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Chief Executive  
Siemens plc  
Global North West Europe

Mr David Mackay  
tie Limited  
Citypoint  
65 Haymarket Terrace  
Edinburgh  
EH12 5HD

25 August 2010

**Re: Edinburgh Tram Project – WITHOUT PREJUDICE**

Dear Mr Mackay

Thank you for your letter of 12 August 2010. I am afraid I have to agree with you when you say that the relationship is at a delicate stage. If we are all to bring this project to a conclusion it will need concerted efforts on all sides.

It is a matter of fact that the Infraco Contract has been significantly impacted by utility delays and scope changes. It is also clear that we have many differences of opinion on the interpretation of the contract. However, I am encouraged by the work undertaken to date by both sides to develop the Project Carlisle proposal which I hope will lead to an agreement on the way forward.

I agree that, in order to progress, all parties need to actively engage in a positive and constructive manner. I can assure you that this project is receiving the fullest attention at senior level within Siemens both here and in Germany. While I am very regularly briefed and take a keen personal interest you can be assured that Gordon Wakeford, Michael Flynn and the team based in Edinburgh have my full confidence and therefore I recommend you progress Project Carlisle with them rather than with me. Michael is available at any time in Edinburgh to progress matters.

I cannot let the opportunity pass to make you aware of the Consortium's grave concern over the lack of payments due to it since March this year and would ask that this matter is addressed as a matter of urgency.

You should be in no doubt that Siemens fully supports this project and sincerely hopes for a positive outcome from the imminent Project Carlisle meetings. I encourage all parties to do their utmost to ensure that the meetings are a success.

Siemens plc

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You should also be in no doubt that we consider our interpretation of the Infraco contract to be correct and certainly intend fully to protect our interests. In this regard I would repeat the request already made by Mr Enenkel in his letter of 16<sup>th</sup> August for you to confirm that, given the increasing costs of the project and the tie budget, the City of Edinburgh Council as Guarantor is fully engaged and aware of the current position.

Yours sincerely



/ Andreas J. Goss  
Chief Executive  
Siemens plc & Cluster North West Europe

cc:  
Mr Enenkel - Bilfinger  
Mr Campos - CAF