

FSL TRUST MANAGEMENT PTE. LTD.
(As Trustee-Manager of First Ship Lease Trust)
(Company Registration No. 200702265R)
(Incorporated in Singapore)

CLARIFICATION AND ADDITIONAL DISCLOSURE REGARDING SIGNING OF SHIPBUILDING CONTRACTS FOR THE CONSTRUCTION OF TWO LR2 PRODUCT TANKERS

1. INTRODUCTION

FSL Trust Management Pte. Ltd., in its capacity as trustee-manager of First Ship Lease Trust (“FSLT”, and as trustee-manager of FSLT, the “Trustee-Manager”) refers to:

- (a) its announcement dated 26 November 2018 in relation to the proposed pro rata, non-renounceable and non-underwritten preferential offering (the “**Preferential Offering**”) to raise funds for, amongst others, fleet renewal to be carried out through the acquisition of new and/or more recent build vessels (the “**Preferential Offering Announcement**”); and
- (b) its announcements dated 6 December 2018, 12 December 2018 and 13 December 2018 in relation to the shipbuilding contracts dated 12 December 2018 entered into with COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd. (the “**Shipyard**”) pursuant to which the Shipyard will construct, sell and deliver two (2) 114,000 dwt scrubber fitted Tier III LR2 product tankers (the “**New Vessels**”) for an aggregate consideration of US\$97,600,000 (the “**Newbuilding Acquisition**”).

FSLT wishes to provide clarifications and additional disclosures in relation to the Newbuilding Acquisition.

2. CLARIFICATION TO THE ANNOUNCEMENT DATED 12 DECEMBER 2018

FSLT wishes to rectify the disclosures made in paragraph 4.2 of its announcement dated 12 December 2018 (the “**Newbuilding Acquisition Announcement**”) in relation to the effects of the Newbuilding Acquisition on the net tangible asset (“**NTA**”) per unit of the Group.

Based on the assumptions set out in paragraph 4.1 of the Newbuilding Acquisition Announcement and paragraph 5.3 of the Preferential Offering Announcement, assuming that both the Newbuilding Acquisition and the Preferential Offering had been completed on 31 December 2017, the effect on the NTA per unit of the Group would be as follows:

	31/12/2017 Before the Newbuilding Acquisition	31/12/2017 After the Newbuilding Acquisition, before the issue of new units under the Preferential Offering Proforma	31/12/2017 After the Newbuilding Acquisition, after the issue of new units under the Preferential Offering¹ Proforma
NTA (US\$'000)	173,688	173,688	204,688
Number of Units	637,456,577	637,456,577	1,593,641,442
NTA per Unit (US cents)	0.273	0.273	0.128

¹Assuming that all entitled unitholders in FSLT subscribe and pay for their pro rata entitlements of new units under the Preferential Offering, FSLT will issue 956,184,865 new units.

3. ADDITIONAL DISCLOSURES REGARDING THE NEWBUILDING ACQUISITION

The New Vessels are expected to be delivered in November 2020 and January 2021 and the aggregate consideration is payable in five (5) staggered instalments based on the progress of the construction schedule.

Therefore, FSLT wishes to quantify the expected change in the gearing of the Group assuming both the construction of the New Vessels and the Preferential Offering will have been completed by 31 December 2020, as follows:

	Before the Newbuilding Acquisition 31/12/2017 Audited	Before the Newbuilding Acquisition 30/09/2018 Unaudited	After the Newbuilding Acquisition (after the issue of new units under the Preferential Offering²) 31/12/2020 Proforma
Gearing ratio (%)	46.6%	38.6%	35.3%

The proforma gearing ratio reflected above is not provided as a projection of the gearing as of 31 December 2020; it is calculated for illustration purpose only, to show how same is affected solely by the Newbuildings Acquisition and the Preferential Offering based on the following conservative assumptions:

1. No sale of vessels from the current fleet of the Trust. Any potential vessel sales will be accompanied by repayment of the respective outstanding debt.
2. The Preferential Offering being fully subscribed and FSLT issues 956,184,865 new units.
3. The difference between the Newbuilding contracts' value and the proceeds from the Preferential Offering is financed by new bank loans drawn upon delivery of the New Vessels.
4. Gearing takes into account (a) the scheduled depreciation relating to the book values of the existing fleet and (b) the scheduled upcoming principal instalments under the existing bank debt arrangements.
5. Gearing ratio is calculated as outstanding debt divided by the sum of outstanding debt and total equity attributable to the unitholders of the Trust. Outstanding debt includes the short- and long-term portions of the secured bank loans, as well as the convertible bonds. Excluding the convertible bonds, gearing as at 30/09/2018 is estimated at 37.2%, whereas the gearing ratios as at 31/12/2017 and estimated as at 31/12/2020 are not affected.

Please note that the above gearing ratio computation is not intended to be projections to be relied upon by unitholders and investors. Market conditions affecting the shipping industry may change over the course of the period where such computation is made. There is no assurance that the above gearing ratio will be achievable should market conditions change.

Trading Caution

In the meantime, the Board wishes to advise unitholders and investors to exercise caution when dealing in the units and to refrain from taking any action in relation to their units which may be prejudicial to their interests. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers immediately.

²Assuming that all entitled unitholders in FSLT subscribe and pay for their pro rata entitlements of new units under the Preferential Offering, FSLT will issue 956,184,865 new units.

By Order of the Board
FSL Trust Management Pte. Ltd.
(Company registration no. 200702265R)
as Trustee-Manager of First Ship Lease Trust

Mr. Efstathios Topouzoglou
Non-Independent Non-Executive Chairman
17 December 2018