29th May 2026

Dear Shareholder,

I am pleased to provide you with an update on the Company's progress, including developments across our fleet replacement programme, aviation operations and overall business performance. I must also make you aware of a communication you may shortly receive from shareholder Andrew Sells.

New Vessels – New Era

I am delighted to report that our new freight vessel, Menawethan, departed Vietnam on 27 March 2026 and is scheduled to arrive in the UK on 16th June 2026. The vessel has departed the Cape Verde Islands, after taking on fuel and provisions, and is expected into Concarneau, France on the 4th June, before undertaking the final stage of her delivery voyage to Cornwall. The vessel continues to perform well, and the delivery crew has been impressed with her performance.

Following her arrival in the UK, Menawethan will undergo a period of familiarisation, crew training and operational trials in both Penzance and the Isles of Scilly ahead of her formal introduction into service.

Menawethan's official naming ceremony will take place on 8 July 2026 on St Mary's, Isles of Scilly, and I am delighted that the Lord Lieutenant of Cornwall, Colonel Sir Edward Bolitho, will officially name the vessel.

The addition of Menawethan to the fleet represents a significant milestone in our fleet replacement programme. The vessel will deliver major improvements to freight transportation to and from the Isles of Scilly through increased cargo capacity, enhanced crane lifting capability and modernised freight handling facilities.

We are deeply committed to delivering for Scilly – both its resident and business community – and Menawethan's arrival signals a new era of service for both.

Her integrated chilled and frozen storage areas will provide the resilience and capacity required to support the community's future needs for generations to come. In addition, the dedicated passenger lounge will provide an affordable, year-round travel option for island residents, offering discounted fares and significantly improved passenger comfort.

Gry Maritha has been a faithful servant to the Company and the Isles of Scilly community for many years. However, recent challenges associated with sourcing replacement parts for her damaged windlass have highlighted the operational risks and increasing challenges associated with maintaining ageing vessels. The arrival of Menawethan therefore comes at a critically important time for the Company and the community we serve.

I am equally pleased to report that Scillonian IV was successfully launched from the building dock on 28 March 2026 and is now moored alongside the commissioning berth at Piriou's shipyard in Ho Chi Minh City.

Outfitting work and commissioning of onboard systems continues under the close oversight of our project team in Vietnam. We are looking forward to the vessel commencing sea trials later this summer, with her departure from Vietnam currently anticipated in August 2026 when she begins her delivery voyage to the UK.

Her arrival on Scilly will mark an exciting moment for the island community and for the many visitors who will travel aboard her during the 2027 season. Scillonian IV will deliver a significant step forward in passenger comfort, onboard facilities and long-term resilience on this lifeline route.

Skybus Positioned for the Future

The Company has recently commenced delivery of a new five-year strategy focused on strengthening financial performance and improving cash generation to support our long-term debt obligations and future investment plans.

A key area of focus remains on our aviation operation and specifically bringing Skybus to sustained profitability. I have written previously regarding the need to achieve an appropriate return on the Company's investment in Skybus and our contractual partnership with Aurigny, to provide air services within the Channel Islands represents a major strategic step forward in achieving this objective.

Skybus must stand on its own feet commercially in the future, as it can no longer rely upon the shipping operation to subsidise its activities. The Aurigny contract will go a long way to enabling this.

The introduction of the Channel Islands operation has, however, not been without its short-term challenges. Delays in the introduction into service of our fifth Twin Otter aircraft, G-NETS, impacted fleet availability and in addition, Storm Goretti caused significant damage in January 2026 to our engineering hangar at Land's End Airport and to an existing Twin Otter. A combination of the two factors has had serious consequences for operational resilience right up until the present day.

Due to the damage to the hangar, we are only now seeing the final Otter undergoing its "winter" maintenance and look forward to it returning to service in the near future.

Both the hangar facility and aircraft were fully insured. I am pleased to advise that a major hangar refurbishment project, including a new roof, replacement hangar doors and recladding works will commence later this summer.

Despite these challenges, there remains a significant level of optimism surrounding Skybus's future and I look forward to seeing the business move towards realising its long-term potential.

Our aircraft have been overstretched during this time and we are acutely conscious that directly and indirectly the Scilly community has experienced disruption and inconvenience in recent months. Throughout this period we have taken care to communicate frankly and regularly with islanders and businesses and will continue to do so in the future. It is of the highest priority to me that we resume normal service levels and a greater degree of resilience in our operations as soon as possible.

Financial Performance and Share Trading

Whilst I am not able to be too specific at this stage, I am pleased to report that the Company has performed in line with expectations for the financial year ended 31 March 2026.

Our auditors are currently onsite completing the year-end audit process and we expect to distribute the Company's financial statements to shareholders during August 2026.

Following discussions with our share trading platform, Asset Match, the Board has taken the decision to cancel the June 2026 share auction with the next one taking place after the publication of the financial statements. The next auction will therefore take place in September 2026 following the release of the annual results.

Board Changes

At the forthcoming Annual General Meeting, Sam Hicks will step down from the Board following completion of his nine-year term as a Non-Executive Director.

Sam has served as our Senior Independent Director and his contribution to the Company has been outstanding. His perspective as both an off-island resident and business owner has provided valuable insight across a wide range of operational and strategic matters during a particularly important period in the Company's history.

On behalf of the Board, I would like to place on record our sincere thanks to Sam for his service, commitment and support. We look forward to maintaining a close relationship with Sam in the future and would like to take this opportunity to share his reflections with you as he steps down:

"It has been a pleasure and a privilege to serve as NED for IOSC these last nine years and I have enjoyed working closely with the Board to ensure value for islanders and shareholders. This role is deeply rewarding and the next phase promises to be even more so. I would encourage any resident committed to the islands and the Steamship Company to consider applying for the role. For me, it will be a joy to watch everyone's hard work of the last few years come to fruition and I look forward to being on the quay to welcome both Menawethan and Scillonian IV."

We will shortly formally invite applications from interested parties.

Shareholder Register Request

The Company has recently been contacted by shareholder Andrew Sells, who has submitted a formal request to the Company Secretary for a copy of the Company's share register, including shareholder names and addresses.
The request has been made pursuant to Section 116 of the Companies Act 2006, with the stated purpose of enabling communication with shareholders.

The Company has taken legal advice on this matter and has been advised that it is legally obliged to comply with the request. Following disclosure of the information, responsibility for compliance with the General Data Protection Regulation (GDPR) requirements will rest with Mr Sells. It is quite possible that Mr Sells will seek to approach all shareholders. Naturally the Board will respond as appropriate according to the nature of any matters raised.

We are, as always, committed to open communications with all stakeholders. Our island Advisory Board meets regularly and we are establishing a series of regular public consultation meetings, both on St Mary's and the off islands. Should you have any questions with regard to this or any communication you may receive, please do contact the Board or myself via Sian at smatthews@issg.co.uk

Closing Remarks

Despite operational challenges and disruption across both our air and sea services in the last three months, the Company's underlying financial performance and long-term prospects remain positive.

I would like to thank you, our shareholders, for your continued support of the Company. Many of you have held shares in the Company for generations and that long-term relationship is highly valued. We are now on the cusp of a new era of resilience, capacity and reliability which I believe we will all ultimately take pride in.

I look forward to seeing as many of you as possible at the September AGM and to providing further updates on progress made during these exciting times.

Yours sincerely,

Ian Howard MBE TD
Chairman