The Isle of Man Steam Packet Group Limited

2026 BUSINESS PLAN

1 BUSINESS PLAN

The Isle of Man Steam Packet Group Limited "SPG" or "the Group", under public ownership, will be operated for the benefit of its various stakeholders. This Business Plan has been prepared on the basis of:

- A recognition that there is a long-term need to support the Isle of Man economy, keep the Group profitable to avoid public subsidy, whilst accepting

- Our public and social responsibilities toward local stakeholders and the Visitor Economy, but tempered by the need to

- Plan for contingencies and business interruptions without recourse to Government but all the while remaining

- Consistent with our long-term strategy and business model.

The Group has adopted the following Vision and Mission statements in order to ensure that the business is operated as effectively and efficiently as possible whilst meeting the needs of its customers, including Island residents and visitors in accordance with the Sea Services Agreement "SSA".

1.1 Vision Statement

'The Group will operate safe, reliable, environmentally and financially sustainable Island ferry services, which are recognised and valued by all our customers, without the need for public subsidy'.

1.2 Mission Statement

'Through our CORE values, the Group will strive to deliver high quality services to Island businesses, residents and visitors and, by constantly looking for and implementing improvements to existing services, whilst seeking to be valued as the nation's lifeline ferry service'.

Our CORE values are:

C ustomer First
O perational excellence
R eliability of service delivery
E nvironmentally sustainable services

1.3 Corporate Social Responsibility

- The Group is aware of its responsibilities to the wider community and the environment. Policy decisions made by the Group, whilst respecting the contractual obligations of the SSA, will consider the impact we are having on all aspects of Manx society including economic, social, and environmental factors. Our aim is to operate in a way that enhances stakeholder experiences wherever possible.

- The Group recognises its significant environmental responsibilities and will:

  - ensure that new vessels are as efficient and environmentally friendly as possible whilst maintaining service reliability and the obligations of the SSA.
  - maintain compliance with International Maritime Organisation MARPOL standards;
  - run ferries at optimum energy efficiency, where operational obligations allow; and
  - adopt sustainable practices by collaborating with and sourcing locally produced Manx products, utilisation of Fair Trade products and using compostable or recyclable materials where practical.

1.4 Environment Policy Statement

- The Group is committed to minimising the impact of our activities on the environment.
- To demonstrate this commitment, we have identified ten principles to provide guidance on the way we identify and manage our impacts in the environment.

  We will:

  1. Meet or exceed all the environmental legislation applicable to the Group.
  2. Set goals for environmental protection.
  3. Monitor, measure and continuously improve our environmental performance.
  4. Manage environmental risks from accidents, incidents and emergencies.
  5. Prevent water pollution.
  6. Minimise our consumption of non-renewable and environmentally sensitive resources, where practical.
  7. Minimise fuel consumption and optimise speed by taking advantage of the effects of the tides and wind, whenever possible. Collaborating with the Irish Sea Operators Forum to minimise the impact of windfarm developments on strategic, lifeline shipping routes.
  8. Ensure that all relevant personnel are given appropriate training on environmental issues.
  9. Adopt sustainable practices by collaborating with and sourcing locally produced Manx products, utilisation of Fair-Trade products and using compostable or recyclable materials where practical.
  10. Integrate environmental management into day-to-day operations by establishing an Environmental Management System (EMS) certified to ISO 14001.

- This commitment will provide the framework for setting and reviewing environmental objectives and targets and will be reviewed periodically to ensure that it remains appropriate to our operations.

2 OPERATIONAL PLANS

The Group has established a suite of operational objectives for 2026, including:

- **New Liverpool Ferry**: Advance the public consultation process, develop concept designs, initiate tender procedures, and finalise a shipyard contract.

- **Service Excellence:** Improve service reliability to 96% (2025: 95.8%) and punctuality to 90% (2025: 80.3%).

- **Ireland Expansion:** Launch a new route to Larne and increase service frequency to Dublin.

- **Freight Customer Experience**: Integrate the Group's freight operations with Heysham Port's new Port Management System.

- **Pricing**: Progress the next phase of the Group's single leg pricing ambitions.

- **Steam Packet Holidays:** Introduce automated quotation and pricing capability within eMaritime to help support its expanded package offerings.

- **Manx Community Assistance**: Relaunch our supported travel offerings to improve clarity, consistent and administrative efficiency. The Scheme remains focused on supporting local events, charities and groups that enhance the quality of life of our residents and strengthen our community.

- **Digital Strategy**: Will focus on improving our digital services in a measured and practical way, supporting better customer experiences, stronger operational efficiency and sustainable growth. It will take a phased approach, prioritising reliability, consistency and value for the business while aligning digital investment closely with long-term strategic objectives.

- **Trustpilot:** Will use Trustpilot as a consistent, structured measure of customer trust, with clear ownership, regular review and action. Performance will be tracked against the wider ferry market through a balanced metric, ensuring reliable insight and continuous improvement over time.

- **Corporate Governance**: Complete an independent evaluation of Board effectiveness.

- **Community**: Secure the Armed Forces Covenant silver award demonstrating the Group's commitment to the Armed Forces community through fair recruitment practices, support for reservists, veterans and armed forces families, and the development of targeted policies, training and advocacy across the business; and

- **People:** The Group will strengthen workforce capability and engagement to support its strategic priorities, focusing on attraction and retention of key skills, leadership development and succession planning. A continued emphasis will be placed on wellbeing, inclusion and fair employment, alongside learning, development and reward practices that support high performance and long-term retention.

3 FINANCIAL PLAN

3.1 Financial Performance

	2024A	2025A	2026B	2026B	v 2024A	2026B	v 2025A
	£'000	£'000	£'000	+/-	%	+/-	%
Revenue	75,279	79,412	84,370	9,091	12.1%	4,958	6.2%
Costs	-50,885	-53,207	-59,259	-8,374	16.5%	-6,052	11.4%
EBITDA pre exceptional items	**24,394**	**26,206**	**25,111**	**717**	**2.9%**	**-1,094**	**-4.2%**
Exceptional costs	-256	-280	-	256	-100.0%	280	-100.0%
Exceptional income	-6	1,156	-290	-284	4574.8%	-1,446	-125.1%
FRS 102 pension adjustment	-342	1,060	-	342	-100.0%	-1,060	-100.0%
EBITDA post exceptional items	**23,790**	**28,141**	**24,821**	**1,031**	**4.3%**	**-3,320**	**-11.8%**
Depreciation	-14,100	-13,329	-15,894	-1,794	12.7%	-2,565	19.2%
Goodwill Amortisation	-2,470	-2,470	-2,470	-	0.0%	-	0.0%
EBIT	**7,220**	**12,343**	**6,458**	**-762**	**-10.6%**	**-5,885**	**-47.7%**
Finance charges	-2,469	-2,374	-2,285	184	-7.5%	89	-3.7%
Bank interest	2,113	2,372	1,402	-710	-33.6%	-970	-40.9%
EBT	**6,864**	**12,341**	**5,575**	**-1,288**	**-18.8%**	**-6,766**	**-54.8%**
Actuarial (loss)/gain	-521	796	-	521	-100.0%	-796	-100.0%
Total comprehensive income	**6,343**	**13,137**	**5,575**	**-767**	**-12.1%**	**-7,562**	**-57.6%**

Volumes	2024A	2025A	2026B	+ / -	%	+ / -	%
- Foot passengers	241,698	274,729	300,752	59,054	24.4%	26,023	9.5%
- Motorists	388,581	407,368	429,102	40,521	10.4%	21,734	5.3%
Total passengers	**630,279**	**682,097**	**729,854**	**99,575**	**15.8%**	**47,757**	**7.0%**
- Cars	150,386	158,775	166,724	16,338	10.9%	7,949	5.0%
- Motorcycles	40,244	39,965	41,405	1,161	2.9%	1,440	3.6%
- Coaches	702	722	730	28	4.0%	8	1.1%
- Bicycles	4,584	3,857	4,179	-405	-8.8%	322	8.3%
Vehicles	**195,916**	**203,319**	**213,038**	**17,122**	**8.7%**	**9,719**	**4.8%**
Freight (m)	**451,364**	**470,653**	**471,630**	**20,266**	**4.5%**	**977**	**0.2%**

Sailings	**2024A**	2025 A	2026B	**2026B v 2024**	2026B v 2025
Heysham	1,306	1,319	1,360	54	41
Liverpool	650	645	761	111	116
Dublin	36	28	60	24	32
Belfast	66	80	-	-66	-80
Larne	-	-	196	196	196
Other	2	1	1	-1	-
Total passenger sailings	**2,060**	**2,073**	**2,378**	**318**	**305**
Freight - Arrow	29	3	27	-2	24
Freight - Ben-My-Chree	73	69	78	5	9
Light Sailings	49	27	13	-36	-14
TOTAL SAILINGS	**2,211**	**2,172**	**2,496**	**285**	**324**

- The 2026 budget projects **EBITDA post exceptional** to decrease by £3.3m from 2025, with revenues up 6.2% but costs rising 11.4%.

- **Revenues:** Underlying fares are projected to rise by 3.3% in accordance with the MCPI-linked fare increase permitted under the Sea Services Agreement (SSA) and approved by the Department of Infrastructure. Alongside the anticipated additional traffic from expanded Irish connectivity, foot passenger and vehicle volumes are forecast to grow by 3% and 1%, respectively. Freight volumes are estimated to increase by 2%, reflecting the projected growth in island construction activity.

- **Charter**: The budget assumes that charter income from Arrow will cover her estimated operating costs of £2.7 million. To support this, a twelve-month charter agreement with DFDS, starting in late March 2026, has been secured. An allowance has also been included for charter of the BMC to Stena contracted to run from January to April.

- **Costs** are forecast to increase by £6.0m (11.4%) explained by:

  - **Staff costs**: Pay and rations expected to increase in excess of MCPI, with Unions adopting UK CPI references in their negotiations. Increased headcount reflecting BMC's new Irish service, enhanced Heysham staffing to improve customer experience and security provisions and employment of new IT and Yield Managers. The budget also reflects expected increases in UK and IOM minimum wages.

  - **Port dues and costs** are forecast to increase due to the enhanced connectivity to UK and Ireland, with 324 more sailings scheduled for 2026, in addition to additional passenger revenue and freight volume-based charges.

  - **Premises**: the budget makes allowance for annual Liverpool terminal rental of £0.9m, and increased rates of £0.6m.

  - **Marketing and business development** reflects the expanded marketing and development of the Irish route and additional UK calls.

- **Depreciation** is targeted to increase by £2.8m, which reflects a capex budget, excluding new build, of £14.9m. Much of this increase relates to the proposed £5.5m vessel capital improvements, including BMC passenger upgrade £1.8m and Arrow stern door replacement, in addition to fleet overhauls of £7.0m.

- **Interest income** is projected to decline by £0.8m, primarily due to a significant reduction in cash reserves following the estimated £30m first instalment on the new Liverpool ferry, which will only be finalised once the shipyard tender process is concluded.

- **Exceptional income** and **FRS102 pension gains** totalling £2.2m in 2025 are not budgeted to be repeated.

3.2 Capital Expenditure

£'000	2026B
New build	30,670
Leasehold improvements	17
Vessel overhauls	7,043
Vessel capital improvements	5,511
Plant & machinery	23
Motor vehicles	445
Fixtures, fittings & office equipment	173
IT equipment & software	1,692
Total capex	**45,574**

- **New build** includes the estimated £30 first instalment on the new Liverpool ferry. Shipyard quotes are expected mid-2026, when a more accurate price will be ascertained. Additional budget provision to cover supervision, project oversight, design work, and associated travel expenses.

- **Dry-dock**: All four vessels are scheduled to dry-dock this year. Manxman will undergo her first biennial docking, while the remaining vessels require annual dry-docks due to age.

- **Vessel capital improvements** include a provision to upgrade BMC's passenger facilities ahead of the new Irish schedule and replacement of Arrow's stern door.

- **Motor vehicles** consist of a new tug, per the Group's replacement policy, and two electric courtesy buses.

- **IT equipment & software** includes an allowance for digital transformation, second phase of the single-leg pricing project, eMaritime (booking system) developments and upgrades to fleet IT hardware.

3.3 Cashflow

£'000	2025A	2026B	+ / -
Operating cashflows	29,927	26,200	-3,727
Capital expenditures	-10,472	-45,573	-35,101
Investment maturities	-	16,400	16,400
Dividends	-1,000	-1,000	-
Cashflow before financing	**18,455**	**-3,972**	**-22,428**
Loan capital flows	-5,221	-5,221	-
Net interest	-2	-883	-881
Net cash flow	**13,233**	**-10,076**	**-23,309**
Free cash brought forward	26,293	39,527	13,233
Free cash carried forward	**39,527**	**29,451**	**-10,076**

- In 2026, projections indicate a reduction in cash reserves as the Group will independently finance the initial payment for the new Liverpool ferry, supported by the maturity of a £16.4m three-year fixed term investment.

- Loan capital flows reflect repayments on the IoM Treasury loans.

- Net Interest includes interest costs of £2.3m on Treasury loans offset by interest income which is projected to fall due to lower average cash balances once the first instalment on the new Liverpool ferry is executed.

3.4 Financing

- By the end of 2026 the Group is forecast to have repaid £24m of the £154m owed to Treasury under two separate facilities: £79m Manxman funding and £75m corporate loan that was absorbed by the Group post IOMG acquisition in 2018.

3.5 Group Balance Sheet

	2025A £'000	2026B £'000	Movt £'000
Goodwill	54,333	51,864	-2,470
Tangible fixed assets	88,271	118,464	30,193
Long Term Investments	16,400	-	-16,400
Working capital	-4,566	-6,849	-2,283
Debt	-135,734	-130,513	5,221
Pensions surplus	11,132	9,276	-1,856
Cash	39,527	29,068	-10,459
Net assets	**69,363**	**71,309**	**1,946**

- The budget assumes no impairment to goodwill.

4 SEA SERVICES AGREEMENT COMPLIANCE

	Performance Measure	Minimum Requirement	2026 Provision and 2025 compliance
Frequencies & Schedules	Liverpool summer frequency	16 sailings per week	Minimum of 11 trips (22 sailings) per week through specified summer months. This will rise to 28 per week after 23rd July when BMC starts Irish sailings
	Liverpool winter frequency	4 sailings per week - once new Government berth completed	Not achieved as ongoing issues with fender clashes with mooring lines. Working with DOI project team to fully resolve.
	Irish services	Minimum 52 returns any port.	60 Dublin Sailings 196 Larne Sailings
Capacities	Minimum freight metre capacity inbound	10,000m per week inbound after borders open	Average 17,000m per week
	Fast Craft capacity versus demand	Minimum 115% capacity/month compared to 2019	Exceeded every month.
	TT capacity	Sufficient for reasonable requirements of event	Fully complied with. c.1100 pcu's
Reliability	Scheduled sailings completed	Target to match/exceed industry air/sea published performance	Annualised reliability was 95.8% versus IOM airport data of 89.6%
Punctuality	Sailings within 15 minutes	Target to match/exceed industry air/sea published performance	Annualised punctuality was 80.3 %
Fares	Special fares provision	Minimum 350,000 offer seats p.a. at 25% discount, and 100,000 p.a. at 50% discount – on an annualised basis	Both 25% and 50% targets met and verified by DOI. Discounted offers available every sailing outside TT.
	Standard Fares price cap	Basket of Standard Fares cap MCPI	MCPI cap applied in Business Plan. Approved by DoI
	Freight fare discounts	Minimum 300,000 metres discounted	Exceeded by 25%
Marketing	UK/Irish Marketing	Minimum £750,000 + inflation	Included in 2026 Budget

	Performance Measure	Minimum Requirement	2026 Provision
Investment	Capital investment in vessels	Minimum £70m aggregate New Ro-Pax and Fast Craft replacement vessel	Manxman completed in 2023 at a cost of £80m.
	New Ro-Pax vessel	In service latest Spring 2023	Manxman entered service Aug-23
	Fast Craft replacement	In service by 31 December 2027	DOI notified of planned replacement strategy. Investment included in long term financial plan, assuming 2030 replacement.
	"Manannan" interior	£250,000 refurbishment by 31 March 2022	Deferred due to COVD. £1.9m spent in 2023/2024
	BMC Back-Up	BMC retained as main back-up when Manxman commenced service.	Ben-my-Chree primary back-up vessel from Aug-23.
	"Arrow"	Arrow acquired Nov-22 as additional back-up.	Arrow maintained in fleet but on long term charter to DFDS, with call back clause and own use for TT
	Heysham Terminal refurbishment	Target completion by January 2020	Refurbishment completed 2020.
Environmental	Low sulphur fuel regulations	Compliance with international low sulphur requirements	Low sulphur fuels adopted since January 2020
	Emissions	Optimise fuel efficiency	Consumption subject to IOM lifeline schedule obligations. Freight services require minimum twice daily and passengers add NO additional fuel impact. Hybrid technology adopted for Manxman.
Community	Support for charities	Widespread support for Manx charities	Over 100 charities/good causes and local events supported each year
Staffing measures	Local employment	Minimum 50% Staff resident in Isle of Man for tax purposes	Minimum requirement met.
	Minimum Training Spend	Minimum 4% employee costs	Included in 2026 Budget
Corporate Governance	Board of Directors	Independent and arms-length from Government. No political Board members. Minimum 3 Non-Executive Directors appointed by Treasury. Treasury have right to attend Board Meetings. Minimum 50% Directors resident in Isle of Man for tax purposes.	Sea Services Agreement and Shareholder Agreement Requirements all complied with.

5 CORPORATE GOVERNANCE

5.1 Statement of Principles

SPG and its subsidiaries (the "Group") are committed to the highest standards of corporate governance. Its Board is accountable to its shareholders for such governance. This section outlines the principles and governance structures which apply to all Group companies.

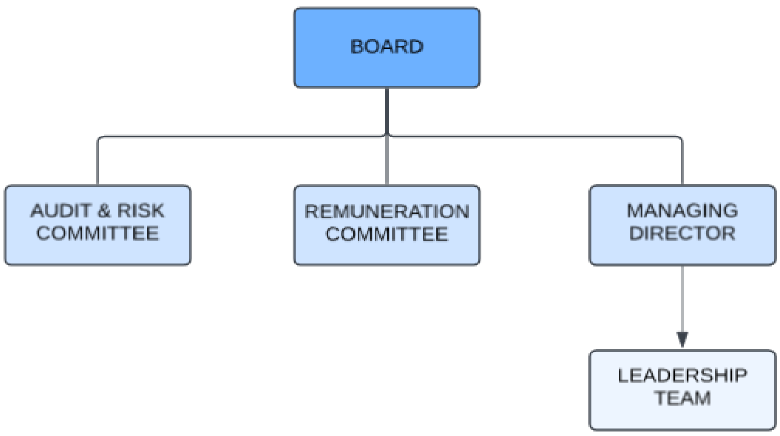
This statement is founded upon the following principles and precepts:

- Responsibility for the actions and performance of the Group lies with the members of each relevant Board.
- The SPG Board (the "Board") and each of the Group company boards may discharge certain of their respective functions through Committees, Members and/or Officers.

SPG will:

- amend or vary such delegated responsibilities as may from time to time be required and;
- formally review such responsibilities at least every calendar year and any change of membership of the Board.

5.2 Organisational Structure



5.3 The Board – Composition

The SPG Board comprises a Non-Executive Chairman, three Non-Executive Directors and two Executive Directors. The members of the Board of SPG also serve on the Board of the Isle of Man Steam Packet Company Limited ("SPC").

A representative of the Shareholder may attend SPG and/or SPC Board meetings as an observer.

Members of the Board have collective responsibility for ensuring the proper management of SPG and the Group.

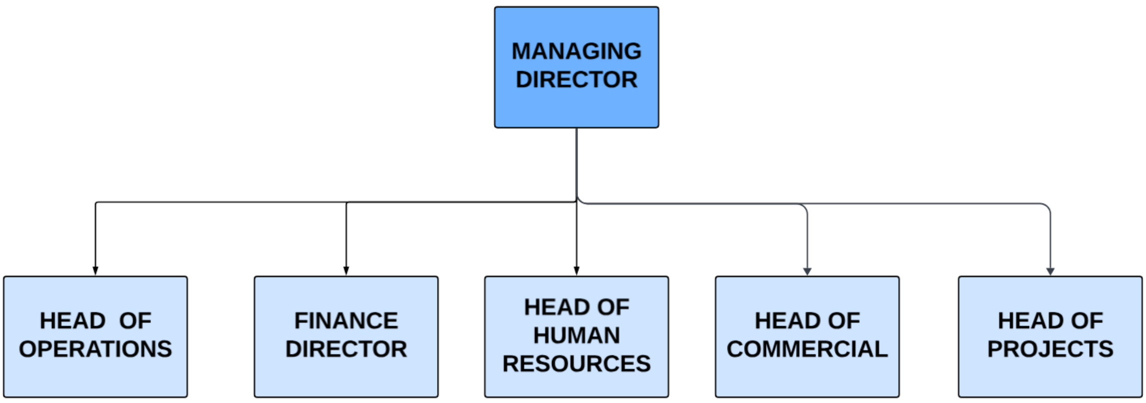
In carrying out this responsibility, the Board identifies the following key tasks:

- Establishing and maintaining Group strategy, vision, and corporate values
- Approving corporate structure and allocating resources.
- Monitoring the performance of the Managing Director ("MD") and Leadership Team in implementing the Group's strategy.
- Exercising accountability and being responsible to relevant stakeholders, including Government and our customers, people, and suppliers.
- Adherence to high ethical standards and conduct business with integrity.

The Board delegates some of its responsibilities to relevant Committees, as detailed above, formed under its auspices, and to the MD.

5.4 The Board – Delegation to the Managing Director

Day-to-day management is delegated by the Board to its MD or such alternate as may be approved by the Board. The MD is supported by a Leadership Team and below that Departmental Managers (together referred to as "Management").



5.5 The Board – Control

The Board meet regularly to compare performance programmes and standards. The tools for this include a Balanced Scorecard, Finance Report and Management Accounts, Safety Management reviews and Departmental reports. Variations to plans and remedial actions are identified and agreed.