



FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

Corporate Information

First Ship Lease Trust ("FSL Trust" or the "Trust") is a Singapore-based business trust which owns a fleet of well-maintained, oceangoing tankers across different segments.

As at 31 December 2022, the vessel portfolio comprised 8 tankers of different sizes, all of which are employed under fixed-rate period charters.

The combined portfolio of vessels had an average age of approximately 17 years and a dollar-weighted average remaining lease period of approximately 3 years (excluding optional extension periods and early termination options).

References to the term "Group" mean FSL Trust and its subsidiaries on a consolidated basis.

Summary of FSL Trust Consolidated Results

	4Q 2022	4Q 2021	Change	12 Months 2022	12 Months 2021	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	3,175	4,945	(35.8)	24,224	24,975	(3.0)
Adjusted EBITDA ⁽¹⁾	2,289	1,441	58.8	9,935	6,763	46.9
Profit/(Loss) for period	5,598	88	N.M.	13,271	(1,522)	N.M.
Net distributable amount	-	-	(100.0)	1,025	2,812	(63.5)
Amount to be distributed	-	-	(100.0)	28,289	61,882	(54.3)
Distribution per unit (US Cents)	-	-	(100.0)	1.60	3.50	(54.3)
Average number of vessels	8.3	11.0	(24.5)	9.8	11.3	(13.3)

Note(s):

(1) Excluding gains/losses from the disposal of vessels and vessel impairments.

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1(a)(i) Condensed Interim Consolidated Income Statement

		Group					
		4Q 2022	4Q 2021	Change	12 Months 2022	12 Months 2021	Change
Note		US\$'000	US\$'000	%	US\$'000	US\$'000	%
	Revenue	3,175	4,945	(35.8)	24,224	24,975	(3.0)
	Depreciation expense on vessels	(743)	(1,168)	(36.4)	(3,908)	(5,786)	(32.5)
(a)	Gain on disposal of vessels	5,238	180	N.M.	9,158	1,085	744.1
(b)	Impairment on vessels	(953)	(149)	539.6	(953)	(2,718)	(64.9)
	Voyage expenses	(392)	(500)	(21.6)	(7,658)	(4,610)	66.1
	Vessel operating expenses	(245)	(2,290)	(89.3)	(5,123)	(11,155)	(54.1)
	Management fees	(334)	(107)	212.1	(832)	(455)	82.9
	Trustee fees	(3)	(5)	(40.0)	(16)	(25)	(36.0)
	Other Trust expenses	88	(602)	N.M.	(660)	(1,967)	(66.4)
	Results from operating activities	5,831	304	N.M.	14,232	(656)	N.M.
	Finance income	106	5	N.M.	116	31	274.2
	Finance expenses	(333)	(220)	51.4	(1,071)	(896)	19.5
	Profit/(Loss) before tax	5,604	89	N.M.	13,277	(1,521)	N.M.
	Income tax expense	(6)	(1)	500.0	(6)	(1)	500.0
	Profit/(Loss) for the period	5,598	88	N.M.	13,271	(1,522)	N.M.
	Earnings/(Loss) per unit (US cents)						
	Basic	0.32	0.00	100.0	0.75	(0.09)	N.M.
	Diluted	0.32	0.00	100.0	0.75	(0.09)	N.M.

Note(s):

- (a) Including amortisation of dry-docking costs.
- (b) This relates to the sale of one product tanker (*FSL Singapore*) in October 2022, one chemical tanker (*FSL London*) in July 2022 and one crude oil tanker (*FSL Hong Kong*) in June 2022.

1(a)(ii) Condensed Interim Statement of Comprehensive Income

		Group			
		4Q 2022	4Q 2021	12 Months 2022	12 Months 2021
		US\$'000	US\$'000	US\$'000	US\$'000
	Profit/(Loss) for the period	5,598	88	13,271	(1,522)
	Total comprehensive income/(loss), net of tax	5,598	88	13,271	(1,522)

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1(a)(iii) Distribution Statements

		4Q 2022	4Q 2021	12 Months 2022	12 Months 2021
	Note	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the period		5,598	88	13,271	(1,522)
Add: Non-cash adjustments	(a)	(3,541)	1,049	(4,581)	6,918
Net cash generated from operations		2,057	1,137	8,690	5,396
Less: Repayment of secured bank loans		(891)	(750)	(3,564)	(2,741)
Prepayment of secured bank loans	(b)	-	-	-	-
Income available for distribution		1,166	387	5,126	2,655
Add: Utilisation of cash retained from previous periods	(c)	-	-	-	157
Less: Cash retained in the current period		(1,166)	(387)	(4,101)	-
Net distributable amount		-	-	1,025	2,812
Capital distribution		-	-	27,264	59,070
Total distribution	(d)	-	-	28,289	61,882
Comprising:(i) Tax-exempt distribution		-	-	28,282	61,837
(ii) Tax-exempt (one-tier) distribution		-	-	7	45
Amount to be distributed		-	-	28,289	61,882
Units at end of period ('000)		1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)		-	-	1.60	3.50

Note(s):

(a) Non-cash adjustments

	Group			
	4Q 2022	4Q 2021	12 Months 2022	12 Months 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels [^]	743	1,080	3,620	5,285
Impairment on vessels	953	149	953	2,718
Gain on disposal of vessels	(5,238)	(180)	(9,158)	(1,085)
Amortisation of initial direct costs ^{^^}	1	-	4	-
	(3,541)	1,049	(4,581)	6,918

[^] Excluding amortisation of dry-docking costs.

^{^^} Excluding amortisation of deferred arrangement fees.

- (b) For the year ended 31 December 2021, US\$28.8 million of the cash proceeds from the disposal of the two LR2 product tanker newbuildings was used to prepay secured bank loans. However, as these amounts were not generated from operations, it had not been included in this statement.
- (c) Distributions are not limited to the amount of the net distributable amount as distributions can also be made from proceeds from the sale of vessels.
- (d) No distribution has been recommended by the Board for the fourth quarter of 2022.

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1(b)(i) Condensed Interim Statements of Financial Position

		31 December 2022		31 December 2021	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels	(a)	33,913	-	66,171	-
Subsidiaries		-	27,534	-	28,318
		33,913	27,534	66,171	28,318
Current assets					
Trade and other receivables		1,438	110	4,946	83
Cash and cash equivalents	(b)	30,116	23,673	3,667	792
Non-current assets classified as held-for-sale	(a)	-	-	8,890	-
		31,554	23,783	17,503	875
Total assets					
		65,467	51,317	83,674	29,193
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(510,190)	(531,952)	(495,172)	(539,235)
Total equity		51,142	29,380	66,160	22,097
Non-current liabilities					
Secured bank loans	(c)	10,107	-	13,507	-
Current liabilities					
Trade and other payables		808	21,931	645	7,095
Secured bank loans	(c)	3,404	-	3,361	-
Income tax payable		6	6	1	1
		4,218	21,937	4,007	7,096
Total liabilities		14,325	21,937	17,514	7,096
Total equity and liabilities		65,467	51,317	83,674	29,193

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1(b)(i) Condensed Interim Statements of Financial Position (cont'd)

Note(s):

(a) Vessels

Group	<u>Vessels</u> US\$'000	<u>Initial</u> <u>direct costs</u> US\$'000	<u>Total</u> US\$'000
12 months ended 31 December 2022			
<u>Cost</u>			
At 1 January 2022	249,988	2,237	252,225
Additions	1,316	-	1,316
Disposal	(130,116)	(697)	(130,813)
At 31 December 2022	121,188	1,540	122,728
Less:			
<u>Accumulated depreciation/ amortisation and impairments</u>			
At 1 January 2022	183,866	2,188	186,054
Depreciation/amortisation charge for the period	3,908	4	3,912
Impairment recognised in the income state- ment	953		953
Disposal	(101,407)	(697)	(102,104)
At 31 December 2022	87,320	1,495	88,815
<u>Carrying amount</u>			
At 31 December 2022	33,868	45	33,913
As at 31 December 2021			
Cost	249,988	2,237	252,225
Less: Accumulated depreciation/ amortisation and impairments	183,866	2,188	186,054
Net book value	66,122	49	66,171

During the twelve-month period ended 31 December 2022, the Group disposed one product tanker (*FSL Singapore*) in October 2022, one chemical tanker (*FSL London*) in July 2022 and one crude oil tanker (*FSL Hong Kong*) in June 2022 for a total net cash consideration of approximately US\$46,757,000, resulting in a gain on disposal of US\$9,158,000.

During the twelve-month period ended 31 December 2022, the Group recognised an impairment on vessel amounting to US\$953,000 based on fair value less costs of disposal (FY 2021: US\$2,718,000 based on value in use calculations/fair value less costs of disposal). As at 31 December 2022, the carrying amount of the vessels was US\$33,913,000 (FY 2021: US\$66,171,000).

As at 31 December 2021, the Group reclassified one chemical tanker, *FSL London*, as non-current assets classified as held-for-sale. The vessel was disposed in July 2022.

The value in use calculations use discounted cash flow projections based on the projected cash flows over the remaining useful life of each vessel and its projected residual value, which was based on the average scrap steel price per lightweight ton in recent years or the values obtained from third party sources.

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1(b)(i) Condensed Interim Statements of Financial Position (cont'd)

Note(s):

(a) Vessels (cont'd)

The fair value less costs of disposal is based on the sale of similar vessels and is therefore within Level 2 of the fair value hierarchy.

Vessel portfolio as at 31 December 2022:

<u>Name</u>	<u>Type</u>	<u>Built</u>	<u>Capacity</u>	<u>Employment Type</u>
Cumbrian Fisher	Product Tanker	2004	12,921 DWT	Bareboat Charter
Clyde Fisher	Product Tanker	2005	12,984 DWT	Bareboat Charter
Pelican Fisher	Product Tanker	2008	9,596 DWT	Bareboat Charter
Shannon Fisher	Product Tanker	2006	5,421 DWT	Bareboat Charter
Solway Fisher	Product Tanker	2006	5,421 DWT	Bareboat Charter
Speciality	Product Tanker	2006	4,426 DWT	Bareboat Charter
Seniority	Product Tanker	2006	4,426 DWT	Bareboat Charter
Superiority	Product Tanker	2007	4,426 DWT	Bareboat Charter

(b) Cash and cash equivalents comprise:

	31 December 2022		31 December 2021	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks	7,550	1,107	3,667	792
Short-term deposits	22,566	22,566	-	-
Cash and cash equivalents	30,116	23,673	3,667	792
Cash and cash equivalents in the Consolidated Statement of Cash Flows	30,116	23,673	3,667	792

(c) Aggregate amount of the Group's borrowings and debt securities

	31 December 2022	31 December 2021
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	3,564	3,564
Less: Unamortised debt transaction costs	(160)	(203)
	3,404	3,361
<u>Repayable after one year</u>		
Secured bank loans	10,322	13,886
Less: Unamortised debt transaction costs	(215)	(379)
	10,107	13,507

1(b)(i) Condensed Interim Statements of Financial Position (cont'd)

Note(s):

(c) Aggregate Amount of the Group's Borrowings and Debt Securities (cont'd)

In May 2021, the Trustee-Manager, on behalf of FSL Trust, through six of its subsidiaries, entered into a US\$15 million term loan facility agreement with Chailease International Financial Services (Singapore) Pte. Ltd. for the refinancing of six vessels. In October 2021, the Trustee-Manager, on behalf of FSL Trust, through one of its subsidiaries, entered into another US\$3.95 million term loan facility agreement with Chailease International Financial Services (Singapore) Pte. Ltd. for the refinancing of one vessel. The pricing of the two loans is USD LIBOR plus 3.975% and each of the loans is secured by the following collaterals:

- (i) a first priority mortgage over the relevant vessel(s);
- (ii) a first priority assignment of the relevant vessels' rights, title, interest in the insurances to and for each relevant vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the relevant vessels' rights, title and interest in and to the charter agreements and the charter income of each relevant vessel;
- (iv) pledges of the shares of the relevant vessel-owning subsidiaries and their bank accounts; and
- (v) a corporate guarantee by the Trustee-Manager, on behalf of FSL Trust.

The aggregate outstanding balance under the loans was US\$13.89 million as at 31 December 2022 and, as at 31 December 2022, the Group is in compliance with the terms of the loans.

Effect of IBOR reform

Following the global financial crisis, the reform and replacement inter-bank offered rates ("IBOR") has become a priority for global regulators. The Group's risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate bank loans that are linked to the USD LIBOR.

USD LIBOR loses its representativeness after 30 June 2023. The Group has variable rate USD bank loans which references to LIBOR and matures after 30 June 2023. The expected transition from LIBOR to the Secured Overnight Financing Rate (SOFR) had no material effect on the amounts reported for the current and prior financial years.

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1(c) Condensed Interim Consolidated Statement of Cash Flows

	Note	Group			
		4Q 2022	4Q 2021	12 Months 2022	12 Months 2021
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
Profit/(Loss) before tax		5,604	89	13,277	(1,521)
Adjustments for:					
Depreciation expense on vessels		743	1,168	3,908	5,786
Impairment on vessels		953	149	953	2,718
Amortisation of debt transaction costs		46	54	207	290
Amortisation of initial direct costs		1	1	4	1
Interest income		(106)	(5)	(116)	(31)
Interest expense		280	174	895	604
Gain on disposal of vessels		(5,238)	(180)	(9,158)	(1,085)
		2,283	1,450	9,970	6,762
Changes in working capital:					
Trade and other receivables		1,362	(648)	3,542	690
Inventories		-	347	-	-
Trade and other payables		(37)	(622)	152	(1,002)
Lease income received in advance		-	-	-	(756)
Cash generated from operations		3,608	527	13,664	5,694
Income tax paid		-	-	(1)	(11)
Cash flows generated from/(used in) operating activities		3,608	527	13,663	5,683
Investing activities:					
Acquisition of vessel		-	-	-	(5,000)
Vessels initial direct costs		-	3	-	(54)
Costs incurred for the vessels under construction		-	181	-	(59,510)
Costs incurred for vessel equipment		(490)	(1,154)	(962)	(4,516)
Costs incurred for dry-docking		-	(405)	(354)	(1,320)
Interest received		72	5	82	31
Net proceeds on disposal of vessels		16,979	89	46,757	124,024
Cash flows generated from/(used in) investing activities		16,561	(1,281)	45,523	53,655
Financing activities:					
Loan drawdown		-	3,950	-	18,950
Security deposit	(a)	-	(100)	-	(600)
Payment of upfront closing fees		-	(130)	-	(711)
Distribution to unitholders		-	(26,521)	(28,289)	(61,882)
Pledged deposit		-	-	-	500
Repayment of secured bank loans		(891)	(750)	(3,564)	(2,741)
Prepayment of secured bank loans		-	-	-	(28,761)
Interest paid		(274)	(172)	(884)	(620)
Cash flows generated from/(used in) financing activities		(1,165)	(23,723)	(32,737)	(75,865)
Net increase/(decrease) in cash and cash equivalents		19,004	(24,477)	26,449	(16,527)
Cash and cash equivalents at beginning of period		11,112	28,144	3,667	20,194
Cash and cash equivalents at end of period		30,116	3,667	30,116	3,667
Comprising:-					
Cash at Bank		7,550	3,667	7,550	3,667
Short-term deposits		22,566	-	22,566	-
		30,116	3,667	30,116	3,667

1(c) Condensed Interim Consolidated Statement of Cash Flows (cont'd)

Note(s):

- (a) In accordance with the terms of the relevant term loan facility agreements referred to in note (c) to paragraph 1(b)(i) above, two security deposits in the amount of US\$0.5 million and US\$0.1 million, respectively, were placed with Chailease International Financial Services (Singapore) Pte. Ltd. The security deposits will be returned upon full and final repayment of the loans (or partially upon repayment of a tranche relating to a vessel), including interest and any other amounts due and payable.

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1(d)(i) Condensed Interim Statements of Changes in Unitholders' Funds

	Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2022 Group				
At 1 January 2022	561,332	(6,725)	(488,447)	66,160
Total comprehensive income for the period	-	-	13,271	13,271
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(28,289)	(28,289)
At 31 December 2022	561,332	(6,725)	(503,465)	51,142

	Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2021 Group				
At 1 January 2021	561,332	(6,725)	(425,043)	129,564
Total comprehensive loss for the period	-	-	(1,522)	(1,522)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(61,882)	(61,882)
At 31 December 2021	561,332	(6,725)	(488,447)	66,160

	Units in Issue	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000
2022 Trust			
At 1 January 2022	561,332	(539,235)	22,097
Total comprehensive income for the period	-	35,572	35,572
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(28,289)	(28,289)
At 31 December 2022	561,332	(531,952)	29,380

	Units in Issue	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000
2021 Trust			
At 1 January 2021	561,332	(483,463)	77,869
Total comprehensive income for the period	-	6,110	6,110
Contribution by and distribution to unitholders:			
Distribution to unitholders	-	(61,882)	(61,882)
At 31 December 2021	561,332	(539,235)	22,097

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1(d)(ii) and 1(d)(iii) Details of any changes in Units and total number of issued units

Note	4Q 2022 Units	FY 2021 Units
At the beginning of the period	1,768,057,636	1,768,057,636
Units issued during the period	-	-
At the end of the period	1,768,057,636	1,768,057,636

There were no treasury shares and no subsidiary holdings as at 31 December 2022 and as at 31 December 2021.

1(d)(iv) Sales, transfers, cancellation and/or use of treasury units

Nil.

1(d)(v) Sales, transfers, cancellation and/or use of subsidiary holdings

Nil.

1(e) Notes to the Condensed Interim Consolidated Financial Statements

(i) Basis of preparation

The condensed interim financial statements for the twelve months ended 31 December 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and the Group's performance since the most recent audited annual financial statements for the year ended 31 December 2021.

The financial statements are presented in United States Dollars (US\$), which is the Trust's functional currency. All financial information presented in US\$ have been rounded to the nearest thousand (US\$'000), unless otherwise stated.

The Group has applied the same accounting policies and methods of computation applied in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2021.

(ii) Changes to accounting policies

The Group has adopted new and revised International Financial Reporting Standards ("IFRSs"), that are mandatory for application from 1 January 2022. The adoption of these IFRSs Interpretations and amendments to IFRSs did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

(iii) Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(iii) Use of judgements and estimates (cont'd)

Critical accounting estimates and assumptions

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next interim period.

Estimated useful lives of vessels

The Group estimates the useful lives of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful lives of the vessels (25 years) are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the relevant asset. In addition, the estimation of the useful lives of the vessels is on the collective assessment of industry practice, internal technical evaluation and experience with similar vessels.

Estimated residual values of vessels

The Group reviews the residual values of the vessels at each reporting date to ensure that the carrying amounts are consistent with the estimated value of a future disposal.

The residual values of the vessels are estimated based on the average scrap steel price per light weight ton in recent years. In determining the residual values of vessels leased on a long-term bareboat charter basis under operating lease agreements, the Group has considered various factors such as the type, size, age of these vessels and the existing lease arrangements.

Impairment assessment of vessels

Impairment is recognised when events and circumstances indicate that the vessel may be impaired and the carrying amount of the vessel exceeds the recoverable amount. The recoverable amount for each vessel is determined based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on a "value-in-use" methodology.

For the value-in-use calculations, the Group determined the cash flows based on past performance and their expectation of market development. The Group prepared the value-in-use calculation based on projected cash flows over the remaining useful life of each vessel and its projected residual value.

The projected cash inflows are based on existing charter contract rates and/or inflation-adjusted daily rates from observable historical trends of 5 to 10 years. Management has adjusted the projected cash flows with management's assessment of the achievable cash flows based on recent performance of the vessels and the age of the vessels.

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses using a pre-tax discount rate of 14.08% (December 2021: 11.72%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows.

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(iii) Use of judgements and estimates (cont'd)

Critical judgements

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the interim financial statements are as follows:

Classification of leases

The Group owns vessels and leases them to lessees under fixed rate bareboat arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

(iv) Seasonal operations

The Group's businesses are affected by seasonal and cyclical factors as the Group is active in the shipping industry which is cyclical and subject to seasonality and volatility based on factors beyond the control of the Group. In particular, the Group owns several tanker vessels which are used in the transport of oil and oil products which have seasonal demand fluctuations influenced by, inter alia, climate and weather conditions. Tanker markets are typically stronger during the winter months as a result of cooler temperatures and higher oil consumption in the northern hemisphere, but weaker during the spring and summer months as a result of warmer temperatures and lower oil consumption in the northern hemisphere, and refinery maintenance which is typically conducted in the summer months. The seasonality may result in quarter-to-quarter volatility in the operating and financial results of the Group. Cyclical changes in the market environment, such as a worsening of the current global economic conditions, affecting the demand for seaborne transportation of oil and oil products, changes in the supply and demand for oil and oil products, changes in the supply of tonnage and/or other unpredictable events may also cause tanker freight rates and vessel values to fluctuate and decline, adversely affecting the operations and financial results of the Group.

(v) Segment reporting

The Trustee-Manager has determined the Group as one reportable segment as the Group is involved in the leasing and chartering of vessels which is carried out in international waters.

Geographical information

Revenue from external customers are attributed to the regions based on the customers' country of origin.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(v) Segment reporting (cont'd)

	Revenue	
	12 Months 2022	12 Months 2021
	US\$'000	US\$'000
Asia	2,132	15,953
Europe	8,056	7,264
North America	14,036	1,758
Total	24,224	24,975

With respect to the presentation of vessels by geographical information, the Group deals with several lessees and the vessels are deployed to various parts of the world at the discretion and direction of these lessees. Accordingly, the Trustee-Manager does not consider it meaningful to allocate vessels to specific geographical locations.

(vi) Disaggregation of revenue

	Group	
	12 Months 2022	12 Months 2021
	US\$'000	US\$'000
<u>Performance obligations satisfied over time</u>		
Bareboat charter lease income	8,056	7,265
Time charter income	-	4,388
Pool income	1,486	3,939
Freight income	14,682	9,383
Total	24,224	24,975

Bareboat charter lease income relates to lease income derived from operating leases, time charter income relates to income derived from two vessels time chartered to an international transportation provider, pool income relates to income substantially derived from vessels deployed on pool arrangements, and freight income relates to income derived from vessels trading in the spot market.

(vii) Significant items

	Group	
	12 Months 2022	12 Months 2021
	US\$'000	US\$'000
<u>Income</u>		
Gain on disposal of vessels	9,158	1,085
<u>Expenses</u>		
Depreciation on vessels	(3,908)	(5,786)
Impairment on vessels	(953)	(2,718)
Finance expenses		
- bank loans	(891)	(602)
- interest to agent	(4)	(2)
- amortisation of debt transaction costs	(207)	(290)
Net foreign exchange gain/(loss)	31	(2)
Total finance expenses	(1,071)	(896)

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(viii) Related party transactions

Significant transactions with related parties are as follows conducted at terms agreed between the parties.

	Group	
	12 Months 2022	12 Months 2021
	US\$'000	US\$'000
<u>Transactions with the Trustee-Manager</u>		
Management fees	832	455
Trustee fees	16	25
Disposal fees	246	106
Acquisition fees	-	50
<u>Transactions with other related parties</u>		
Directors' fees paid to non-executive directors ⁽¹⁾	142	219
Corporate secretarial fees paid to FSL Asset Management Pte Ltd ⁽²⁾	12	-
Technical management fees paid to Prime Tanker Management Inc. ⁽³⁾	322	142
Commercial management fees paid to Prime Tanker Management Inc. ⁽³⁾	179	10

⁽¹⁾ Directors' fees paid to the four non-executive, independent directors.

⁽²⁾ FSL Asset Management Pte Ltd is the 100% shareholder of FSL Trust Management Pte Ltd, who is deemed interested in 77 of the Trust's issued units as at 31 December 2022.

⁽³⁾ Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 1,283,671,008 of the Trust's issued units as at 31 December 2022.

(ix) Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	Group	
	12 Months 2022	12 Months 2021
	US\$'000	US\$'000
<u>Income tax</u>		
Current tax expense	6	1
Over provision in prior year	-	-
Total	6	1

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)

(x) Commitments

(a) Operating lease commitments

The undiscounted lease payments from the operating leases, excluding options, to be received after the reporting date are as follows:

	Group	
	31 December 2022	31 December 2021
	US\$'000	US\$'000
Within one year	7,977	7,738
Between one to two years	6,868	6,142
Between two to three years	6,038	5,020
Between three to four years	1,670	5,053
Between four to five years	1,077	1,670
After five years	1,844	2,921
Total	25,474	28,544

(xi) Fair Value Measurement

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Vessels

Fair value measurement disclosure of vessels is disclosed in paragraph 1(b)(i) Note (a).

(b) Non-derivative financial liabilities

The carrying amount of the variable rate bank loans, which are repriced on a monthly or quarterly basis at prevailing market interest rates (Level 2), closely reflects the corresponding fair values.

(c) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values due to their short period to maturity and where the effect of discount is immaterial.

The Group does not have financial assets at fair value through comprehensive income.

(xii) Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The condensed statements of financial position of the Group and the Trust as at 31 December 2022 and the related condensed consolidated income statements, condensed statements of comprehensive income and condensed consolidated statement of cash flows of the Group and the condensed statements of changes in unitholders' funds of the Group and the Trust for the nine-month period then ended and certain explanatory notes have not been audited or reviewed.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

Refer to paragraph 1(e)(ii).

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Refer to paragraph 1(b)(i)(a), 1(e)(ii) and 8(b)(i).

6. Earnings per unit ("EPU") and Distribution per unit ("DPU") for the current financial period reported on and the corresponding period of the immediately preceding financial year

	Group			
	4Q 2022	4Q 2021	12 Months 2022	12 Months 2021
Basic and diluted earnings/(loss) per unit is based on:				
Profit/(Loss) for the period (US\$'000)	5,598	88	13,271	(1,522)
Weighted average number of issued units (basic and diluted) ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Basic and diluted earnings/(loss) per unit based on weighted average number of units in issue (US Cents)	0.32	- *	0.75	(0.09)
Number of issued units at end of period ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)	-	-	1.60	3.50

As at 31 December 2022, the Trust did not have any outstanding instrument with potentially dilutive effect.

* Less than 0.01 US cents.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

7. Net Asset Value (“NAV”) per unit based on units at the end of the current financial period reported on and immediately preceding financial year

	Note	31 December 2022		31 December 2021	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.03	0.02	0.04	0.01

Note(s):

(a) Net asset value (based on book value) per unit was calculated based on the applicable number of units issued as at the end of the respective period.

8. Review of Performance

The breakdown of the revenue and the net result from operations is as follows:

4Q 2022 vs 4Q 2021

	Group		
	4Q 2022	4Q 2021	Change
	US\$'000	US\$'000	%
Revenue	3,175	4,945	(35.8)
Voyage expenses	(392)	(500)	(21.6)
Vessel operating expenses	(245)	(2,290)	(89.3)
Management fees	(334)	(107)	212.1
Trustee fees	(3)	(5)	(40.0)
Other Trust expenses [^]	88	(602)	N.M.
Adjusted EBITDA^{^^}	2,289	1,441	58.8
Depreciation expense on vessels	(743)	(1,168)	(36.4)
Impairment on vessels	(953)	(149)	539.6
Gain on disposal of vessels	5,238	180	N.M.
Results from operating activities (EBIT)	5,831	304	N.M.
Finance income	106	5	N.M.
Finance expenses	(333)	(220)	51.4
Profit before tax (EBT)	5,604	89	N.M.
Income tax expense	(6)	(1)	500.0
Profit for the quarter	5,598	88	N.M.

[^] Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors' fees, professional fees, take over costs, printing, investor relations and others.

^{^^} Excluding gains/losses from the disposal of vessels and vessel impairments.

8. Review of Performance (cont'd)

a. Adjusted EBITDA

Bareboat charter

i) Specialised tankers

All eight vessels are on bareboat charter to James Fisher Everard Limited and generated an adjusted EBITDA of US\$1.84 million in aggregate in the quarter under review.

Pool/Revenue Sharing Agreement/Spot

i) Product tanker

FSL Singapore was deployed in a MR pool until May 2021, when she entered spot trading. The vessel generated an adjusted EBITDA of US\$0.53 million in the quarter under review. The Trust sold the product tanker, *FSL Singapore*, in October 2022.

ii) Crude oil tanker

FSL Hong Kong had been deployed in a revenue sharing agreement since April 2017 with short periods trading spot. The vessel generated an adjusted EBITDA of US\$0.05 million in the quarter under review. The Trust sold the crude oil tanker, *FSL Hong Kong*, in June 2022.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 36.4% (US\$0.43 million) as a result of the disposal of one crude oil tanker in June 2022 and one product tanker in October 2022.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount of *Cumbrian Fisher* had exceeded the recoverable amount and an impairment of US\$0.95 million for the vessel was recognized in the quarter under review.

c. Results from operating activities

FSL Trust generated an operating profit of US\$5.83 million in the quarter under review, compared to US\$0.30 million in the same period last year.

d. Finance expenses

Finance expenses in 4Q 2022, including an exchange loss of US\$7,000 (4Q 2021: exchange gain of US\$8,000), increased by 51.4% (US\$0.11 million) mainly due to an increase in USD LIBOR rates.

For 4Q 2022, FSL Trust achieved a net profit of US\$5.60 million (4Q 2021: US\$0.09 million).

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

8. Review of Performance (cont'd)

The breakdown of the revenue and the net result from operations is as follows:

FY 2022 vs FY 2021

	Group		
	12 Months 2022	12 Months 2021	Change
	US\$'000	US\$'000	%
Revenue	24,224	24,975	(3.0)
Voyage expenses	(7,658)	(4,610)	66.1
Vessel operating expenses	(5,123)	(11,155)	(54.1)
Management fees	(832)	(455)	82.9
Trustee fees	(16)	(25)	(36.0)
Other Trust expenses [^]	(660)	(1,967)	(66.4)
Adjusted EBITDA^{^^}	9,935	6,763	46.9
Depreciation expense on vessels	(3,908)	(5,786)	(32.5)
Impairment on vessels	(953)	(2,718)	(64.9)
Gain on disposal of vessels	9,158	1,085	744.1
Results from operating activities (EBIT)	14,232	(656)	N.M.
Finance income	116	31	274.2
Finance expenses	(1,071)	(896)	19.5
Profit/(Loss) before tax (EBT)	13,277	(1,521)	N.M.
Income tax expense	(6)	(1)	500.0
Profit/(Loss) for the period	13,271	(1,522)	N.M.

[^] Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors' fees, professional fees, take over costs, printing, investor relations and others.

^{^^} Excluding gains/losses from the disposal of vessels and vessel impairments.

a. Adjusted EBITDA

Specialised tankers

i) Product tankers

Pelican Fisher, acquired by the Trust in September 2021 is on bareboat charter to James Fisher Everard. Together with the other seven product tankers on bareboat charter to James Fisher Everard, they generated an adjusted EBITDA of US\$7.41 million in FY 2022 (FY 2021: US\$6.90 million).

Pool/Revenue Sharing Agreement/Spot

i) Chemical tankers

FSL London was employed under a time charter until August 2021, when she entered spot trading. As a result, the ownership days for vessels employed under time charter reduced, whilst ownership days for vessels trading spot increased y-o-y. The vessel incurred an adjusted EBITDA of (US\$1.59) million in FY 2022 (FY 2021: generated an adjusted EBITDA of US\$1.84 million). The Trust sold the two chemical tankers, *FSL New York* and *FSL London*, in September 2021 and July 2022 respectively, which resulted in a reduction of ownership days y-o-y.

8. Review of Performance (cont'd)

Pool/Revenue Sharing Agreement/Spot (cont'd)

ii) Product tankers

FSL Singapore was deployed in a MR pool until May 2021, when she entered spot trading. The vessel generated an adjusted EBITDA of US\$5.29 million in FY 2022 (FY 2021: incurred an adjusted EBITDA (US\$0.02) million). The Trust sold two product tankers, *FSL Singapore* and *FSL Osaka*, in October 2022 and March 2021 respectively.

iii) Crude oil tanker

FSL Hong Kong has been deployed in a revenue sharing agreement since April 2017 with short periods trading spot. The vessel incurred an adjusted EBITDA of (US\$0.49) million in FY 2022 (FY 2021: (US\$0.83) million). The Trust sold the crude oil tanker, *FSL Hong Kong*, in June 2022, which resulted in a reduction of ownership days y-o-y.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 32.5% (US\$1.88 million) as a result of lower depreciation expenses of US\$1.82 million due to the disposals of one product tanker and one chemical tanker in FY 2021 and one product tanker, one crude oil tanker and one chemical tanker during the year.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount *Cumbrian Fisher* had exceeded the recoverable amount and an impairment of US\$0.95 million for the vessel was recognized.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$14.23 million in FY 2022 (FY 2021: operating loss of US\$0.66 million).

d. Finance expenses

Finance expenses in FY 2022, including an exchange gain of US\$31,000 (FY 2021: exchange loss of US\$2,000), increased 19.5% (US\$0.18 million) mainly due to an increase in USD LIBOR rates offset with lower outstanding indebtedness and amortisation of debt transaction costs.

For the year ended 31 December 2022, FSL Trust generated a net profit of US\$13.28 million (FY 2021: incurred a net loss of US\$1.52 million).

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Tanker market conditions are currently softer than the second half of the previous year. Factors influencing demand include the reduction in production from OPEC exporters, warmer weather in Europe and the Chinese New Year holidays that came directly after lifting of the zero-Covid policy in China.

Market strengthening is possible as demand from China recovers and the longer-haul trade flows due to cargo dislocations persist, which may result from the impact of the Russia-Ukraine conflict. Any increase in demand may be adversely affected by macro-economic headwinds such as recession in some major economies.

The medium-term outlook remains generally positive with the orderbook for tanker newbuildings being at a record low of just 5% of fleet capacity and contracting for new tankers is currently muted. Additionally the introduction of new environmental regulations from 2023 onwards is expected to have a positive impact on supply fundamentals and, thus, tanker market conditions.

All of the Trust's vessels operate under fixed-rate period charters and the market exposure of the Trust is limited to one vessel that has an additional profit share.

11. Distribution

(a) Current financial period

Any distributions declared for the current financial period : No

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the previous corresponding period : No

12. If no distribution has been declared/recommendeded, a statement to that effect and the reason(s) for the decision

To conserve liquidity for investment opportunities.

13. If the Group has obtained a general mandate from unitholders for Interested Party Transaction ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

FSL Trust does not have any unitholders' mandate for IPT.

14. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Trustee-Manager, FSL Trust Management Pte. Ltd. confirms that it has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

15. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER 2022

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to Section 8.

17. Breakdown of Revenue and Net Profit

	Group		
	FY 2022	FY 2021	Change
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	13,420	12,807	4.8
(b) Net profit after tax reported for first half year	2,232	879	153.9
(c) Revenue reported for second half year	10,804	12,168	(11.2)
(d) Net profit/(loss) after tax reported for second half year	11,039	(2,401)	N.M.

18. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2022

	FY 2022	FY 2021
	US\$'000	US\$'000
In respect of the period:		
1 July 2022 to 30 September 2022	-	-
1 April 2022 to 30 June 2022	28,289	-
1 January 2022 to 31 March 2022	-	-
1 October 2021 to 31 December 2021	-	-
1 July 2021 to 30 September 2021	-	26,521
1 April 2021 to 30 June 2021	-	-
1 January 2021 to 31 March 2021	-	35,361
1 October 2020 to 31 December 2020	-	-

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust, or any of its principal subsidiaries who is related to a director, chief executive officer or substantial shareholder of FSLTM.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, changes in operating expenses, Trust expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

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

Roger Woods
Chief Executive Officer
13 February 2023