

Scheduling

Please see the attached BSC Delay Overview

The installation progress is very little and disruptive for Siemens and currently limited to the depot workshop area only. About 6,4% of overall Siemens installation works are finished (99,5% expected according Revision 01).

Within the next month minor progress for track installation is expected in the depot area.

The progressed Revision 03A, that only include changes known until December 2009, presents a 35 month delay for the entire project to the current contractual programme. The latest submitted estimate MUDFA 2 [INTC 536] requests for 15 month EoT. Further estimates are under preparation.

Section Completion A was contractually due on 2nd Nov 2010 (according Mudfa Rev.8 adjudication). The Mudfa2 requests EoT to 28 Jan 2011. Further EoT will be requested by submitting SC-A within the next month.

Section Completion B was contractually due on 30th Nov 2010 (according Mudfa Rev.8 adjudication). The Mudfa2 requests EoT to 13 Apr 2011. Further EoT will be requested by submitting SC-B within the next month.

Design & System Engineering

A joint task force between BB/SDS/SIE has been established to review open BSC design issues and establish a joint and agreed action list for closure in preparation for the upcoming mediation in March. The list shall include all Approval and Consents related matters as well as Change related topics with influence on design freeze.

As for the current SIEMENS design status; the agreed action lists as per the Record of Review Close-Out Meetings with **tie** in Nov/Dec last year are being worked off. Currently there are 57 individual comments against Level A/B endorsed submissions to be addressed by SIEMENS subsystems excluding Trackwork which is slightly behind the set up schedule. For Trackwork we have received "downgrades" to Level C endorsement by **tie** unexpectedly for 4 design submissions after yet another positive meeting on the RoR comments. Additionally we have submitted two additional submission for the Signalling to **tie**.

There are still 17 Technical Informatives remaining to be discharged for SIEMENS as well as Planning Consents for OLE onstreet sections to be reassured. Official submission of design close-out information scheduled to be concluded by end of February, save as 3 Informatives that relate to TLC resp the Interface between Signalling and TLC. These Informatives can only be closed out with an order in place for TLC, which is still pending **tie**'s decision. We have received official response by CEC on the Trackwork related discharge information submittal which basically requests further evidence/details to be provided. It is planned to arrange a meeting with CEC as soon as possible to progress the closure.

The for the time being last IDC was held end of January The number of outstanding IDR/IDC actions on all parties, mainly SDS, have not changed significantly. There are still 2 IDC to be held which are held back by not provided SDS drawing packages. This has been addressed and will form part of the joint action list as per above.

No updates on DAS status compared to previous month.

The Requirement Management is currently reviewed and final close-out meetings with the consortium and **tie** will be scheduled shortly.

Installation

Track work progress was slow works have started in the Depot building and the West side rail installation is nearly complete and concreting of these areas has commenced The Platform areas in section 2C are being poured this will enable track to be laid in this area. The Depot road crossing has been prepared and is also ready for concreting. Survey grid problems with the track laying in the depot have been resolved with BAM to enable the above works to be done. Dates for bridge works rectification to be confirmed with Bilfinger Berger.

Remedial works continue to be carried out on Princes Street but the permanent solution to these defects needs to be agreed with tie and the council. Talks are taking place with Tie and CEC to install a trial repair at South St Charlottes Street bases on the Rectification plan already submitted.

The substation is awaiting issues on earthing to be agreed with Southern Power for the HV supply to be connected.

The control room is having design finalized to accommodate CCTV flat screens within a display wall. This has now been submitted to Tie for comments meeting to be planned.

The depot has problems with water ingress into the cabling troughs and routes a pump has been employed to alleviate this until the design fix has been implemented. The temporary design has still not been completed due first week in February

Ole pole are awaiting date for installation on section 5B and 7 to be confirmed.

The Depot equipment installation has started in the Store rooms which have been handed over, and the racking out has started.

Supply

General

DWE

Compressed air equipment to be delivered end January 2011.

SIG

Control centre displays expected end January 2011.

COM

No updates.

SCA

No updates.

TPS

No updates.

OLE

No updates.

TRW

No updates.

Contractual Issues:

The critical contractual issues currently being addressed with our respective contracting parties are as follows:

1. Tie [Client]

On 13 January 2011 **tie** raised the issue of deduction of Liquidated Damages in respect of Section A of the Works. The extended dates for completion of Section A and Section B have expired and the Sectional Completion Date for Section C is 10 March 2011. To ensure relief from such damages Infraco will require to succeed with its MUDFA 2 extension of time and will also need to submit claims for further extensions in respect of Section A and Section B.

Project Phoenix: A formal mediation between the parties is scheduled for 8-11 March 2011. CEC shall be in attendance at the mediation. In advance of the Mediation, the Infraco is finalising its Project Phoenix Proposal based to provide a revised programme and price for a reduced project scope between Edinburgh Airport and Haymarket.

No Remediable Termination Notices or Underperformance Warning Notices have been received in the last three months.

Further, **tie** has continued to refer non-agreed Estimates to dispute in order to progress works 'off-street' [Sections 5, 6 & 7]. Further, **tie** has instructed Infraco to progress these works and has alleged delay on

the part of Infraco in mobilisation and commencement of these works. Also, tie is currently disputing the existence of a number of alleged 'Notified Departures' and Infraco right to cease works relating thereto.

Disputes-further 'key Sub-Contractor Approval' dispute [Dispute 15] all Infraco members will need to become party to each Key Sub-Contract. Infraco is currently reviewing its response to tie's request. tie will attempt to deny permits to work on the basis of lack of approved Key-Subcontracts, and Infraco will need to achieve a resolution to this matter including agreed amendment of the Consortium Agreement. Discussions to take place between Infraco Members and respective lawyers this week designed to seek agreement.

A decision is due on 21 February 2011 on the dispute relating to payment of preliminaries [Dispute 16]. The 'Payment for Princes Street Works' dispute [No. 18] was partially resolved in mediation; Siemens and tie have agreed Siemens entitlement relating to this dispute in the sum of £135K thereby avoiding the need to participate in the forthcoming adjudicating between Infraco and tie in respect of non-agreed items. *Please see the attached DRP Schedule.* The parties are preparing to refer to Mediation the disputes on Lindsay Road RTWs, Bankhead Drive RTW and South Gyle Access Bridge [disputes 21, 22, and 23]. These disputes relate to changes to the civil engineering works and do not involve Siemens. The Section 5B and Section 5C Drainage disputes were fully resolved during the internal DRP [Dispute Resolution Process] without the need to resort to adjudication [Dispute 19 and Dispute 20]

MUDFA REV. 8-Siemens has agreed its financial entitlement with tie in respect of MUDFA Rev. 8 extension of time to Section A of the Works, apart from the BAM element. The sum agreed is £210K. Siemens is meeting with tie during w/c 31 January 2011 to agree the BAM element [325K]. Siemens has also agreed the wording of its claim narrative in support of its INTC 429 with tie.

MUDFA 2 [INTC 536]-MUDFA 2 was referred to dispute by Infraco on 18 January 2011. tie's position is that a dispute has not crystallised. tie also allege that there we are seeking to refer matters that were resolved in MUDFA Rev. 8. Before referring this dispute to adjudication Infraco needs to be satisfied that there is a clear 'dispute' and that there are no jurisdictional issues, otherwise we risk yet further delay to out MUDFA entitlement. Also, we need to decide whether we refer both 'time and money' to dispute or 'time only' as was the case with MUDFA Rev. 8. Our claim is valued at £22Million. We are also seeking an extension of time to the completion of the Works of 461 calendar days. Given the value of this claim we need to identify the best strategy for resolving our entitlement.

Section A & Section B-Work is currently ongoing in respect of further extension of time to Section A & Section B as a result of various client changes. External review of delay analysis and methodology to be undertaken prior to submission of Estimates.

2. Bilfinger Berger

It remains the case that the works on site have effectively ceased because of the extent of non-agreed Estimates for changes to the Infraco works. These Estimates relate almost entirely to Bilfinger Berger's scope of works. We have advised Bilfinger Berger of our concerns regarding cessation of "goodwill works" and our concerns regarding incomplete and outstanding estimates. Further to the meeting held on 09 December 2010 with Bilfinger to progress this matter The respective Siemens and Bilfinger Change Control teams met on 25 January 2011 to consider status of outstanding estimates and to enable Siemens to better understand Bilfinger Berger's strategy.

We continue to seek agreement with Bilfinger as to possible progress of off-street works and, in particular, Depot Works, thereby enabling us to complete the Depot and delive of trams and, thus, reduce our risk exposure to claims from CAF and liquidated damages for late completion of Section A and Section B of the Works [the Depot and the Test Track].

Discussions to be held w/c 31 January 2011 with Bilfinger regarding execution of Key Subcontracts.

3. CAF

We anticipate that during w/c 31 January 2011 we will agree the CAF claims in respect of MUDFA Rev. 8 with **tie**. This claims, if agreed, will reimburse CAF for storage costs at Irun, and will reduce our risk/exposure to CAF claims under the Tram Supply Agreement [TSA].

We are awaiting delay narrative from CAF in support of its delay programme for Section A and Section B of the Works. These Estimates detail our entitlement to extension of time to Section A and Section B as a result of various INTC's. These extensions are necessary if we are to obtain relief from Liquidated Damages.

4. BAM

BAM and Siemens met during w/c 24 January 2010 to discuss mutual termination. Draft termination agreements were exchanges including required settlement calculations. Discussions are ongoing.

In parallel termination of BAM sub-contract is still an option in light of serious concerns regarding lack of progress of both design and site installation and general lack of co-operation. Consideration has also been given to removal of specific items of works from BAM scope and execution of these works by third party contractors in order not to hinder progress of works to the Depot.