shareholder approvals, (ii) any approvals required under applicable law, and (iii) consent from H&W's lenders;
- (d) grant of exclusivity until 31 March 2024 or another mutually agreed date to enable H&W to conduct its due diligence and complete the Proposed Transaction;
- (e) you maintaining confidentiality of this Initial Proposal and entering into an NDA with H&W (please note that H&W is a listed company and no announcements should be made until Closing and each person needs to comply with the applicable UK securities laws and regulations); and
- (f) no material adverse change or event having occurred.

Timeline

Subject to the Conditions, we anticipate the Closing to occur by 31 March 2023.

Assets

While the Proposed Transaction is to be structured as a share sale, for the avoidance of any doubt, in addition to the Company, H&W will purchase whatever right, title and interest in relation to the following assets of the Company or in relation to its business if these are not covered in the share sale or are owned by other persons (**Assets**):

- (a) the goodwill in the business previously carried on by the Company together with the exclusive right to use the name "Isles of Scilly";
- (b) all plant, machinery, equipment, furniture, fittings, tools, vehicles and other chattels;
- (c) all freehold land;



- (d) all contracts;
- (e) all patents, trade marks, designs, copyrights and any other industrial and intellectual property rights;
- (f) the names and addresses of customers , suppliers and customers;
- (g) all of the furniture, utensils, templates, tooling, implements, chattels, office equipment including all IT equipment, furniture, electronic equipment, mobile phones, computers, laptops, servers, software licenses, equipment and any other asset;
- (h) all information technology infrastructure (including, without limitation, hardware, software, firmware, networks and connecting media) and all manuals, specifications or other documents;
- (i) any motor or other vehicles;
- (j) books and records; and
- (k) all other assets.

Financing

H&W does not require any third party funding to complete the Proposed Transaction.

Acquiring Entity

For the purpose of the Proposed Transaction, the H&W acquiring entity will be a special purpose vehicle wholly owned by H&W (the **Acquiring Entity**).

H&W Team

In addition to our internal team, we have assembled and are in the process of assembling teams of external advisors. Greenberg Traurig, LLP has been appointed as our external counsel for the Proposed Transaction. We are prepared to move as expeditiously as possible to come to fully-financed and binding definitive agreements for the Proposed Transaction with the Company.

Contact Information and Advisors

Should you have any question regarding this Initial Proposal, please contact Arun Raman, who will be leading H&W's evaluation of the Proposed Transaction, and the Greenberg Traurig, LLP team. Please see below for information for these contacts:

H&W

Arun Raman

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Greenberg Traurig, LLP

Shashank Krishna



Shareholder

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Confidentiality

The contents of this Initial Proposal, its existence and all discussions and negotiations regarding the Proposed Transaction are “Confidential Information” and shall not be disclosed to any person other than the Company, its owners and their respective professional advisors each of whom have agreed to be bound by the confidentiality obligations set out in this Initial Proposal. H&W is providing this Initial Proposal on the basis that, the parties will proceed in a strictly confidential manner with respect to the terms hereof and will promptly enter into an NDA, unless otherwise required by applicable law, until the parties have executed the definitive agreements or discussions between H&W and the Company and its owners have been terminated indefinitely. Accordingly, H&W’s willingness to proceed with the Proposed Transaction is conditioned on the Company, its owners and their representatives treating this Initial Proposal and any discussions or negotiations that may ensue, in each case, as “Confidential Information”.

Other

This Initial Proposal does not constitute a binding contract or an offer to enter into a binding contract. H&W retains the right to withdraw or modify this Initial Proposal at any time. Any legally binding agreement, right or obligation would exist only upon the receipt of necessary corporate approvals and the negotiation, execution and delivery of the definitive agreements by the appropriate parties.

This Initial Proposal may be executed in any number of counterparts, each of which shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

This Initial Proposal and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Initial Proposal or its subject matter or formation.

Please sign and return a copy of this Initial Proposal if you agree to its terms.

Yours faithfully,

For and on behalf of: Harland & Wolff Group Holdings plc

A handwritten signature in black ink, appearing to read 'Arun Raman'.

Name: Arun Raman

Designation: director



We acknowledge receipt and agree to the terms of this Initial Proposal:

For and on behalf of: Isles of Scilly Steamship Company Limited

Signature:

Name:

Designation: