



FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

Corporate Information

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

As at 30 June 2021, the vessel portfolio comprised 11 vessels of which 8 vessels were chartered to international shipping companies on fixed-rate period charters with 1 vessel employed in a pool and the other 2 vessels trading in the spot market.

The combined portfolio of vessels had an average age of approximately 15 years and a dollar-weighted average remaining lease period of approximately 3 years (excluding 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

	2Q 2021	2Q 2020	Inc/ (Dec)	1H 2021	1H 2020	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	6,229	14,512	(57.1)	12,807	32,924	(61.1)
Adjusted EBITDA ⁽¹⁾	2,169	10,182	(78.7)	4,693	22,735	(79.4)
Profit for the quarter/ period	543	1,326	(59.0)	879	8,006	(89.0)
Net distributable amount	-	-	-	1,310	26,521	(95.1)
Amount to be distributed	-	-	-	35,361	26,521	33.3
Distribution per unit (US Cents)	-	-	-	2.00	1.50	33.3
Average number of vessels	11.0	15.0	(26.7)	11.5	15.7	(26.8)

Note(s):

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

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

		Group					
Note	2Q 2021	2Q 2020	Inc/ (Dec)	1H 2021	1H 2020	Inc/ (Dec)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
	Revenue	6,229	14,512	(57.1)	12,807	32,924	(61.1)
	Depreciation expense on vessels	(1,622)	(4,970)	(67.4)	(3,302)	(10,424)	(68.3)
(a)	Gain on disposal of vessels	102	10	920.0	567	2,689	(78.9)
(b)	Impairment on vessels	-	(3,271)	(100.0)	(619)	(5,305)	(88.3)
	Voyage expenses	(741)	15	N.M.	(1,188)	(282)	321.3
	Vessel operating expenses	(2,875)	(3,368)	(14.6)	(6,098)	(8,014)	(23.9)
	Management fees	(111)	(453)	(75.5)	(238)	(1,006)	(76.3)
	Trustee fees	(7)	(12)	(41.7)	(15)	(26)	(42.3)
	Other Trust expenses	(326)	(512)	(36.3)	(575)	(861)	(33.2)
	Results from operating activities	649	1,951	(66.7)	1,339	9,695	(86.2)
	Finance income	13	89	(85.4)	20	253	(92.1)
	Finance expenses	(119)	(706)	(83.1)	(480)	(1,944)	(75.3)
	Profit before tax	543	1,334	(59.3)	879	8,004	(89.0)
	Income tax expense/(credit)	-	(8)	(100.0)	-	2	(100.0)
	Profit for the period	543	1,326	(59.0)	879	8,006	(89.0)
	Earnings per unit (US cents)						
	Basic	0.03	0.07	(57.1)	0.05	0.45	(88.9)
	Diluted	0.03	0.07	(57.1)	0.05	0.45	(88.9)

Note(s):

- (a) Including amortization of dry-docking costs.
(b) This relates to the sale of the one containership (*FSL Enhancer*) in October 2020, two product tankers (*FSL Suez* and *FSL Fos*) in February 2021 and one product tanker (*FSL Osaka*) in March 2021.

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

		Group			
		2Q 2021	2Q 2020	1H 2021	1H 2020
		US\$'000	US\$'000	US\$'000	US\$'000
	Profit for the period	543	1,326	879	8,006
	Total comprehensive income, net of tax	543	1,326	879	8,006

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

1(a)(iii) Distribution Statements

	Note	2Q 2021	2Q 2020	1H 2021	1H 2020
		US\$'000	US\$'000	US\$'000	US\$'000
Profit for the period		543	1,326	879	8,006
Add: Non-cash adjustments	(a)	1,375	7,965	3,046	12,491
Net cash generated from operations		1,918	9,291	3,925	20,497
Less: Repayment of secured bank loans		-	(5,484)	(1,241)	(12,322)
Prepayment of secured bank loans	(b)	-	(2,944)	-	(2,944)
Income available for distribution		1,918	863	2,684	5,231
Add: Utilisation of cash retained from previous periods	(c)	-	-	544	22,153
Less: Cash retained in the current period		(1,918)	(863)	(1,918)	(863)
Net distributable amount		-	-	1,310	26,521
Capital distribution		-	-	34,051	-
Total distribution	(d)	-	-	35,361	26,521
Comprising:(i) Tax-exempt distribution		-	-	35,335	26,347
(ii) Tax-exempt (one-tier) distribution		-	-	26	174
Amount to be distributed		-	-	35,361	26,521
Units at end of period ('000)		1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)		-	-	2.00	1.50

Note(s):

(a) Non-cash adjustments

	Group			
	2Q 2021	2Q 2020	1H 2021	1H 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels [^]	1,477	4,698	2,994	9,862
Impairment on vessels	-	3,271	619	5,305
Gain on disposal of vessels	(102)	(10)	(567)	(2,689)
Amortisation of initial direct costs ^{^^}	-	6	-	13
	1,375	7,965	3,046	12,491

[^] Excluding amortisation of dry-docking costs.

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

(b) In 1Q 2021, an aggregate amount of US\$28.8 million of the cash proceeds from the disposal of the two product tankers *FSL Suez* and *FSL Fos* was used to prepay secured bank loans. However, as this amount was not generated from operations, it has not been included in the distribution statement. In 2Q 2020, prepayments of US\$2.9 million were made to reduce the outstanding loan balance.

(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 second quarter of 2021.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

		30 Jun 2021		31 Dec 2020	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels	(a)	79,897	-	136,105	-
Subsidiaries		-	35,072	-	35,072
		79,897	35,072	136,105	35,072
Current assets					
Trade and other receivables		4,400	61	5,036	32,145
Cash and cash equivalents	(b)	26,709	7,924	20,694	10,877
		31,109	7,985	25,730	43,022
Total assets		111,006	43,057	161,835	78,094
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(466,250)	(519,259)	(431,768)	(483,463)
Total equity		95,082	42,073	129,564	77,869
Non-current liabilities					
Secured bank loans	(c)	11,639	-	13,303	-
Current liabilities					
Trade and other payables		1,473	984	1,663	214
Lease income received in advance		-	-	756	-
Secured bank loans	(c)	2,812	-	16,538	-
Income tax payable		-	-	11	11
		4,285	984	18,968	225
Total liabilities		15,924	984	32,271	225
Total equity and liabilities		111,006	43,057	161,835	78,094

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

Note(s):

(a) Vessels

Group	<u>Vessels</u> US\$'000	<u>Vessels un- der construc- tion</u> US\$'000	<u>Initial di- rect costs</u> US\$'000	<u>Total</u> US\$'000
6 months ended 30 June 2021				
<u>Cost</u>				
At 1 January 2021	372,964	43,319	2,716	418,999
Additions	2,053	59,726	4	61,783
Disposals	(22,872)	(103,045)	(533)	(126,450)
At 30 June 2021	352,145	-	2,187	354,332
Less:				
<u>Accumulated depreciation/ amortisation and impairments</u>				
At 1 January 2021	280,630	-	2,264	282,894
Depreciation/amortisation charge for the period	3,302	-	-	3,302
Impairment recognised in the income statement	619	-	-	619
Disposals	(12,303)	-	(77)	(12,380)
At 30 June 2021	272,248	-	2,187	274,435
<u>Carrying amount</u>				
At 30 June 2021	79,897	-	-	79,897
As at 31 December 2020				
Cost	372,964	43,319	2,716	418,999
Accumulated depreciation/ amortisation and impairments	280,630	-	2,264	282,894
Net book value	92,334	43,319	452	136,105

During the six-month period ended 30 June 2021, the Group disposed two product tankers (*FSL Suez* and *FSL Fos*) in February 2021 and one product tanker (*FSL Osaka*) in March 2021 for a total net cash consideration of approximately US\$114,511,000, resulting in a gain on disposal of US\$440,000.

In addition, during the six-month period ended 30 June 2021, there was a revision to the gain on disposal of US\$ 127,000 for one containership, *FSL Enhancer*, disposed in October 2020.

During the six-month period ended 30 June 2021, the Group recognised an impairment on vessels amounting to US\$619,000 based on value in use calculations (1H 2020: US\$5,305,000 based on value in use calculations/fair value less costs of disposal). As at 30 June 2021, the carrying amount of the vessels was US\$79,897,000 (Dec 2020: US\$136,105,000).

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 light weight tonne in recent years or the values obtained from third party sources.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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 30 June 2021:

<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
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
FSL Singapore	Product Tanker	2006	47,470 DWT	Spot
FSL New York	Chemical Tanker	2006	19,970 DWT	Spot
FSL London	Chemical Tanker	2006	19,966 DWT	Time Charter*
FSL Hong Kong	Crude Oil Tanker	2007	115,000 DWT	Revenue Sharing Agreement

* The vessel was redelivered to the Trust at the end of the term of its time charter in July 2021 and is trading spot since then.

(b) Cash and cash equivalents comprise:

	30 Jun 2021		31 Dec 2020	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	26,709	7,924	20,694	10,877
Less: Restricted cash [^]	-	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	26,709	7,924	20,194	10,877

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

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

	30 Jun 2021		31 Dec 2020	
	US\$'000		US\$'000	
Secured bank loans				
<u>Repayable within one year</u>				
Secured bank loans		3,000		16,666
Less: Unamortised debt transaction costs		(188)		(128)
		2,812		16,538
<u>Repayable after one year</u>				
Secured bank loans		12,000		13,336
Less: Unamortised debt transaction costs		(361)		(33)
		11,639		13,303

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 loan facility agreement with Chailease International Financial Services (Singapore) Pte. Ltd.

The margin of the loan is 3.975% over LIBOR and the outstanding balance under the loan facility as at 30 June 2021 was US\$15.0 million.

As at 30 June 2021, the Group is in compliance with the terms of the loan agreement.

The term loan facility is secured on the following:

- (i) a first priority mortgage over the six vessels;
- (ii) a first priority assignment of the six vessels' 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 six vessels' rights, title and interest in and to the charter agreements and the charter income of each vessel;
- (iv) pledges of the shares of the six vessel-owning subsidiaries and their bank accounts; and
- (v) a corporate guarantee by the Trustee-Manager, on behalf of FSL Trust.

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

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

The US\$40 million loan facility agreement with Chailease International Financial Services Co., Ltd. was fully repaid in FY 2020.

The US\$50 million loan facility agreement with Hellenic Bank Public Company Limited and the US\$18 million loan facility agreement with Amsterdam Trade Bank N.V. were fully prepaid in March 2021.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

1(c) Condensed Interim Consolidated Statement of Cash Flows

	Note	Group			
		2Q 2021	2Q 2020	1H 2021	1H 2020
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
Profit before tax		543	1,334	879	8,004
Adjustments for:					
Depreciation expense on vessels		1,622	4,970	3,302	10,424
Impairment on vessels		-	3,271	619	5,305
Amortisation of debt transaction costs		22	143	183	517
Amortisation of initial direct costs		-	43	-	97
Interest income		(13)	(89)	(20)	(253)
Interest expense		71	556	278	1,438
Gain on disposal of vessels		(102)	(10)	(567)	(2,689)
		2,143	10,218	4,674	22,843
Changes in working capital:					
Trade and other receivables		492	1,482	1,136	4,780
Inventories		-	(361)	-	(361)
Trade and other payables		(530)	(371)	(173)	285
Lease income received in advance		(731)	756	(756)	756
Cash generated from operating activities		1,374	11,724	4,881	28,303
Income tax paid		-	-	(11)	(29)
Cash flows generated from operating activities		1,374	11,724	4,870	28,274
Investing activities:					
Vessels initial direct costs		-	-	(4)	-
Costs incurred for the vessels under construction		148	(9,990)	(59,726)	(15,075)
Costs incurred for vessel equipment		(1,123)	(15)	(2,053)	(1,049)
Interest received		15	217	20	286
Net proceeds on disposal of vessels		(46)	10	114,637	64,288
Cash flows (used in)/generated from investing activities		(1,006)	(9,778)	52,874	48,450
Financing activities:					
Loan drawdown		15,000	-	15,000	-
Security deposit	(a)	(500)	-	(500)	-
Payment of upfront closing fees		(571)	-	(571)	-
Distribution to unitholders		(35,361)	(26,521)	(35,361)	(53,042)
Pledged deposit		-	-	500	-
Repayment of secured bank loans		-	(5,484)	(1,241)	(12,322)
Prepayment of secured bank loans		-	(2,944)	(28,761)	(18,596)
Interest paid		(54)	(866)	(295)	(1,919)
Cash flows used in from financing activities		(21,486)	(35,815)	(51,229)	(85,879)
Net (decrease)/increase in cash and cash equivalents		(21,118)	(33,869)	6,515	(9,155)
Cash and cash equivalents at beginning of period		47,827	66,650	20,194	41,936
Cash and cash equivalents at end of period		26,709	32,781	26,709	32,781
Comprising:-					
Cash at Bank		26,709	15,781	26,709	15,781
Short-term deposits		-	17,000	-	17,000
		26,709	32,781	26,709	32,781

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

Note(s):

- (a) In accordance with the terms of the relevant loan facility agreement, a security deposit in the aggregate amount of US\$0.5 million was placed with Chailease International Financial Services (Singapore) Pte. Ltd. The security deposit will be returned upon full and final repayment of the loan (or partially upon repayment of a tranche relating to a vessel), including interest and any other amounts due and payable.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

2021 Group

At 1 January 2021
 Total comprehensive income for the period
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 30 June 2021

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(425,043)	129,564
-	-	879	879
-	-	(35,361)	(35,361)
561,332	(6,725)	(459,525)	95,082

2020 Group

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

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(351,726)	202,881
-	-	8,006	8,006
-	-	(53,042)	(53,042)
561,332	(6,725)	(396,762)	157,845

2021 Trust

At 1 January 2021
 Total comprehensive loss for the quarter
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 30 June 2021

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(483,463)	77,869
-	(435)	(435)
-	(35,361)	(35,361)
561,332	(519,259)	42,073

2020 Trust

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

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(403,410)	157,922
-	(133)	(133)
-	(53,042)	(53,042)
561,332	(456,585)	104,747

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

Note	2Q 2021 Units	FY 2020 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 30 June 2021 and as at 30 June 2020.

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 six months ended 30 June 2021 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 2020.

The financial statements are presented in United States Dollars, which is the Trust's functional currency. All financial information presented in United States Dollars have been rounded to the nearest thousand, 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 2020.

(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 2021. 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.

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

(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.

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 tonne 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.

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

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

Impairment Assessment of Vessels (cont'd)

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses using a pre-tax discount rate of 11.00% (Dec 2020: 11.00%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows.

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 financial statements are as follows:

Classification of Leases

The Group owns vessels and leases them to lessees under fixed rate bareboat/time charter 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.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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

(v) Segment Reporting (cont'd)

	Revenue	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
Asia	9,382	19,206
Europe	3,425	3,260
Others	-	10,458
	<u>12,807</u>	<u>32,924</u>

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	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
<u>Performance obligations satisfied over time</u>		
Bareboat charter lease income	3,425	12,274
Time charter income	3,977	4,183
Pool income	3,113	15,930
Freight income	2,292	537
	<u>12,807</u>	<u>32,924</u>

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	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
<u>Income</u>		
Gain on disposal of vessels	567	2,689
<u>Expenses</u>		
Depreciation on vessels	(3,302)	(10,424)
Impairment on vessels	(619)	(5,305)
Finance expenses		
- bank loans	(276)	(1,434)
- interest to agent	(2)	(4)
- amortisation of debt transaction costs	(183)	(517)
Net foreign exchange loss	(19)	11
	<u>(480)</u>	<u>(1,944)</u>

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
Transactions with the Trustee-Manager:		
Management fees	238	1,006
Trustee fees	15	26
Disposal fees	56	329
Transactions with other related parties:		
Directors' fees paid to non-executive directors ⁽¹⁾	110	106
Technical management fees paid to Prime Tanker Management Inc ⁽²⁾	28	205

⁽¹⁾ Directors' fees paid to the four Non-Executive and Independent Directors.

⁽²⁾ Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 1,292,288,508 of the Trust's issued units as at 30 June 2021.

(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	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
<u>Income tax</u>		
Current tax expense	-	8
Over provision in prior year	-	(10)
	-	(2)

(x) Commitments

(a) Operating lease commitments

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

	Group	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
Within one year	3,554	9,663
Between one to two years	5,037	6,962
Between two to three years	5,146	1,204
Between three to four years	3,995	1,222
Between four to five years	4,015	-
After five years	594	-
	22,341	19,051

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

1(e) Notes to the Condensed Interim Consolidated Financial Statements (cont'd)**(x) Commitments (cont'd)****(b) Capital commitments**

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group	
	<u>30 June 2021</u>	<u>30 June 2020</u>
	US\$'000	US\$'000
<u>Shipbuilding contracts (Two LR2 Product Tankers)</u>		
Within one year	-	<u>63,440</u>

(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 (c).

(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 other 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 SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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 30 June 2021 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 six-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(e)(ii).

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 2021	2Q 2020	1H 2021	1H 2020
Basic and diluted earnings per unit is based on:				
Profit for the quarter (US\$'000)	543	1,326	879	8,006
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 per unit based on weighted average number of units in issue (US Cents)	0.03	0.07	0.05	0.45
Number of issued units at end of quarter/ period ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)	-	-	2.00	1.50

As at 30 June 2021, the Trust did not have any outstanding instrument with potentially dilutive effect.

FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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 2021		31 Dec 2020	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.05	0.02	0.07	0.04

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.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

8. Review of Performance

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

2Q 2021 vs 2Q 2020

	Group		
	2Q 2021	2Q 2020	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	6,229	14,512	(57.1)
Voyage expenses	(741)	15	N.M.
Vessel operating expenses	(2,875)	(3,368)	(14.6)
Management fees	(111)	(453)	(75.5)
Trustee fees	(7)	(12)	(41.7)
Other Trust expenses [^]	(326)	(512)	(36.3)
Adjusted EBITDA^{^^}	2,169	10,182	(78.7)
Depreciation expense on vessels	(1,622)	(4,970)	(67.4)
Impairment on vessels	-	(3,271)	(100.0)
Gain on disposal of vessels	102	10	920.0
Results from operating activities (EBIT)	649	1,951	(66.7)
Finance income	13	89	(85.4)
Finance expenses	(119)	(706)	(83.1)
Profit before tax (EBT)	543	1,334	(59.3)
Income tax write-back	-	(8)	(100.0)
Profit for the period	543	1,326	(59.0)

[^] 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

Bareboat charter

i) Product tankers

The seven product tankers on bareboat charter to James Fisher Everard generated an adjusted EBITDA of US\$1.6 million in the quarter under review.

Time charter/Spot

i) Chemical tankers

The two chemical tankers, *FSL New York* and *FSL London*, have been employed on time charters since 12 June 2018 and 19 June 2018, respectively. The time charters have a firm period of two years each with the option for the charterer to extend the time charters by one year each. The one-year extension options for both vessels were exercised by the charterer in June 2020. *FSL New York* entered spot trading on 12 June 2021. These vessels generated an adjusted EBITDA of US\$0.6 million in the quarter under review.

8. Review of Performance (cont'd)

Pool/Revenue Sharing Agreement ('RSA')/Spot

i) Product tankers

FSL Osaka was deployed in a MR pool since November 2015 and entered spot trading on 17 January 2021. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$0.09 million in the quarter under review. *FSL Osaka* was sold on 23 March 2021.

FSL Singapore was deployed in a MR pool in April 2018 and entered spot trading on 01 May 2021. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$0.3 million in the quarter under review.

ii) Crude oil tankers

FSL Hong Kong has been deployed in a RSA (Revenue Sharing Agreement) since April 2017. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$0.08) million in the quarter under review.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 67.4% (US\$3.3 million) as a result of the disposal of one product tanker in March 2021 and three containerships during the year 2020.

c. Results from operating activities

FSL Trust generated an operating profit of US\$0.6 million in the quarter under review, compared to US\$2.0 million in the same period last year.

d. Finance expenses

Finance expenses in 2Q 2021, including an exchange loss of US\$26,000 (2Q 2020: US\$7,000), decreased by 83.1% (US\$0.6 million) mainly due to the lower outstanding indebtedness and LIBOR rates and lower amortisation of debt transaction costs.

For 2Q 2021, FSL Trust generated a net profit of US\$0.5 million.

9. Variance from Prospect Statement

Not applicable.

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10. Outlook and Prospects

The reduced oil production and refinery throughput driven by soft demand for oil and oil products impacted by the COVID-19 pandemic is continuing to weigh on freight rates for tankers, which have reached multi-year lows. Whilst uncertainties remain as to when demand will recover and return to pre-pandemic levels, there are some positive signals in the markets as OPEC+ recently announced to increase oil production, air traffic is picking up and the contracting of tanker newbuildings remains muted amid technological uncertainties surrounding environmental regulations.

With 7 of the 11 vessels in the portfolio operating under fixed-rate period charters and contracted revenue of approx. US\$22.3 million, providing stability and cash flow visibility, and ample liquidity, the Trust is in a solid financial position and continues to follow the strategy of disposing older, environmentally less friendly vessels that do not have period charter coverage, whilst focusing to develop accretive projects.

11. Distribution

(a) Current financial period

Any distributions declared for : No
the current financial period

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for : no
the previous corresponding pe-
riod

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 robust liquidity position, the Board of Directors has concluded not to declare a distribution for the second quarter of 2021 to mitigate potential adverse effects due to the continuous impact of the COVID-19 pandemic on the shipping markets, and to maintain flexibility to take advantage of the markets if and when accretive investment opportunities arise. 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.

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FIRST SHIP LEASE TRUST – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

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. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Trustee-Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material aspect.

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
3 August 2021