



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 30 JUNE 2020

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

As at 30 June 2020, the vessel portfolio comprised 17 vessels, including 15 containerships and tankers of different sizes on the water and 2 tanker newbuildings under construction. Of the 15 vessels on the water, 10 vessels are chartered to international shipping companies on fixed-rate period charters. The 2 tanker newbuildings under construction are expected to be delivered to FSL Trust in late 2020 and early 2021, respectively.

The combined portfolio of vessels (excluding the 2 newbuildings under construction) had an average age of approximately 13 years and a dollar-weighted average remaining lease period of approximately 1 year (excluding extension periods and early buy-out options).

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

Summary of FSL Trust Consolidated Results

	2Q 2020	2Q 2019	Inc/ (Dec)	1H 2020	1H 2019	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	14,512	16,303	(11.0)	32,924	35,393	(7.0)
Adjusted EBITDA ⁽¹⁾	10,182	10,294	(1.1)	22,735	21,766	4.5
Profit for the quarter/ period	1,326	2,032	(34.7)	8,006	5,041	58.8
Net distributable amount	-	-	-	26,521	-	100.0
Amount to be distributed	-	-	-	26,521	-	100.0
Distribution per unit ("DPU") (US Cents)	-	-	-	1.50	-	100.0
Average number of vessels	15.0	18.0	(16.7)	15.7	18.5	(15.1)

Note(s):

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

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1(a)(i) Consolidated Income Statements

		Group					
Note		2Q 2020	2Q 2019	Inc/ (Dec)	1H 2020	1H 2019	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
	Revenue	14,512	16,303	(11.0)	32,924	35,393	(7.0)
	Depreciation expense on vessels	(4,970)	(6,304)	(21.2)	(10,424)	(12,608)	(17.3)
(a)	Gain on disposal of vessels	10	9	11.1	2,689	9	N.M.
(b)	Impairment on vessels	(3,271)	-	100.0	(5,305)	-	100.0
(c)	Voyage expenses	15	79	(81.0)	(282)	(438)	(35.6)
	Vessel operating expenses	(3,368)	(5,300)	(36.5)	(8,014)	(10,712)	(25.2)
	Management fees	(453)	(457)	(0.9)	(1,006)	(1,002)	0.4
	Trustee fees	(12)	(13)	(7.7)	(26)	(26)	-
	Other Trust expenses	(512)	(318)	61.0	(861)	(1,449)	(40.6)
	Results from operating activities	1,951	3,999	(51.2)	9,695	9,167	5.8
	Finance income	89	54	64.8	253	54	368.5
	Finance expenses	(706)	(2,021)	(65.1)	(1,944)	(4,180)	(53.5)
	Profit before tax	1,334	2,032	(34.4)	8,004	5,041	58.8
	Income tax (expenses)/ write back	(8)	-	100.0	2	-	100.0
	Profit for the quarter/ period	1,326	2,032	(34.7)	8,006	5,041	58.8

Note(s):

- (a) Including amortization of dry-docking costs.
- (b) This relates to the sale of the two product tankers (*FSL Piraeus* and *FSL Perth*) in January 2020 and one crude oil tanker (*FSL Shanghai*) in March 2020.
- (c) This relates to the impairment recognised on two chemical tankers (*FSL New York* and *FSL London*) and three specialised tankers (*Speciality*, *Seniority* and *Superiority*) in 2Q 2020. (refer to paragraph 8(b)(ii)).

1(a)(ii) Statements of Comprehensive Income

		Group			
		2Q 2020	2Q 2019	1H 2020	1H 2019
		US\$'000	US\$'000	US\$'000	US\$'000
	Profit for the quarter/ period	1,326	2,032	8,006	5,041
	Total comprehensive income, net of tax	1,326	2,032	8,006	5,041

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1(a)(iii) Distribution Statements

	Note	2Q 2020	2Q 2019	1H 2020	1H 2019
		US\$'000	US\$'000	US\$'000	US\$'000
Profit for the quarter/ period		1,326	2,032	8,006	5,041
Add: Non-cash adjustments	(a)	7,965	5,976	12,491	11,961
Net cash generated from operations		9,291	8,008	20,497	17,002
Less: Repayment of secured bank loans		(5,484)	(5,020)	(12,322)	(10,760)
Prepayment of secured bank loans	(b)	(2,944)	-	(2,944)	-
Income available for distribution		863	2,988	5,231	6,242
Add: Utilisation of cash retained from previous periods	(c)	-	-	22,153	-
Less: Cash retained in the current period		(863)	(2,988)	(863)	(6,242)
Net distributable amount	(d)	-	-	26,521	-
Amount available for distribution		-	-	26,521	-
Comprising:(i) Tax-exempt distribution		-	-	26,347	-
(ii) Tax-exempt (one-tier) distribution		-	-	174	-
Amount to be distributed		-	-	26,521	-
Units at end of quarter ('000)		1,768,058	1,593,641	1,768,058	1,593,641
Distribution per unit (US Cents)		-	-	1.50	-

Note(s):

(a) Non-cash adjustments

	Group			
	2Q 2020	2Q 2019	1H 2020	1H 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels ¹	4,698	5,978	9,862	11,956
Impairment on vessels	3,271	-	5,305	-
Gain on disposal of vessels	(10)	(9)	(2,689)	(9)
Amortisation of initial direct costs ²	6	7	13	14
	7,965	5,976	12,491	11,961

- (b) In 2Q 2020, prepayments of US\$2.9 million were made to reduce the outstanding loan balance. In 1Q 2020, US\$15.7 million of the cash proceeds from the sale of two product tankers and one crude oil tanker were used to prepay the secured bank loan. However, as the US\$15.7 million was generated from the sale of the vessels instead of operations, it has not been included in this statement.
- (c) The amount of distribution is not limited to the amount of net distributable amount as distributions can also be made from proceeds arising from the sale of any vessel.
- (d) No distribution has been recommended by the Board for the second quarter of 2020.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		30 Jun 2020		31 Dec 2019	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
	Note				
Non-current assets					
Vessels	(c)	158,278	-	180,702	-
Subsidiaries		-	31,847	-	31,847
		158,278	31,847	180,702	31,847
Current assets					
Inventories		361	-	-	-
Trade and other receivables		8,368	52,285	13,181	97,262
Cash and cash equivalents	(a)	33,281	20,800	42,436	29,063
Non-current assets classified as held-for-sale	(c)	-	-	38,877	-
		42,010	73,085	94,494	126,325
Total assets					
		200,288	104,932	275,196	158,172
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(403,487)	(456,585)	(358,451)	(403,410)
Total equity					
		157,845	104,747	202,881	157,922
Non-current liabilities					
Secured bank loans	(b)	15,761	-	34,517	-
Current liabilities					
Trade and other payables		2,019	185	2,215	211
Secured bank loans	(b)	23,899	-	35,544	-
Lease income received in advance		756	-	-	-
Income tax payable		8	-	39	39
		26,682	185	37,798	250
Total liabilities					
		42,443	185	72,315	250
Total equity and liabilities					
		200,288	104,932	275,196	158,172

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

Note(s):

- (a) Cash and cash equivalents comprise:

	30 Jun 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	16,281	3,800	16,190	2,817
Fixed deposits with financial institutions	17,000	17,000	26,246	26,246
Cash and cash equivalents	33,281	20,800	42,436	29,063
Less: Restricted cash [^]	(500)	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	32,781	20,800	41,936	29,063

[^] The restricted cash is the minimum cash balance maintained with a lender in accordance to the respective loan facility agreement.

Fixed deposits with financial institutions mature on varying periods, substantially between 1 to 6 months. Interest rates ranging from 0.03% to 2.20% per annum.

- (b) Aggregate Amount of the Group's Borrowings and Debt Securities

	30 Jun 2020	31 Dec 2019
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	24,140	36,120
Less: Unamortised debt transaction costs	(241)	(576)
	23,899	35,544
<u>Repayable after one year</u>		
Secured bank loans	15,819	34,757
Less: Unamortised debt transaction costs	(58)	(240)
	15,761	34,517

In FY 2018, the Trustee-Manager, on behalf of FSL Trust, has through its subsidiaries secured the following term loan facilities:

- (a) US\$50 million facility agreement with Hellenic Bank Public Company Limited;
(b) US\$40 million facility agreement with Chailease International Financial Services Co., Ltd.; and
(c) US\$18 million facility agreement with Amsterdam Trade Bank N.V.

The weighted average interest margin over LIBOR of the three loans is 4.012%.

The aggregate outstanding balance of the loan facilities as at 30 June 2020 was US\$40.0 million.

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

As at 30 June 2020, the Group is in compliance with the terms of the loan agreements.

The term loan facilities are secured on the following:

- (i) a first priority mortgage over the Group's vessels;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledge of the shares of all the vessel-owning subsidiaries.

(c) Vessels

Vessels comprise:

	30 Jun 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Vessels				
Operating Vessels	121,098	-	158,597	-
Vessels under construction	37,180	-	22,105	-
	158,278	-	180,702	-

Plan approval is completed and works have been proceeding as scheduled. Keel laying for Hull no. 944 and Hull no. 945 were completed in March 2020 and April 2020 respectively. Hull no. 944 was launched and afloat on 14 Jun 2020.

As at 31 December 2019, the Group reclassified two product tankers to non-current assets classified as held-for-sale. The Group recorded an impairment on these vessels amounting to US\$5.0 million in aggregate in the income statement for the financial year ended 31 December 2019.

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1(c) Consolidated Statement of Cash Flows

	Note	Group			
		2Q 2020	2Q 2019	1H 2020	1H 2019
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
Profit before tax		1,334	2,032	8,004	5,041
Adjustments for:					
Depreciation expense on vessels		4,970	6,304	10,424	12,608
Impairment on vessels		3,271	-	5,305	-
Amortisation of debt transaction costs		143	344	517	648
Amortisation of initial direct costs		43	54	97	108
Interest income		(89)	(54)	(253)	(54)
Interest expense		556	1,690	1,438	3,539
Gain on disposal of vessels		(10)	(9)	(2,689)	(9)
		10,218	10,361	22,843	21,881
Changes in working capital:					
Trade and other receivables		1,482	1,254	4,780	1,464
Inventories		(361)	227	(361)	-
Trade and other payables		(371)	(632)	285	(458)
Lease income received in advance		756	-	756	(1,688)
Cash generated from operating activities		11,724	11,210	28,303	21,199
Income tax paid		-	-	(29)	-
Cash flows generated from operating activities		11,724	11,210	28,274	21,199
Investing activities:					
Vessels initial direct costs		-	95	-	(7)
Costs incurred for the vessels under construction	(a)	(9,990)	-	(15,075)	(10,416)
Costs incurred for vessel equipment		(15)	(132)	(1,049)	(279)
Interest received		217	11	286	11
Net proceeds on disposal of vessels		10	10,998	64,288	10,998
Cash flows (used in)/generated from investing activities		(9,778)	10,972	48,450	307
Financing activities:					
Loan from Sponsor		-	-	-	10,000
Proceeds from preferential offering		-	20,991	-	20,991
Units issued costs		-	(186)	-	(186)
Distribution to unitholders		(26,521)	-	(53,042)	-
Repayment of secured bank loans		(5,484)	(5,020)	(12,322)	(10,760)
Prepayment of secured bank loans		(2,944)	(4,152)	(18,596)	(4,152)
Interest paid		(866)	(1,254)	(1,919)	(3,120)
Cash flows (used in)/generated from financing activities		(35,815)	10,379	(85,879)	12,773
Net (decrease)/increase in cash and cash equivalents		(33,869)	32,561	(9,155)	34,279
Cash and cash equivalents at beginning of period		66,650	15,099	41,936	13,381
Cash and cash equivalents at end of period		32,781	47,660	32,781	47,660
Comprising:-					
Cash at Bank		15,781	15,650	15,781	15,650
Short-term deposits		17,000	32,010	17,000	32,010
		32,781	47,660	32,781	47,660

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

Note(s):

(a) Update of the use of proceeds from the Preferential Offering

As at 30 June 2020, the Trust had fully utilised the net proceeds of US\$31.00 million from the Preferential Offering as follows:

Use of proceeds	2Q 2020	Total
	US\$'000	US\$'000
Full repayment of the amounts outstanding under the Bridging Loan ⁽ⁱⁱⁱ⁾	-	10,220 ⁽ⁱ⁾
Second instalment of 10% of the consideration for New Vessel hull N944 and N945	-	9,760
Third instalment of 10% of the consideration for New Vessel hull N944	-	4,880
Third instalment of 10% of the consideration for New Vessel hull N945	4,880	4,880
Part of the fourth instalment of 10% of the consideration for New Vessel hull N944	1,260	1,260 ⁽ⁱⁱ⁾
Total	6,140	31,000

Note(s):

- i) The Bridging Loan was applied towards the first instalments of the aggregate consideration for the New Vessels hulls N944 and N945.
- ii) The balance net proceeds of US\$1.26 million together with US\$3.62 million of available cash and cash equivalents of FSL Trust was used to pay the fourth instalment of US\$4.88 million in relation to New Vessel hull N944.
- iii) As of 3 June 2019 upon the completion of the Preferential Offering and pursuant to the set-off arrangement between the Group with FSL Holdings Pte. Ltd., the Sponsor, the amount outstanding under the bridging loan of US\$10.00 million and the related outstanding accrued interest of US\$0.22 million were set-off against the subscription monies for New and excess Units.

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

2020 Group

At 1 April 2020
 Total comprehensive income for the quarter
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 30 June 2020

Units in Issue	Option premium on convertible bonds	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
561,332	-	(6,725)	(371,567)	183,040
-	-	-	1,326	1,326
-	-	-	(26,521)	(26,521)
561,332	-	(6,725)	(396,762)	157,845

2019 Group

At 1 April 2019
 Preferential offering
 Units issued costs
 Total comprehensive income for the quarter
 At 30 June 2019

Units in Issue	Option premium on convertible bonds	Foreign Currency Translation Reserve	Accumulated Profit/ (Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,284	560	(6,725)	(358,848)	158,271
31,215	-	-	-	31,215
(186)	-	-	-	(186)
-	-	-	2,032	2,032
554,313	560	(6,725)	(356,816)	191,332

2020 Trust

At 1 April 2020
 Total comprehensive loss for the quarter
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 30 June 2020

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	-	(429,952)	131,380
-	-	(112)	(112)
-	-	(26,521)	(26,521)
561,332	-	(456,585)	104,747

2019 Trust

At 1 April 2019
 Preferential offering
 Units issued costs
 Total comprehensive loss for the quarter
 At 30 June 2019

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	560	(408,145)	115,699
31,215	-	-	31,215
(186)	-	-	(186)
-	-	(337)	(337)
554,313	560	(408,482)	146,391

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

	Note	2Q 2020 Units	FY 2019 Units
At the beginning of the period		1,768,057,636	637,456,577
Preferential Offering	(1)	-	956,184,865
Conversion of Bonds	(2)	-	174,416,194
At the end of the period		1,768,057,636	1,768,057,636

There are no treasury shares and no subsidiary holdings as at 30 June 2020 and as at 30 June 2019.

(1) Preferential Offering

At the Extraordinary General Meeting of the Trust held on 22 April 2019, Unitholders voted in favour of the Trust's proposed preferential offering. Pursuant to the Preferential Offering, an aggregate of 956,184,865 New Units have been issued by FSL Trust on 7 June 2019.

(2) Convertible Bonds

On 21 May 2018, the Trust issued US\$7,250,000 in principal amount of Convertible Bonds due in 2020 which were convertible by holders into units of the Trust at any time during the Term at conversion price of US\$0.05687 per unit.

With effect from 7 June 2019, being the date of issue of the New Units pursuant to the Preferential Offering, the Conversion Price was adjusted to S\$0.05644.

The Subscriber, on 15 July 2019, exercised its right to convert all of the Bonds in accordance with the terms and conditions of the Bond Subscription Agreement. Therefore, the Bonds were converted into 174,416,194 New Units at the Adjusted Conversion Price of S\$0.05644 (equivalent to approximately US\$0.04157 based on an exchange rate of S\$1 to US\$0.7365 on 15 July 2019) for each New Unit.

Following the issue of 956,184,865 New Units in June under the Preferential Offering, and the issue of 174,416,194 New Units in July following the conversion of the Bond, the total number of issued units in FSL Trust has increased from 637,456,577 Units to 1,768,057,636 Units.

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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.

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

The figures have not been audited or reviewed by the auditors.

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

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2019, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2020.

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

Depreciation on containership - FSL Eminence (previously known as YM Eminence)

The vessel was redelivered to FSL Trust upon the expiry of bareboat lease and is currently in the yard for repair. With the expiry of the bareboat charter operating lease arrangements, the expected useful life of the vessel was revised from 12 years to 20 years and the basis of estimating the respective residual values was also changed.

The changes in the expected useful life and residual value of the vessel constitute a change in estimates. The effects of the change were applied prospectively from July 2020. As a result of the change, the effect in current and future years for the vessel are as follow:

	2020	2021 to 2022	2023 onwards
	US\$'000	US\$'000	US\$'000
Aggregate increase in depreciation expense	80	275	734

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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			
	2Q 2020	2Q 2019	1H 2020	1H 2019
Basic and diluted earnings per unit is based on:				
Weighted average number of issued units (basic) ('000)	1,768,058	858,115	1,768,058	748,395
Basic earnings per unit based on weighted average number of units in issue (US Cents)	0.07	0.24	0.45	0.67
Weighted average number of issued units (diluted) ('000) ^(a)	1,768,058	996,429	1,768,058	881,324
Diluted earnings per unit based on weighted average number of units in issue (US Cents) ^(b)	0.07	0.23	0.45	0.63
Number of issued units at end of quarter/ period ('000)	1,768,058	1,593,641	1,768,058	1,593,641
Distribution per unit (US Cents)	-	-	1.50	-

Note(s):

- (a) For the purpose of calculating the diluted EPU, the weighted average number of units in issue is adjusted to take into account the dilutive effect arising from full conversion of convertible bonds to units for 2Q 2019 and 1H 2019.
- (b) For the purpose of calculating the diluted EPU, interest expenses on the convertible bond of US\$0.24 million and US\$0.48 million was added back to the net profit for 2Q 2019 and 1H 2019 respectively.

As at 30 June 2020, the Trust do not have any outstanding instrument with potentially dilutive effect.

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	30 Jun 2020		31 Dec 2019	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.09	0.06	0.11	0.09

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/year.

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8. Review of Performance

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

2Q 2020 vs 2Q 2019

	Group		
	2Q 2020	2Q 2019	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	14,512	16,303	(11.0)
Voyage expenses	15	79	(81.0)
Vessel operating expenses	(3,368)	(5,300)	(36.5)
Management fees	(453)	(457)	(0.9)
Trustee fees	(12)	(13)	(7.7)
Other Trust expenses ¹	(512)	(318)	61.0
Adjusted EBITDA ²	10,182	10,294	(1.1)
Depreciation expense on vessels	(4,970)	(6,304)	(21.2)
Impairment on vessels	(3,271)	-	100.0
Gain on disposal of vessels	10	9	11.1
Results from operating activities (EBIT)	1,951	3,999	(51.2)
Finance income	89	54	64.8
Finance expenses	(706)	(2,021)	(65.1)
Profit before tax (EBT)	1,334	2,032	(34.4)
Income tax write-back	(8)	-	100.0
Profit for the quarter	1,326	2,032	(34.7)

a. Adjusted EBITDA

Bareboat charter

Bareboat charter rentals generated adjusted EBITDA of US\$5.3 million in the quarter under review.

Time charter

i) Chemical tankers

The two chemical tankers, *FSL New York* and *FSL London* have been employed on time charter from 12 June 2018 and 19 June 2018 respectively after exiting the spot market. The one optional year of the time charters for both vessels were exercised in June 2020. These vessels generated adjusted EBITDA of US\$0.8 million in the quarter under review.

¹ 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.

² Excluding gains/losses from the disposal of vessels and vessel impairments.

8. Review of Performance (cont'd)

Pool/Revenue Sharing Agreement ('RSA')

i) Product tankers

FSL Osaka entered an MR pool managed by Hafnia Management ('Hafnia Pool') in November 2015. In the quarter under review, the vessel generated net pool revenue of US\$2.0 million. After deducting vessel operating expenses, the vessel generated adjusted EBITDA of US\$1.4 million.

FSL Singapore entered an MR pool managed by Hafnia Management ('Hafnia Pool') on 23 April 2018. In the quarter under review, the vessel generated net pool revenue of US\$1.9 million. After deducting vessel operating expenses, the vessel generated adjusted EBITDA of US\$1.3 million.

ii) Crude oil tankers

FSL Hong Kong is employed on a RSA (Revenue Sharing Agreement) from 14 April 2017. In the quarter under review, the vessel generated net pool revenues of US\$2.3 million. After deducting vessel operating expenses, the vessels generated an adjusted EBITDA of US\$1.4 million.

FSL Shanghai is employed on a RSA (Revenue Sharing Agreement) from 12 September 2017 and was ultimately sold to an unaffiliated third party on 30 March 2020. In the quarter under review, the vessel generated deferred pool revenues with an adjusted EBITDA of US\$0.5 million.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 21.4% (US\$1.3 million) due to lower depreciation expenses arising from the disposal of two product tankers and one crude oil tanker in January 2020 and March 2020, respectively, and change in residual value and useful life of one containership;

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, it was assessed that the carrying amount of *FSL New York*, *FSL London*, *Speciality*, *Seniority* and *Superiority* had exceeded the recoverable amount and an impairment of US\$3.27 million for the five vessels was recognized.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$2.0 million in this quarter, compared to US\$4.0 million in the same period last year.

d. Finance expenses

Finance expenses in 2Q 2020, including an exchange loss of US\$7,000 (2Q 2019: exchange gain of US\$14,000), decreased by 65.1% (US\$1.3 million) mainly due to the lower outstanding indebtedness, lower amortisation of debt transaction costs and non-incurrence of bond interest.

For 2Q 2020, FSL Trust achieved net profits of US\$1.3 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The COVID-19 pandemic and its impact on the world economy and global trade continues to be the dominating factor for the shipping industry in 2020 and causes disruptions to demand for seaborne transportation and operations of vessels. FSL Trust continues to carefully monitor the developments and the potential effects on its business, operations and financial performance. The solid financial position and contracted revenue of the Trust provide a certain level of downside protection and we expect that the Trust will be able to meet all its obligations.

11. Distribution

(a) Current financial period

Any distributions declared for : No
the current financial period

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for : No
the previous corresponding
period

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

Whilst the Trust currently has a solid liquidity position, the Board of Directors has concluded that the preservation of cash is an essential duty in times of economic uncertainties caused by the COVID-19 pandemic to prevent potential adverse effects to the Trust, in particular in light of the upcoming deliveries of the 2 newbuildings under construction. The Board of Directors reviews the ability of the Trust to declare distributions on a quarterly basis.

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 by the Board pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 30 June 2020 to be false or misleading in any material aspect.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 30 JUNE 2020**

- 15. The Trustee-Manager, FSL Trust Management Pte. Ltd., has procured undertakings required under Rule 720(1), from all its directors and executive officers.**

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

Markus Wenker
Chief Financial Officer
4 August 2020