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25/05/2022

Hon Michael Ferguson MP
Deputy Premier
Treasurer
Minister for Infrastructure and Transport
Level 5 Salamanca Building
4 Salamanca Place
HOBART TAS 7000

Dear Shareholder Minister

New Ship Build Contract

Further to our discussions at the TT-Line Ministerial Briefing on Thursday 19th May 2022, I am writing to formally advise of the Board's decision to approve an increase in the contract price for the first vessel (NB6009) of up to 8 million euros.

As we advised in our meeting, global factors such as the war in Ukraine and the COVID-19 pandemic have significantly impacted the supply and price of steel, and other major components of the new vessel builds. Our contracted shipbuilder, Rauma Marine Constructions (RMC), have issued a notice of a force majeure event, due to the ongoing war in Ukraine, as prescribed by the terms of the contract for the delivery of the first vessel, hull 6009.

RMC put forward a proposal seeking support to offset the significant increase in steel prices, and other major ship componentry. RMC advised that without some support they would likely not progress with either contract for the two hulls, due to suffering financial losses on the contracts.

In person negotiations were held and the following has been agreed by the TT-Line Board:

- TT-Line will participate in sharing of the increased steel costs **up to a maximum** of 8 million euros, and the contract price for NB6009 would be amended with an amount that corresponds to the final amount up to this cap;
- All extra payments will be fully backed by refund guarantees to the satisfaction of TT-Line before being made; and
- All increases up to the cap of 8 million Euros would be reconciled to transparent charges by the steel suppliers' documents.

In considering the request to increase the contract sum for Hull 6009, the Board took into account the following:

- The current ship build contracts are fixed price contracts and there is no legal obligation to accept a proposed contract price increase;
- There was a real risk that the contract for the build of the first, and potentially the second vessel, would not be fulfilled. Whilst no money would be lost by TT-Line due to all payments being supported by refund guarantees, the cost of having to go back to market for the new vessel builds, and the opportunity cost of delayed delivery with the increased capacity of new vessel, would far exceed 8 million euros;

- Agreeing to the contract price increase ensured the procurement of steel for hull 6009 immediately, which in a market of limited supply ensures the delivery date will not be further delayed due to steel supply shortages;
- A cap of 8 million euros was negotiated, and the actual price increase, up to this cap, will be directly linked to steel prices obtained by RMC and the documentation shared with TT-Line;
- The cap protects TT-Line from the exposure of further increases in steel prices;
- No additional borrowings will be required as the payments will be funded from TT-Line cash flows;
- The overall vessel replacement project will still be within the originally approved business case parameters; and
- All contract changes will be reviewed and approved by our lawyers, HFW London.

Yours sincerely

[redacted]

Michael Grainger
Chairman